

# **Monitoring MDG 1 poverty reduction in middle income countries:**

**Bulgaria, Moldova, Chile, Costa Rica, El Salvador, Honduras and Mexico<sup>1\*</sup>**

**Final report to UNDP-BDP Poverty Group, New York**

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\*This is Part II of a two part report evaluating the sources of inconsistency among poverty rates used in national MDG Reports and those reported as “global monitoring” estimates by the UN and World Bank. This report focuses on middle income and transition economies (Bulgaria, Chile, Costa Rica, El Salvador, Mexico, plus Honduras and Trinidad and Tobago). Part 1 of this report focuses on poverty trends Bangladesh, the largest “Least Developed Country” and a country that has a special place in the development of poverty measures. Maria Davalos prepared Appendix A on Poverty and Inequality data sources. Both reports benefitted greatly from numerous meetings of the Poverty Group’s MDG Data Quality project, especially Nuzhat Ahmad, Nora Lustig, Selim Jahan, Craig Fagan, Emmanuel Letouze, Rosendo Ramirez. Nuzhat Ahmad commissioned this report and directed its preparation. Maria Davalos and Elitza Mileva provided excellent research assistance in preparing the Latin America and Eastern Europe tables. The views expressed in this report are, of course, solely those of the author, and should not be attributed to Poverty Group or other participants in the MDG data quality project.

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<sup>1</sup> This is part 2, of the a two part report on inconsistencies in global monitoring poverty estimates and those prepared by national statistical authorities or other regional agencies such as CEPAL, SEDLAC or Eurostat.

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## 2.0 Introduction and Summary

By targeting \$1/day poverty, Millennium Development Goal 1 directs attention to the poorest nations and the poorest groups within these countries. However, many middle income countries have pockets of poverty, especially those with high inequality. For many of these countries the MDG 1 target of halving \$1/day poverty may not be relevant in part because the group below this poverty line is often less than 2% of the population. It difficult to have such a small group dominate national poverty reduction policy. The response of most middle income countries is to raise the bar a bit and define their own MDG 1 targets. These often focus on a higher national poverty line or particular sub-groups of the poor. Chile for example, targets families that are already involved in one of its transfer programs. Of course, if countries choose their own targets it becomes more difficult to monitor progress at the global or regional level. This is where regional agencies, such as CEPAL and ESCAP or the regional development banks can play a role.

Many transition economies undertook major reform programs and/or suffered sharp income loses during the mid 1990s. A number of countries gained independence or changed their borders on economic systems after 1990, the benchmark year for the poverty MDGs. Due to crises and revisions to national accounts and borders, using a 1990 benchmarking for MDG progress may not be possible or desirable. A number of transition countries, such as Bulgaria, have been involved the European Union accession process. This process brings them under the purview of Eurostat, the EU statistical agency that uses a relative as opposed to absolute definition of poverty. CEPAL also use a poverty definition with some relative components. Except for the share of the bottom quintile, all of the MDG goal 1 targets focus on absolute deprivation. The tension between relative and absolute poverty measures adds yet another twist to the MDG monitoring process<sup>2</sup>, but as discussed below, Bulgaria's MDG report proposes an interesting solution to this problem.

This report explores how well the global monitoring process supports the MDG 1 goals of middle income and transition countries Bulgaria, Chile, Costa Rica, El Salvador, Mexico and Moldova. Among the countries considered here, only Honduras fits the mold of a traditional low income or \$1/day poverty country. As these countries are transition or Latin American economies, this report complements a similar assessment of poverty trends in Bangladesh (McLeod, 2007). The concerns over MDG data monitoring addressed in this report grew out of two earlier assessments of MDG data monitoring, Lustig (2007) and Letouze (2006).

Many of the countries discussed in this report are also monitored by regional agencies and development banks. In Latin America CEPAL and the World Bank's Latin America Country (LAC) group also monitor MDG goal 1 progress. These agencies use household surveys to develop their own poverty measures, or assess the quality of national statistical agency poverty estimates.<sup>3</sup> Bulgaria for example recently joined the EU, so Eurostat estimates relative poverty rates using national household survey data. Similarly, CEPAL provides independently computed poverty rates for most the Latin American countries discussed here, and some countries adopt CEPAL style poverty estimates as their national poverty rates. These regional agencies often provide a 2<sup>nd</sup> or 3<sup>rd</sup>

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<sup>2</sup> For an excellent discussion of the long debate over relative vs. absolute poverty measures, see Peter Townsend's introduction to the Rio Group (2006) and his reply to Sen (1983), Townsend (1985) and Sen's (1985) rejoinder.

<sup>3</sup> Appendix A provides a list of all the sources of primary and secondary poverty and inequality estimates, as well as a list of sites that compile and standardize household survey data.

third source or expert opinion for explaining inconsistencies in national and global monitoring poverty.

Figure 1 shows the wide range of incomes and overall growth rates among the countries considered in this report. While growth is not sufficient for poverty reduction, it can be very helpful. Bangladesh had a per capita income of only about \$2,300 in 2006 (current \$PPP), about 5% of the OECD average: it has been holding its own relative to OECD growth, and after 2000 began catching up slowly. Chile and Mexico are middle income countries with average per person GDP of about \$13,000 and \$12,250 respectively. These countries have also followed different growth trajectories over the past 15 years: income per person in Mexico, Bulgaria and Moldova for example fell sharply but has recovered somewhat in recent years.

When progress is uneven, the choice of a base year for setting poverty MDGs becomes an issue. For example, benchmarking poverty rates to 1990 is not an option for Moldova, a CIS country that only became independent in 1992. Similarly, Bulgaria's economy underwent a dramatic transition characteristic of many former Soviet-block economies: income per person bottomed out in 1997, with the Russian currency crisis, but has recovered ever since. These patterns require some flexibility in setting benchmarks, as discussed below.

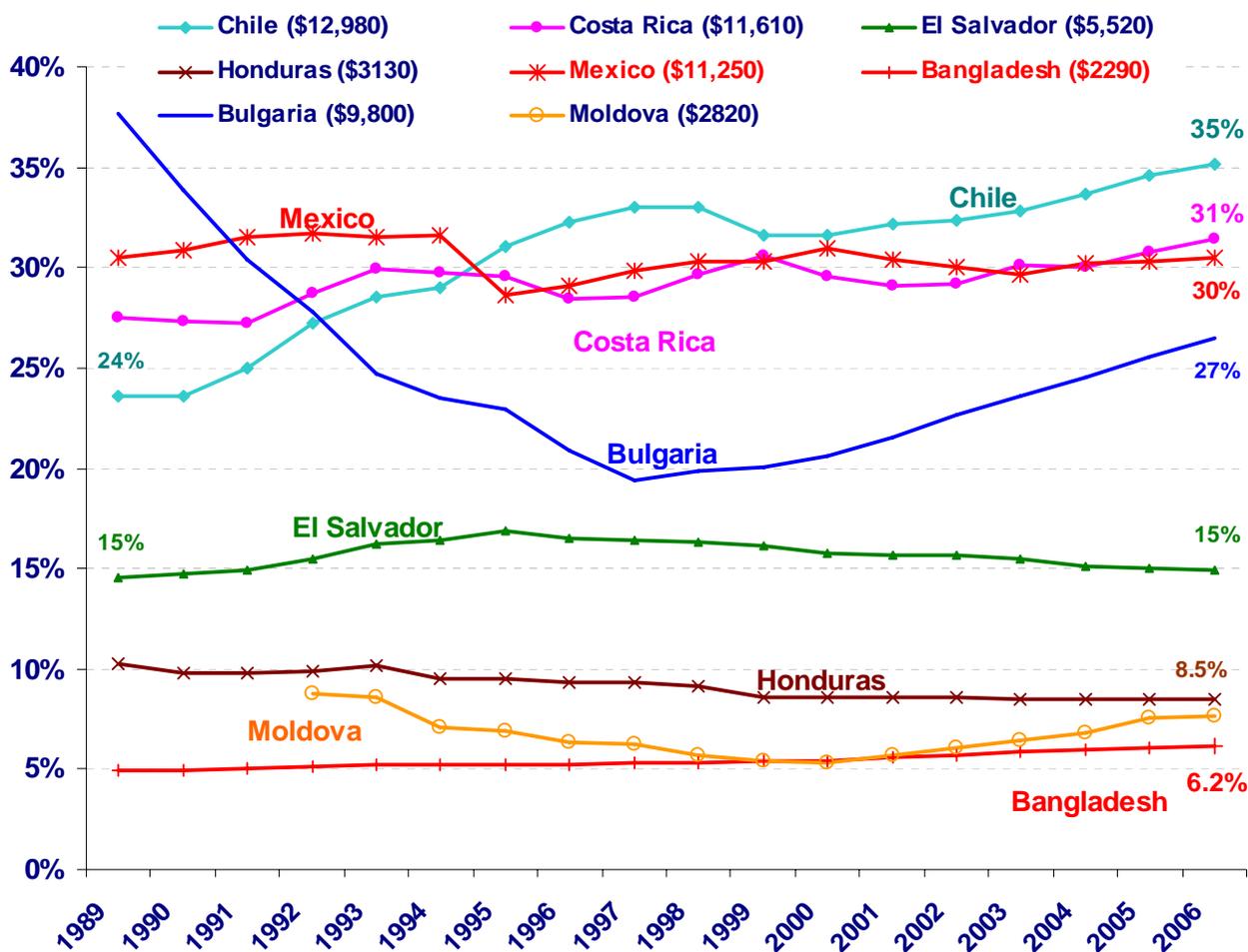
For middle income countries the official MDG \$1/day poverty rate is often under 5% and sometimes less than 1% of the population. This leads to measurement errors and the population sub-group targeted by MDG 1 becomes very small. In fact, the global monitoring groups report \$1/day poverty rates that are less than 2% as <2%. This reporting convention creates additional confusion as \$1/day poverty vanishes in middle income countries, especially if this poverty rate fluctuates around 2% for a time. However, low but persistent severe poverty may indicate social exclusion or discrimination. If a particular ethnic group is over represented among the low income population, this can be a factor in design poverty reduction strategies. The Roma minority in Bulgaria and indigenous peoples in rural Mexico and Honduras are examples where social exclusion may affect poverty rates.

The solution to the very low \$1/day problem chosen by most middle income countries is to define their own goal 1 targets. Most use their national MDG or PRSPs to choose one or more new poverty indicators as 2015 goals, \$2/day a day poverty rates for example. This is consistent with the spirit of the MDGs but can disconnect national goals from global monitoring indicators. Mexico's MDG report for example targets "Pobreza alimentaria" or food poverty. This poverty rate was 18% in 2004, much higher than official 2-3% \$1/day poverty rate. Global monitoring agencies do not support this effort to target higher poverty rates: only \$1/day poverty rates are reported by the UNSD and WB MDG monitoring sites.

When countries choose their own goal 1 indicator it becomes difficult to assess progress across countries or for the region. This is where some regional agencies can play a role (and some have already) Eurostat publishes standardized poverty measures for Bulgaria, in part because Bulgaria joined the European Union on January 1<sup>st</sup> 2007. These regional agencies can make several contributions to MDG 1 progress assessment. They define standardized goal 1 indicators that may be consistent with or complement official UN and national MDG targets. In Latin America for

example CEDLAS<sup>4</sup> is producing new poverty estimates. These agencies can also make methodological contributions by standardizing survey data across countries and over time. CEDLAS for example, applies standard conventions for measuring poverty and inequality across countries to derive consistent poverty estimates from household surveys. For global monitoring, regional authorities can provide a second opinion on poverty trends, potentially resolving disputes between national and global monitoring poverty estimates.

**Figure 1: Income per Person as a % of OECD average<sup>1/</sup>**



1/ The G7 average \$PPP GDP per capita serves as a proxy for OECD income per person (2006 \$ppp GDP per person shown in parenthesis) Source: IMF WEO April 2007 Database (www.imf.org)

<sup>4</sup> CEDLAS is part of the MECOVI network (see appendix B) and receives support from the IDB, the UNDP and the World Bank.

## 2.1 Reconciling National, Regional and Global Monitoring Poverty rates

These recommendations follow from the various poverty reporting inconsistencies discussed in this report as well as similar analysis of Bangladesh's poverty trends (see McLeod, 2007). This summary of reporting recommendations is followed by a general discussion of the reasons poverty estimates may differ, even for the same year, survey and poverty line. Then to illustrate the problems encountered by middle income and transition countries in particular, we examine poverty trends as reported for Bulgaria, Moldova, Chile, Costa Rica, El Salvador Honduras and Mexico. These recommendations reflect the main conclusions of this report.

**1. National poverty rates should be reported and documented by global monitoring sites:** In a number of cases documented by here and in the Bangladesh report, national poverty estimates are superior to global monitoring estimates in method, consistency and coverage. However, neither the UNSD nor World Bank monitoring sites report complete series of available national poverty rates. In particular, national poverty rates from the early 1990s are not reported or documented (except in PRSPs or MDG reports). Incomplete reporting of national statistics confuses users of poverty data, and makes it more difficult to monitor and corroborate MDG Goal 1 progress. National and global monitoring poverty reports are too often two trains passing in the night: both embark on the same journey, but neither acknowledges the other exists..

**2. National statistical agencies, regional agencies and MDG/PRSP authors should carefully document national poverty lines:** Where possible all poverty lines should be reported in local currency units and international prices (1993 \$PPP).<sup>5</sup> Converting and reporting poverty lines in standard units would help clear up much of the confusion generate by multiple poverty rates. Once made comparable, multiple poverty lines are an advantage as each poverty line logs the status of a particular income strata or group. Comparing poverty rates for high and low poverty line rates for example, helps one assess the severity of poverty (inequality among the poor) as well as progress among various poor groups (rural and urban for example).<sup>6</sup>

**3. Global Monitoring sites should report \$2/day poverty rates:** For middle income countries, \$1/day poverty rates can be very low and subject to large measurement errors.<sup>7</sup> Global Monitoring agencies should report \$2/day poverty rates (and perhaps poverty gaps and severity rates) for all countries, but especially for middle income countries. This will encourage governments to focus on larger poor populations in middle income countries.

**4. Country MDG reports should set new benchmark years if 1990 data is unavailable or unreliable:** For countries that did not exist in 1990 or that endured a major crises or transition to a

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<sup>5</sup> The UNSD provides annual \$PPP conversion factors but unfortunately not the 1993 PPP consumption deflators used by World Bank staff to derive the famous \$1.08 and \$2.16 poverty lines. These conversion factors would allow almost any domestic poverty lines to be compared with the \$1/day standard. Posting a "conversion" factor that also includes the exchange rate would allow national and MDG Report authors to translate poverty lines in local currency to 1993 \$PPP equivalents.

<sup>6</sup> An even easier method that translating local poverty lines into \$PPP 1993 is to simply find the international poverty line the corresponds to the nationally estimated poverty rate using Povcal.net, this only works however, if the national authorities do not use adult equivalence scales.

<sup>7</sup> This problem is compounded by the fact that the WDI, UNSD and WB Global Monitoring databases report \$1/day poverty rates below 2% as 2.0 and poverty gaps below .5 as .5 (adding to the confusion if one does not read the notes carefully – in Costa Rica a \$1/day poverty rate of 2.01% was reported accurately, but very hard to distinguish from the <2% rate reported for many other periods).

market economy during the 1990s, Global monitoring agencies cannot change benchmark years (though the UN-country team MDG reports can) but years prior to a country's current geographical composition or for which national accounts were unreliable, can be marked as missing data points. Using notation similar to that currently used by the UNSD, years of non-existent or unreliable data can be marked. Alternatively, the first reliable household survey date can be identified. These notes would allow users of global monitoring data to choose a suitable benchmark year, with data reliable enough to be compared to recent poverty estimates and eventually to 2015 performance.

**5. Regional MDG Monitoring:** Regional poverty estimates provided by agencies such as CEPAL, CEDLAS, ESCAP and Eurostat can provide alternate country specific and regionally consistent poverty estimates for middle income and transition countries in particular.<sup>8</sup> These estimates should be referenced by global monitoring agencies. At minimum, links to these data bases should be provided, especially for middle income countries or where global monitoring and national statistics send mixed messages. Similarly, links to MDG reports and PRSPs should also be provided for those who want more detail and interpretation of a particular country's poverty rates (Povcal.net does this already if one digs deep enough). Evaluations of and alternative estimates of national poverty rates by regional agencies better reflect conditions and priorities in particular regions (Latin America for example) but are also likely to be more consistent and comparable than national poverty estimates.

**6. Adjusting for household composition:** The use of adult equivalence scales has become standard practice in many countries, particularly in Latin American and Eastern Europe. Not using equivalence scales can create apparent inconsistency in poverty estimates (Povcal.net does not use equivalence scales, for example). The Rio Report (2006) reviews and recommends a simple adult equivalence scale. Where data permits, poverty rates for individuals and adult equivalents can be reported.<sup>9</sup> When the number of dependents changes rapidly over time, or where smaller urban families are compared to large rural households, for example, adjusting for household composition can provide a clearer picture of relative poverty rates and even trends over time. Short of computing both poverty rates, national poverty estimates should be annotated with poverty lines \$PPP and with reference to definition of a person used.

**7. Absolute vs. Relative Poverty:** Middle income countries should report absolute and relative poverty measures. Reporting only absolute poverty indicators is consistent with MDG goal 1, but reporting only relative poverty measures is not. Bulgaria is a good example as its adoption of EU-Eurostat standards diminished focus on absolute poverty. But the national authorities responded by setting both a relative poverty and a median income target, essentially transforming relative into absolute poverty targets. Even when absolute poverty is no longer computed by the national authorities, countries should be strongly encouraged to report and target absolute poverty estimates reported by researchers and agencies. The MDGs focus on absolute as opposed to relative living standards. Because income shares change slowly, so do relative poverty rates. These slow changes can mask massive changes in absolute living standards, as the case of Bulgaria and Moldova during the 1990s clearly illustrates.

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<sup>8</sup> McLeod (2004) evaluates a range of alternative survey adjustment methods provided by Székely, Lustig, and Mejía (2004) and concludes that the ECLA-CEPAL national accounts based adjustment method produces poverty rates that contain the most predictive power for other measures of well-being in Latin America, including school enrollment, child labor, mortality rates, etc.

<sup>9</sup> The OECD equivalence scale is particularly simple: starting with one adult, additional adults are counted as .7 and children .5 additional persons. See the Rio Group (2006) Box 2.1 and 2.2 starting on page 38.

## **8. Poverty rates for ethnic or indigenous groups should also be reported where possible:**

Apart from gender, social exclusion is not a focus of the MDGs and in some countries raising the issue of excluded ethnic or religious minorities can create a backlash against national MDG planning. Still, where the political climate permits, the status of ethnic groups such as the Roma community in Bulgaria or the indigenous groups in rural Honduras should be highlighted. Even where national averages suggest MDGs will be met in middle income countries, the standard MDG targets of 100% primary schooling and \$1/day poverty may remain very relevant to particular ethnic groups or regions. Reporting key statistics on the status of groups whose persistent and disproportionate poverty rates may reflect social exclusion should be encouraged, even where designing policies to target particular ethnic groups may not be advisable or politically feasible. Highlighting the particular problems or geographic locations of these groups can form the basis of more inclusive policies that target characteristics of these groups but not the group directly.

### **Box 1: Who Monitors the MDGs?**

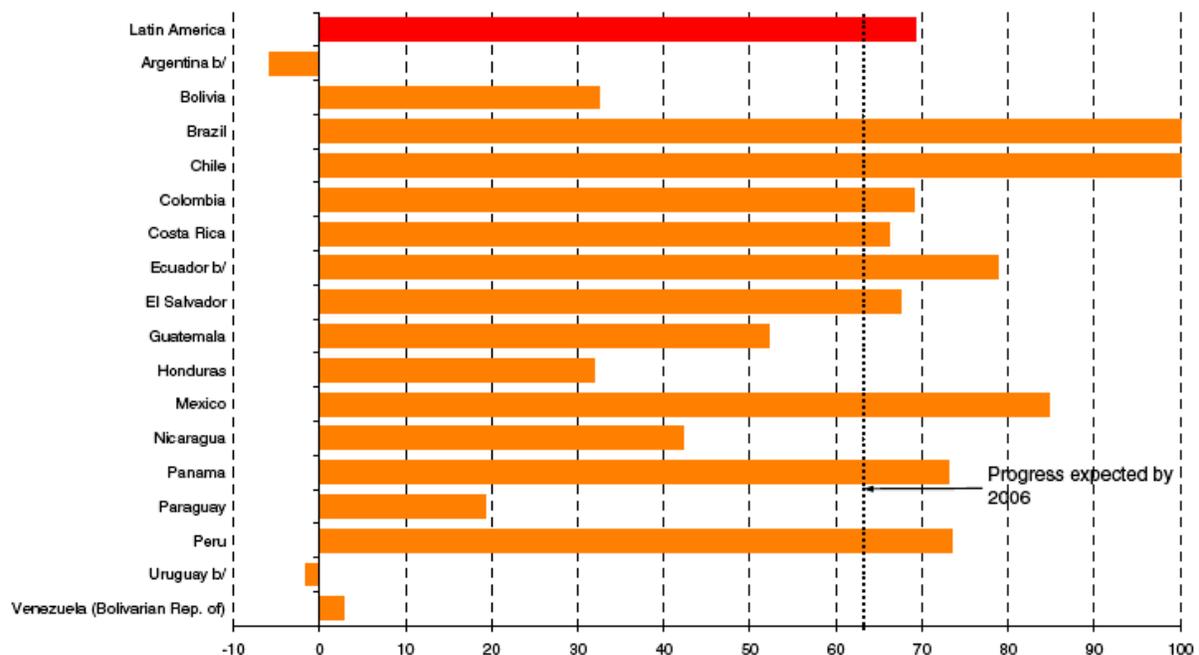
The success of the Millennium Development Goals as development targets is reflected in the number of agencies and groups that now regularly post data on progress toward the 2015 targets (the new UN-Cisco-Google [MDG Monitor site](#) even reports the minutes left before 2015 arrives). This report refers to mainly to three online data bases, all which share a largely common database of poverty related MDG 1 indicators. The official United Nations site for the MDG indicators is the [UN Statistics Division MDG Indicators](#) site (<http://mdgs.un.org>). The UNSD MDG database is easily accessible for country and regional queries. The UNSD site marks the global monitoring poverty indicators it reports with a “G” for global estimates, while national poverty rates are marked “CA” for “country adjusted.” Explaining and resolving discrepancies between “CA” and “G” poverty estimates posted on the UNSD web site is the focus of this report. In November 2007 a new [MDG Monitor](#) site was established via as part of an initiative involving the UNSD, the UNDP, UNICEF, DESA, UNICEF and OCHA with support from Google and Cisco Systems.

The World Bank also maintains a [Global Data Monitoring](#) Information system which also has a “quick query” system for country data. The World Bank provides additional information and definitions of each of these variables in its WDI database. For the most part, global monitoring poverty estimates are consistent with those prepared by the [World Bank’s Povcal.net group](#), and to poverty estimates available in the World Bank’s World Development Indicators online database. Complementing these global monitoring sites are a number of supporting agencies. Deserving special mention are the regional UN Agencies in Latin America (CEPAL), ESCAP and the Asian Development Bank, all of which post and have developed poverty related MDG indicators. This report, for example, uses ESCAP’s MDG progress classification: on track, off-track regressing, off-track slow and “early achiever” where halving poverty requires a 2.75% annual rate of decline in poverty to stay “on-track.” The actual and potential role of regional agencies in standardizing national and regional indicators is discussed below.

*Acknowledgement: This report focuses on discrepancies between national poverty rates and global monitoring agency estimates, but it is important to acknowledge and appreciate the tremendous progress that has been made in standardizing, documenting and making available international poverty estimates. . Most of the data sources and global monitoring web sites discussed in this report did not exist five years ago. UN agencies and the World Bank deserve enormous credit for their efforts to develop consistent and reliable poverty estimates for hundreds of countries. Only someone who has worked with household survey data can appreciate their efforts, without which focusing development policy and resources on the poorest groups would be much more difficult. .*

An example of regional MDG assessment is shown in Figure 2, taken directly from CEPAL's preliminary "Social Panorama of Latin America 2006" (page 11). CEPAL estimates an "extreme" or "indigence" poverty line for a most Latin American countries. Figure 2 shows the percent reduction in this poverty rate achieved since as of 2006 (the target is a 64% reduction in poverty by 2006, consistent with 2.74% annual fall in poverty benchmark used throughout this report). Overall Latin America is on track to meet this target (the top bar) but progress varies greatly: Argentina, Venezuela and Bolivia have made almost no progress in reducing "extreme" poverty, while Brazil, Chile and Mexico have reduce indigence by more that 64%. In terms of levels, this poverty rate for Mexico was about 12% compared to the national food poverty rate of 18% and the \$1/day poverty rate of 2-3%. Mexico's \$2/day poverty rate was also about 12% in 2004 so CEPAL's extreme poverty line appears to be close to \$2/day \$PPP 1993.

Figure 2  
**LATIN AMERICA (17 COUNTRIES): PROGRESS IN REDUCING EXTREME POVERTY BETWEEN 1990 AND 2006 a/**  
*(Percentages)*



**Source:** Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of special tabulations of household surveys conducted in the respective countries.

a/ The percentage progress is calculated by dividing the reduction (or increase) in indigence expressed in percentage points observed in the period by half of the indigence rate for 1990. The dotted line represents the percentage of progress expected by 2006 (64%).

b/ Urban areas.

Progress in poverty measurement is such that many countries have gone from no poverty estimates to several, often based on the same household survey. These estimates may come from official national statistical institutes, from academic research institutes, from regional research centers such UN CEPAL or from global poverty monitoring agencies such as the World Bank and UNSD. Having more than one estimate of poverty can be helpful, unless rival estimates suggest different trends in poverty over time. This is the case in many of the countries discussed here. This

report reviews recent poverty estimates Bulgaria, Chile, Costa Rica, El Salvador, Honduras, Mexico and Moldova. Perhaps more importantly, we ask how the national authorities in these countries choose to define and track progress toward achieving MDG 1. Given that national economic policies and transfers are likely to play a major role in achieving Goal 1, progress benchmarks chosen by national authorities deserve particular attention.

As in the Bangladesh case study our main focus is how to cope with inconsistencies in poverty rates and progress reported by countries in MDG reports and PRSPs and by international monitoring agencies such as UNSD, the World Bank. However Latin America and Eastern Europe introduce some new players: regional authorities and statistical agencies that produce their own estimates of poverty for many if not all countries in their region: these regional authorities include Eurostat, CEPAL (ECLA) and the World Bank's Latin America Country (LAC). These new players complicate the pictures somewhat, but they also provide a useful second opinion, especially when national authorities and global poverty monitoring (GPM) agencies disagree.

## **2.2 Setting National MDG 1 Goals for Middle income countries**

A second issue is that for many middle income countries, extreme \$1/day poverty is less than 5%. This can lead to large measurement errors and a MDG policy focused on a very small population. Most countries studied here respond by simply raising the bar for Goal 1, by choosing a higher poverty line, typically focusing in \$2/day poverty. The problem is that this poverty rate is not monitored by UNSD and World Bank global MDG monitoring sites. Most countries also use their national MDG reports or PRSPs to choose one or two other poverty indicators with targets for 2015. This is entirely consistent with the spirit of the MDGs but it can create a sharp disconnect between the indicators reported by the global monitoring agencies and those actually being targeted by the countries. Mexico for example targets "Pobreza alimentaria" or food poverty in its national MDG report, with this poverty line poverty is 18% in 2004-05, much higher than official \$1/day poverty - which, by most measures, was under 2% in 2004-05 (and by this measure Mexico has already met Goal 1, see below for a more complete discussion).

## **2.3 Regional MDG Poverty Monitoring<sup>10</sup>**

One problem is that if countries choose their own goal 1 indicators, overall MDG progress is difficult to monitor by outside agencies as standards vary from country to country. In some cases regional agencies have stepped into the breach. In Latin America for example both UN ECLA or CEPAL and the World Bank-UNDP CEDLAS data base projects produce uniform alternative goal 1 indicators for the Latin American countries discussed here. In Eastern Europe, Eurostat publishes standardized poverty measures for Bulgaria, which joined the European Union in 2007. These regional agencies have several potential contributions to make in assessing MDG 1 progress. First they can define standardized goal 1 indicators that may be consistent with UN and national targets. Second, they can standardize estimation methods and survey data across countries and over time,

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<sup>10</sup> According to Figure 2 Argentina, Bolivia, Guatemala, Honduras,, Nicaragua, Uruguay and Venezuela are not on track to meet MDG goal 1, yet the region as a whole is "on track" mainly because of rapid poverty reduction in the largest largest countries, including Brazil, Chile, Peru and Mexico. For an excellent and somewhat different perspective on poverty and inequality trends in Latin America that draws on many of the data sources discussed here, see Helwege and Birch (2007).

effectively providing a “third opinion” on poverty trends that can help resolve disputes between national and global monitoring estimates of progress.

An example of this regional MDG assessment is shown in Figure 2, taken directly from CEPAL’s preliminary “Social Panorama of Latin America 2006” (page 11). CEPAL estimates an “extreme” or “indigent” poverty line for many Latin American countries. Figure 2 shows the percent reduction in this poverty rate, achieved since 2006 (the target is a 64% reduction in poverty by 2016, consistent with 2.74% annual fall in poverty benchmark used here). Overall the Latin America region is on track to meet this target (the top bar) but progress varies greatly: Argentina, Venezuela and Bolivia have made almost no progress in reducing “extreme” poverty, while Brazil, Chile and Mexico have reduce indigence by more that 64%. In terms of levels, this poverty rate for Mexico was about 12% compare to the national food poverty rate of 18% and the \$1/day poverty rate of 2-3%. As Mexico’s \$2/day poverty rate was also about 12% in 2004, CEPAL’s extreme poverty line appears to be close to \$2/day \$PPP 1993.

Regional agencies that produce national (and regional) poverty estimates specifically designed to measure progress in MDG 1 include the CEDLAS-World Bank<sup>11</sup> project in Argentina and UN CEPAL (ECLA). Both of these agencies compute poverty rates using their own methods that meet the \$1 and \$2/day PPP standards. Another regional agency focused on poverty and social exclusion is EUROSTAT which produces poverty estimates for Bulgaria and other countries in transition to the EU. Since EUROSTAT estimates and advocates relative poverty measures, its estimates are not ideal indicators for MDG 1 (MDG 1 has one inequality indicator – the share of the bottom 20%-- but is mainly focused PM? absolute living standards or deprivation). Despite these obstacles, Bulgaria adopts a clever approach to set both an absolute and a relative poverty goal, discussed below.

#### **2.4. Data Quality and Measurement Issues:**

These issues, including the choice of benchmark year, middle income country targets for MDG 1 and poverty estimates by regional commissions, add to the potential variation in MDG 1 progress assessment that arise from the measurement issues discussed above. Estimation issues also play a role in some of the countries discussed here: poverty rates for Mexico vary in trend depending on whether income or expenditure based estimates are used. Similarly, survey mean expenditures track national accounts per capita income very closely, whereas survey income means move in the opposite direction (falling when expenditures and GDP per person are rising).

##### **1. Survey and national account spending data can be combined in different ways, leading to different poverty estimates for the same poverty line, year and household survey.**

Disparities between national account and survey based estimates of household spending are less of a problem in Latin America, mainly because many of these economies have been growing slowly as measured by both surveys and national accounts. However, Latin America is dominated by income surveys (as opposed to expenditure surveys), so there is likely to be a wide range of poverty estimates, partly because there as so many ways to define and adjust income, whereas “expenditures are expenditures” to some extent).

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<sup>11</sup> CEDLAS is the Centro de Estudios Distributivos, Laborales y Sociales at Universidad Nacional de La Plata in Argentina, or roughly translated, the center for the study of distribution among workers and families.

2. **The type, quality and coverage of household surveys vary greatly among countries and over time. Expenditure surveys that gather prices and quantities for valuing home production are best, but many countries base poverty and inequality estimates on labor and income surveys where definitions of income can vary greatly: income from self-employment and the value of public services are particularly difficult to assess.** Several UN, IDB and World Bank groups launched MECOVI<sup>12</sup> initiative to improve and standardize the quality surveys in Latin America, this resulted in part to the CEDLAS project discussed below and led to major improvements in household surveys. Unfortunately, these improvements make surveys less comparable over time. An example is in Honduras, where the definition of income was expanded in 1998, making it difficult to compare post 1998 poverty rates with benchmark 1990 poverty estimates.
3. **Variations in national poverty lines and how purchasing power is measured. It has become a convention to value poverty lines in international purchasing power parity dollars (\$PPP), however assessing changes in living costs among the poor over time must rely on domestic price deflators, which generally reflect urban costs of living even though 70% of the \$1/day poor live in rural areas.**
4. **Countries may use different household or family units, and employ region or household specific poverty lines. The U.S. for example, defines a poverty line for each household depending the number adults, children and elderly. Household equivalence scales are considered best, but are not widely used.** Living costs vary within as well as between nations. Povcal Net uses country and consumption \$PPP factors to adjust for differences in living costs across countries, but the same logic applies to regions and households of different sizes. These refinements in poverty measurement may make it difficult to directly compare international global monitoring with domestically computed poverty rates.

## 2.5 Income vs. Expenditure Surveys in Latin America

Most of these problems reappear in the countries discussed here. An important exception is that most Latin countries and their regional agencies rely on income surveys (recall that Asian countries rely almost exclusively on expenditure surveys). An exception is Mexico, which collects both expenditure and income data, and this turns out to be important in assessing MDG progress (see section 2.13 below). A few countries in the region report both income and expenditure surveys (Mexico for example). Because the definition of income can be arbitrary and incomplete, and because some households report zero income but still make expenditures, efforts to standardize income definitions across countries and over time are important. This is where the MECOVI project (Appendix B) and CEDLAS have made a major contribution in Latin America. Generally poverty rates based on expenditures are considered in best, but practical considerations and past practice may prevent widespread adoption of these surveys. One interesting note discussed below is that consumption per capita measured using expenditure surveys tracks national accounts estimates of income in Mexico, whereas mean income per person derived from income surveys moves in the opposite direction (falling while national income per person is rising).

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<sup>12</sup> MECOVI is an acronym for “Mejoramiento de las Encuestas de Hogares y la Medición de Condiciones de Vida” or “Program for the Improvement of Surveys and the Measurement of Living Conditions” in Latin America and the Caribbean. MECOVI is a joint initiative of the UN, CEPAL, UNDP, IDB and the World Bank see Appendix A for details on its activities.

## 2.6 Poverty in Bulgaria

Bulgaria's MDG 1 data reporting raises several interesting issues relevant to middle income countries and to countries emerging from major economic crises or transitions. We begin by noting Bulgaria's \$1/day poverty rates are frequently "too low to measure": rather than report poverty rates less than 2% as 2%, and poverty gaps less than .5 as .5 (see lines 6 and 7 and lines 13-16 in Table 2.8). Estimates of <2% \$1/day poverty values can be obtained from Povcal.net (see line 10) but even these values often fall to less than .05% in Bulgaria, when for the same year \$2/day is over 10% . Overall, the \$2/day poverty estimates during 1990s look more reasonable, at least as reported by the WDI and in the Povcal.net online database (see line 15 and lines 10-14). One explanation of inconsistent data reporting is that the incidence of \$1/day poverty is very low, and subject to large measurement error, but this argument does not apply to \$2/day poverty after 1992, which also appears to be reported incorrectly (or it is just not reported). The Povcal.net \$2/day poverty estimates seem consistent, (line 11), as does the WDI data from 1996 on (but note that some estimates are from income surveys, the shaded sections of rows 10-14, and others for expenditure surveys).

## 2.7 Absolute vs. Relative Poverty measures<sup>13</sup>

Other possible explanations of incorrect Bulgaria poverty data is that government agencies and the World Bank use different surveys and poverty lines (as noted in the 2003 MDG report) and that statistical agencies in Bulgaria no longer monitor or report absolute poverty measures. This shift to relative poverty measure began in 2000 when Bulgaria began EU accession process (it did join the EU in 2007). The statistical division of the EU, EUROSTAT, reports only relative poverty measures for "persons" counted in accordance with the age and living arrangements (the first adult member of each household counts as one person, the 2<sup>nd</sup> as .5 persons and children are .3 of an adult equivalent). The shift to a fluctuating relative poverty measure (less than 60% of median adult equivalent income) and the change to an adult equivalent scale makes it difficult to compare absolute and relative poverty measures, and is potentially a source of confusion, consequently, the government no longer reports (or checks) absolute poverty estimates.

This EU accession process may also explain why the 2003 Bulgaria MDG report does not set targets in terms of absolute deprivation notions of poverty. Instead Bulgaria uses the Eurostat poverty line for 2001, an example of which is reported in lines 21 and 4 of Table 2.8. Almost all the MDG 1 targets are measures of absolute deprivation as opposed to relative poverty, the one exception being the share of the bottom quintile in total income or consumption. The Bulgarian MDG report works around this problem by setting targets for both average income per person and for the relative poverty rate, targeting in effect an absolute poverty rate. Using the Povcal.net database, we can compute the poverty line that would generate a 14% poverty rate in 2003. This turns out to be about \$85/month in \$PPP 1993 prices or about \$2.80/day.

## 2.8 Setting a MDG Goal 1 Benchmark Year other than 1990

A third issue is that Bulgaria's average income fell and poverty rose sharply during the early 1990s (see Figure 1 and Table 2.8). Average real income per person recorded by household

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<sup>13</sup> For an excellent historical discussion the pros and cons of relative vs. absolute poverty measures, see the Rio Group's 2006 Report, chapters 1 and 2 (Rio Group, 2006).

surveys, for example (Table 2 line 11), fell from \$301 in 1992 to just \$106 in 1998, recovering to \$169 by 2003. In part this sharp drop in Bulgarian income reflects difficulties with national accounts in former socialist economies (people had income, but there was not a lot to buy) it also reflects a very serious economic crisis characterized by high inflation and sharp drop in purchasing power. The MDG report largely ignores the early 1990s benchmarks recommend by the UN and marks progress from 2001 onwards. Should countries be able to choose their own goal 1 benchmark or should they be held to the 1990 international standard? Both Bulgaria and Moldova have chosen not only their own MDG 1 targets and indicators, but they have set 1998 (or 2001) as their benchmark year. This is an issue for CIS-Eastern Europe region due to the transition to a market economy and the sharp economic crises of the 1990s (the latter is an issue for Mexico and other Latin American countries as well).

## 2.9 Bulgaria's Goal 1 Targets

Bulgaria is a middle income country that went through a severe crisis during the 1990s (the HDR also classifies it as a “medium human development” country). Since it began the process of joining the EU in 2000, becoming an EU member in 2007, the Bulgarian government has adopted Eurostat approach to measuring poverty in relative terms: people with incomes below 60% of the median income are considered “extremely poor.” As opposed to absolute poverty defined by the international poverty lines of \$1 or \$2 a day. This approach is also consistent with EU criteria. In 2001, the median monthly income per person in Bulgaria was 91 euros and the proportion of people with incomes below 55 euro (60% of median income) was 15%. Accordingly, Bulgaria's 2015 target for the reduction of poverty is to raise median monthly income from 91 euros to 280 euros, increasing the poverty threshold to 170 Euro, while keeping the proportion of people below the poverty line to no more than 15%. As an additional goal 1 target is to reduce youth unemployment from 35% in 2001 to 25% in 2015 and long-term unemployment from 9.6% to 7% by 2015.

## 2.10 Inequality and Social Exclusion

Our discussion of poverty in Bulgaria would not be complete without mentioning the Roma population. Bulgaria's Roma population is estimated to be 400-750,000 or about 5-9% of the total population. By every HDI and MDG measure, the Roma are much worse off than the average Bulgarian. Eurostat's estimates put the persistently poor population at 1-1.2 million (about 11-15% of the population). Hence a considerable fraction of the hard core poor could be accounted for by the Roma population. A 2005 UNDP fact sheet and survey, the \$2/day poverty rate is 11% for Bulgaria's non-Roma population, but 51% for among the Roma in Bulgaria. Among persons over 12, 72% of the non-Roma population has completed primary school but only 10% of the Roma population. Performance on a number of MDG health indicators shows similar disparities. While Bulgaria is a middle income country, it is **clear** that within Bulgaria there are ethnic groups for which the MDGs are relevant goals. UNDP and the EU have acknowledged this problem to some extent by publishing a separate HDR for the Roma peoples of Eastern Europe and by launching the “Decade of Roma Inclusion” 2005 to 2015 to include legislation and special projects to integrate the Roma population through the CEE countries. Participation in this program was a condition of admittance to the EU for Bulgaria.

**Table 2.8: Poverty and Inequality Indicators for Bulgaria**

Poverty & Inequality Indicators for Bulgaria	1989	1992	1994	1995	1996	1997	2001	2003	2004	Change 1997-03	Change 1990-03
<b>UN-Bulgaria (2003) MDG Report</b>											
1. Poverty rate (% below \$1 per day \$PPP) <sup>1/</sup>								0.1			
2. Poverty rate: \$2.15 PPP per day, Bulgaria NIS <sup>1/</sup>								2.3			
3. Poverty rate: \$2.15 PPP per day, World Bank <sup>1/</sup>								7.8			
4. Relative poverty (PL = 60% of median income - EU-Eurostat <sup>2/</sup>								15.0			
5. Relative poverty (PL = 50% of median income - World Bank approach)								12.6			
<b>UNSD MDG Indicators &amp; WB MDG Quick Query</b>											
6. Population below \$1 (PPP) per day, %		<2%	<2%		<2%	<2%	3.0	<2%		na	na
7. Poverty gap ratio at \$1 a day (PPP), percentage		<.5	<.5		1.0	<.5	0.6	<.5		na	na
8. Poorest quintile's share in national income/consumption		8.3	10.2		7.4	10.0	6.5	8.7			
9. Population below national poverty line, total, %						36	13			-23%	
<b>World Bank Povcal Net query (9-2007) / survey type:</b>											
	Exp	Inc	Exp	Inc	Inc	Exp	Exp	Exp			
10. Poverty headcount \$1/day (PPP) (% of population)	0.0	0.0	0.0	3.9	0.0	0.8	3.0	0.0		na	na
11. Poverty headcount \$2/day (PPP) (% of population)*	0.0	1.1	1.3	11.7	11.3	20	13	6.4		-17%	19.2%
12. Poverty gap ratio at \$2.15 a day (PPP)	0.0	0.5	0.5	4.4	2.4	3.7	4.1	1.0		-19%	8.1%
13. Average monthly income per capita (\$1993 PPP)	354	301	204	164	167	106	170	169		8%	-5.6%
14. Gini Coefficient (Povcal net estimate)		31	24	31	35	26	34	29		2%	-0.5%
14a. Poorest Quintile's Share of income/consumption	10.4	8.3	10.2	6.9	7.4	10.1	6.5	8.7			
<b>World Bank WDI query August 2007</b>											
15. Poverty headcount \$1/day (PPP)		<2%	<2%	<2%		<2%	<2%	3.0	<2%	na	na
16. Poverty gap \$1/day (PPP)		<.5	<.5	<.5		1.0	<.5	0.6	<.5	na	na
17. Poverty headcount \$2/day (PPP) (% of population)		<.5	<.5	<.5		11.5	13.3	13.0	6.1	na	na
18. Poverty gap \$2/day (PPP)		<.5	<.5	<.5		2.5	2.3	4.1	1.5	na	na
19. Poverty headcount, national poverty line, % of population <sup>3/</sup>					5.5		36	12.8		-16%	8.8%
20. Gini Coefficient <sup>3/</sup>					27.0		31.4	29.6		-1%	0.9%
<b>EU-Eurostat Monetary Poverty and Social Exclusion indicators</b>											
21. At risk poverty rate after social transfers <sup>4/</sup>							16	14	14	15	
22. Gini coefficient (EU annex to Balkandide) <sup>5/</sup>					29	28	28	26	25	26	25 (2005)

1/ The MDG report cites both \$2/day rates pointing out that the NSI and World Bank use different household surveys to compute them.

2/ Eurostat uses adult equivalents to compute income per person: the first member of each household counts as 1, the second as .5 and children count as .3 persons.

3/ The national poverty line is 2/3 of 1997 average income, only 1997 and 2001 are reported in the WDI and by UNSD. The 1995 value is from the World Bank 2002 Poverty Assessment of Bulgaria (as are the Gini coefficients listed on the next line).

4/ Population share with an equivalised disposable income below 60% of national median equivalised disposable income (after social transfers - see footnote 2 for Eurostat definition of a person).

5/ [http://ec.europa.eu/employment\\_social/social\\_situation/docs/balkandide\\_bg\\_annex\\_en.pdf](http://ec.europa.eu/employment_social/social_situation/docs/balkandide_bg_annex_en.pdf)

## 2.11 MDG Poverty Indicators for Moldova

Moldova MDG report clearly illustrates the problems faced by middle income transition countries. The 2005 Moldova National MDG report sets Moldova's key Goal 1 target as reducing the proportion of people who live on less than \$2.15/day \$PPP in half or to 18% in 2015. As intermediate goal posts the MDG reports mentions decreasing this poverty rate from 40% in 2002 to 28% in 2006, and to 23% in 2010. The benchmark for the 18% 2015 goal is not clear, but the national absolute poverty line was 37% in 1998 and the \$2/day PPP poverty line was 32% in 1998 (see lines 5 and 18 in Table 2.9). Note also that the 39.8% poverty rate cited by the MDG report for 2002 is very close the national "absolute" poverty rate for of 40.4% in 2002, but it is not that close to the 21% \$2/day poverty rate reported by the MET in the 2006 Moldova PRSP update (see lines 3 and 18 of Table 2.9). Finally, note that the global monitoring Povcal.net estimate of \$2/day poverty for Moldova is generally 9-14% higher than the rate reported by the national statistical authorities (except in 2001 when it is 22% percentage points higher). One explanation for this discrepancy is the Moldovan Statistics office (MET) uses the OECD adult equivalent scale (see footnote 3 of Table 2.9) which effectively reduces the number of persons in poverty, especially if poor households are generally larger and have more children.

A second goal 1 target cited by the 2005 MDG report is to halve the proportion of people suffering from hunger between 1998 and 2015. The indicator used in this case is the Moldovan extreme poverty rate defined as the proportion of the population below the minimum level of dietary energy consumption (2,282 Kcal per day). The extreme poverty rate in 1998 was 37%, therefore reducing this rate by half by 2015 is a reasonable proxy for the malnutrition target, (referring to line 4 of Table 2.9). This goal has already been achieved, as the extreme poverty rate has fallen from 37% in 1998 to 15% in 2004, with the only concern being the lack of progress in most poverty indicators from 2003 to 2004.

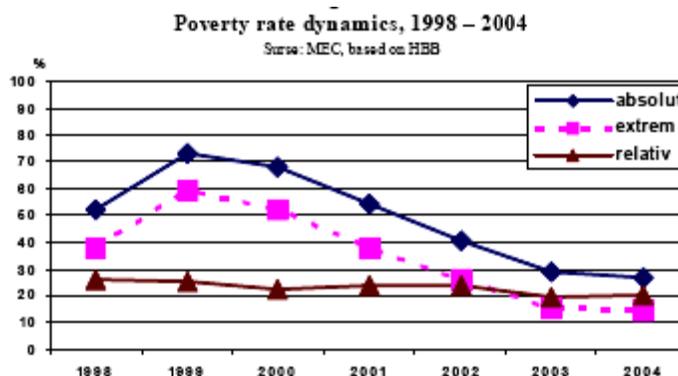
Moldova exhibits the twin problems of transition countries discussed for Bulgaria. References to the official benchmark year of 1990 are rare to non-existent because Moldova was not independent and the quality of data is doubtful. Also, like Bulgaria, Moldova experienced a sharp increase in poverty during the late 1990s. Note that the World Bank Povcal.net includes income surveys for 1988 and 1992, but poverty rates based on these surveys are not directly comparable to the superior expenditures surveys used from 1997 onward. The 1998-2003 annual surveys in particular include nearly 7,000 households and after 1998 collect household data for a subset of these, which allows for the calculation of "chronic" poverty rates and other measures that greatly enhance our understanding of poverty dynamics in Moldova. Finally, note that the MET uses household equivalents, now standard practice in the EU region, but a method that is not used for global poverty monitoring estimates.

From a number of perspectives Moldova's national poverty estimates are methodologically superior to those provided by Povcal.net and the World Bank and UNSD MDG monitoring sites. Yet the latter agencies cite only a few national poverty rates, making it difficult if not impossible to use national poverty estimates to track MDG progress. Also neither the UNSD or the World Bank MDG site include \$2/day poverty rates, considered low or "extreme" by many middle income countries (and even countries such as Moldova who have largely eradicated \$1/day poverty, calculated at 1.1% in 2003 according to Povcal.net estimates - see line 10 of Table 2.9). The WDI does report \$2/day poverty rates but these are wildly inconsistent with rates produced by Povcal.net or the national statistical authorities (compare lines 11, 16 and 18 in Table 2.9).

Adding \$2/day poverty estimates and including complete national poverty series (documented where possible) would greatly enhance the monitoring of MDGs in middle income countries, providing excellent national statistics agency poverty estimates (Bulgaria, Moldova and Bangladesh are examples of national poverty estimates that are superior in many respects to global monitoring and Povcal.net estimates).

Finally, note an important difference in goal 1 monitoring between Bulgaria and Moldova. Though it computes relative poverty rates in accordance with Eurostat guidelines, Moldova sticks with an absolute poverty targets for goal 1 (though not the official \$1/day target). This can be important to countries that grow rapidly and suffer major economic downturns. As show in Figure 1 below (reproduced from the 2006 PRSP update for Moldova) the relative poverty rate has been fairly stable, at about 20%, during a period in which absolute and extreme poverty increased by half and then fell by even more. When overall economic fluctuations are large, making “almost everyone” poor, absolute poverty measures provide a better gauge of welfare and progress than relative poverty measures. Changes in relative poverty imply changes inequality among the bottom half of the income distribution. Similar information is communicated by the MDG indicator that tracks the share of the bottom 20% in income or consumption, reported for Moldova on line 13 in Table 2.9. This indicator shows a sharp fall in the share of the bottom 20% from 1988 to 1999 (10% to 7%) but since 1992 the share of the bottom 20% has increased from 7% to 7.5%. This reduction in inequality in the bottom half of the income distribution likely explains the slight drop in relative poverty shown in Figure 3 below (see also line 19 of Table 2.9). Note that the share of the bottom 20% is roughly double that observed in most Latin American countries, though this in part reflects the difference between using expenditure and income surveys as in kind transfers and savings support the expenditures of low income households.

**Figure 3: Poverty Dynamics in Moldova**



**Table 2.9: Poverty and Inequality Estimates for Moldova**

Headcount Poverty rates by date and source	1988	1992	1997	1998	1999	2000	2001	2002	2003	2004	Annual Change	Goal 1 Progress
	<b>UN-Moldova June 2005 MDG Report (pp. 19 - 20)</b>											
1. Poverty rate (%of Population below \$1/day PPP)				23	35	26			7.0		-21%	early <sup>1/</sup>
2. Poverty gap (incidence*depth \$1 (PPP) per day)				10					3		-24%	early
3. Absolute Poverty National poverty line % adult equivalents 2/3/				52	73	68	55	40	29	27	-11%	early
4. Population below \$2/day (PPP) (WB estimate cited in MDG Report)							7.9					
5. Poverty rate, extreme national poverty line, % adult equivalents 2/3/				37	60	52	38	26	15	15	-17%	early
6. Poverty Gap for extreme national poverty line 2/				12	23	18	12	6.6	3.1	3.2	-24%	early
<b>UNSD MDG Indicators &amp; WB MDG Quick Query<sup>4/</sup></b>												
7. Population below \$1 (PPP) per day, %		7.3	8.2			32.2		22		2.0	-11%	early
8. Population below national poverty line, total, %							62	49				
9. Poverty gap ratio at \$1 a day (PPP), percentage		1.4	2.2			9.9		5.7		0.5	-9%	early
<b>WB Povcal Net: income (Inc) or expenditure (E) survey:</b>												
	Inc	Inc	E	E			E	E	E			
10. Poverty headcount \$1/day PPP (% of population)	0.0	7.3	6.0	14			15	4.8	1.1		-16%	early
11. Poverty headcount \$2/day PPP (% of population)	0.0	32	30	45			55	32	21		-4%	on track
12. Average monthly income per capita (\$1993 PPP)	325	106	117	92			77	112	133		2%	
13. Share of bottom quintile (%)	10	6.9	6.5	6.0			7.1	7.0	7.5			
14. Gini Coefficient	24	34	37	39			36	36	35		0%	
<b>World Bank WDI Query (August 2007)</b>												
15. Poverty headcount \$1/day (PPP) (% of population)		7.3	8.2			32.2		22		2.0	-11%	early
16. Poverty headcount \$2/day (PPP) (% of population)		31.8	35.7			74.3		64.1		20.8	-4%	on track
17. Poverty headcount ratio at national poverty line (% of population)								62.4		48.5		
<b>Moldova PRSP (and updates through 2006)</b>												
18. Poverty rate: International line \$2.15/day (PPP)				32	53	45	32	21	12	11.4	-16%	early
19. Relative Poverty Rate, National Headcount				26	25	22	24	24	19.4	20.3	-4%	
20. Absolute Poverty Rate, National Headcount3/				52	73	68	55	40	29	26.5	-11%	early

1/ ESCAP's MDG progress classification system: early achiever; on track for 2015; off-track slow and off-track regressing.

2/ The MDG report cites selected years, Annex A2 of the 2006 Moldova PRSP provides missing values to avoid duplication of rows.

3/ The extreme national poverty line covers only 2282 calories (236 Moldovan lei in 2003) while the "absolute" national poverty line covers food and basic necessities (303 lei in 2004). These MET uses an OECD equivalence scale: the first adult in the household counts 1, each additional adult counts as 0.7 while children under 15 count as .5 adults.

## 2.12 MDG Poverty Indicators for Chile

Chile is one of the few Latin American countries to grow rapidly in recent decades, with income per person rising from about 24% to 35% of the OECD average (see Figure 1). Despite its relatively high per capita income, Chile chose \$1/day poverty as one of its goal 1 targets. Since \$1/day poverty is already very low, Chile added other targets beyond the standard narrowing the poverty gap and raising the “percentage of the first quintile in total monetary income” (which it also monitors). Additional national targets are that (a) at least 70% of “Chile Solidario” families have income over the extreme poverty line in 2015 - up from 27% in 2000; and that (b) at least one member of the “Chile Solidario” families work regularly and generate a steady income - up from 34% in 2000. The “Chile Solidario” program is part of the “Sistema de Protección Social Chile Solidario,” a social protection program created in 2002 to assist poor families.<sup>14</sup>

The 2005 MDG report puts \$1/day poverty at 3.5% in 1990, and by 2000 it was reduced to 2.3% close to Chile’s 2015 goal of 1.7%. The initial value of 3.5% is a bit higher than Povcal’s 2%, but it is very close to the CEDLAS estimate of 3.3% (based on adult equivalents). Again the WDI, UNSD and World Bank MDG quick query web sites report the \$1/day poverty rates as <2% or just 2%. The UNSD and World Bank figures for 1992 are the same as the Povcal Net value for 1992 (compare line 4 and 8 in Table 2.1). The \$1/day poverty rates and gaps posted by the UNSD and World Bank MDG monitoring sites, cannot be used to track Chile’s \$1/day progress. Where did the \$1/day data published in the 2005 MDG Report come from? Perhaps from an earlier version of the CEDLAS online data base. CEDLAS \$1/day poverty rates start higher at 3.3% but fall to 1.4% by 2003 (line 18), implying this MDG 1 target was reached early. But since a small fraction of the population is involved this does not seem a significant accomplishment (though these include the poorest groups). The Povcal net \$1/day poverty rates even lower, falling from 2% in 1990 to just .5% in 2003 (see line 8). The difference between CEDLAS and Povcal.net estimates likely derive from the former’s use of an adult equivalence scale and difference in the treatment of survey reported income (all Chile’s poverty estimates are based on income surveys).

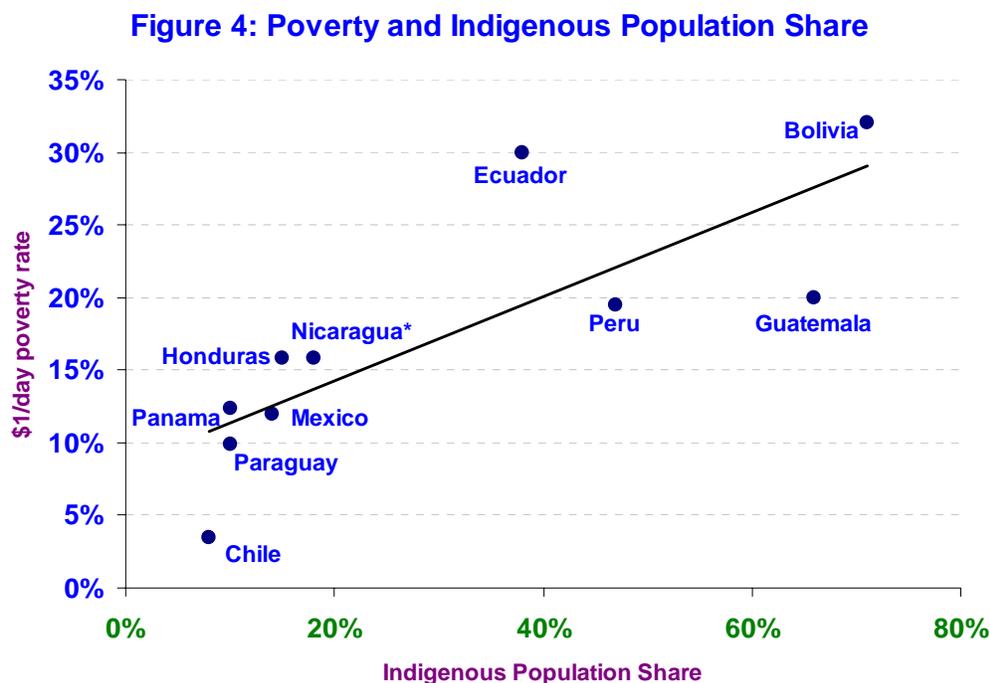
All data sources agree that \$1/day poverty rate is very low in Chile. This is why it makes more sense for middle income countries to target a higher poverty line, such as \$2/day poverty or the national “indigence” poverty line set by CEPAL. Targeting a higher poverty line is also supported by regional monitoring agencies CEPAL and CEDLAS in this case but it could be further facilitated if the UNSD and WB MDG sites reported \$2/day poverty rates and higher national poverty rates (these rates are reported in the WDI). Chile uses CEPAL poverty lines for its higher national poverty estimates—not surprising given CEPAL’s Santiago headquarters. This higher poverty line of \$2/day, or national poverty line rates, start in the 10-15% range in 1990 and then fall rapidly to about 5-6%. All of the higher poverty line indicators reported in Table 2.1 suggest Chile has already halved poverty (a 5% annual drop in poverty since 1990 implies Chile halved poverty in 2003, a reduction of 4.5% annually is sufficient to halve poverty by 2005). This rapid fall in poverty is consistent with Chile’s rapid 5% annual growth in GDP growth per person (line 16). Survey mean income grew too, but only at about 2.5% annually (line 10 of Table 2.1).

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<sup>14</sup> For additional information regarding these targets, see page 29 the the UN-Chile (2005) MDG report.

## 2.13 Inequality and Social Exclusion in Chile

Recall that one of Chile's Goal 1 targets set forth in the 2005 MDG report is to raise the share of the bottom 20% in total income. As of 2003, the share of poorest quintile has risen slightly from 3.3% in 1990 to 3.5% in 2003, similarly Chile's Gini coefficient has barely moved, falling from .56 to .55 over the same period (see lines 11 and 13 of Table 2.1). Chile's income distribution remains relatively unequal, but rapid growth reduced poverty. Does social exclusion play a role? Many Latin American countries have significant differences in income and human development that break down along ethnic lines. As shown in Figure 4 however, Chile has both one of the lowest indigenous population shares and \$1/day poverty rates in Latin America. About 20% of the \$1/day poor are indigenous peoples, more than double their 8% population share,. This figure is low when compared to Ecuador, for example, where the \$1/day poverty rate of 30% is much higher and almost 80% of this very poor group can be classified as indigenous peoples. Figure 4 suggests social exclusion is likely a factor in explaining \$1/day poverty in Honduras and Mexico, but not in Chile or Costa Rica, which have relatively small indigenous populations (the poverty rates show in Figure 4 center around 2000, the year for which indigenous population estimates were available as reported in the UNDP, 2005).



**Table 2.10: Alternative Poverty and Inequality estimates for Chile**

<b>Headcount Poverty rates by date and source</b>	<b>87-89</b>	<b>1990</b>	<b>1992</b>	<b>1994</b>	<b>1996</b>	<b>1998</b>	<b>2000</b>	<b>2003</b>	<b>Annual Change<sup>3/</sup></b>	<b>MDG 1 progress</b>
<b>UN (2005) Chile MDG Report<sup>2/</sup></b>										
1. Population below \$1 (PPP) per day, % of persons		3.5					2.3		-4.1%	early
2. Poverty Rate, National Headcount		39	33	28	23	22	21	19	-5.4%	early
3. Poverty Rate, National lower poverty line		13	8.8	7.6	5.7	5.6	5.7	4.7	-7.5%	early
<b>UNSD MDG Indicators &amp; WB MDG Quick Query<sup>4/</sup></b>										
4. Population below \$1 (PPP) per day, % of persons			<2%	<2%	<2%		<2%	<2%	na	na
5. Population below national poverty line, total, %					20	17			-7.6%	
6. Share of bottom 20% in total income			3.6		3.5		3.1	3.8	0.4%	
7. Poverty gap ratio at \$1/day (PPP)			<.5	<.5	<.5		<.5	<.5	na	
<b>World Bank Povcal Net (August 2007)</b>										
		<sup>2/</sup>	all income surveys							
8. Poverty headcount \$1/day PPP % of persons	6.2	2.0	1.2	0.93	0.0	0.0	0.4	0.5	-9.0%	early
9. Poverty headcount \$2/day PPP %	24	14	12	11	8.2	7.8	6.3	5.6	-6.4%	early
10. Average monthly income per person \$1993 PPP	\$239	\$317	\$325	\$361	\$409	\$436	\$440	\$436	2.5%	
11. Share of bottom 20% in total income	3.3	3.4	3.6	3.5	3.5	3.3	3.5	3.7	0.5%	
13. Gini Coefficient	56.4	55.5	56	55	55	56	55	54.9	-0.1%	
<b>World Bank WDI query \$1/day and \$2/day poverty rates</b>										
14. Poverty headcount \$1/day \$PPP % of persons	4.9		<2%	<2%	<2%		<2%	<2%	na	na
15. Poverty headcount \$2/day \$PPP % of persons	25		12.1	12.2	9.7		9.6	5.6	-9.5%	early
16. GDP per capita (1993 \$PPP -IMF WEO)		\$215						\$400	4.9%	
<b>CEPAL (UN Economic Commission for LatAm)</b>										
17. National CEPAL Poverty Line		39		28	23	22	20	19	-5.4%	early
18. National CEPAL Indigence Poverty Line		13		7.6	5.7	5.6	5.6	4.7	-7.5%	early
<b>CEDLAS</b>										
19. Poverty headcount \$1/day PPP % of adult equiv.		3.3	1.7	2.2	1.5	1.6	1.6	1.4	-5.9%	early
20. Poverty headcount \$2/day \$PPP % of adult equiv.		14.4	9.6	9.3	6.8	6.5	5.9	5.1	-7.1%	early
21. Poverty Gap \$1/day \$PPP % of adult equiv.		1.4	0.8	1.1	0.7	0.7	0.7	0.6	-5.9%	early
22. Poverty Gap \$2/day \$PPP % of adult equivalents		4.8	2.9	3.1	2.1	2.2	2.0	1.8	-6.8%	early

1/ ESCAP's MDG progress classification system: early achiever; on track for 2015; off-track slow and off-track regressing.

2/ Povcal net reports survey data for 1987, the WDI reports a \$1/day poverty rate for 1989.

3/ Annual rate of change is computed for the first and last poverty indicator reported here.

## 2.14 MDG Poverty Indicators for Costa Rica

Costa Rica, another middle income country, set as its key goal 1 target to reduce by half the proportion of people in extreme poverty and that suffer from hunger, both at national and sub-national levels. The extreme poverty rate in 1990 was 9.1%, according to the MDG report (see row 3 of Table 2.11).<sup>15</sup> Extreme poverty refers to households with insufficient income to buy a basic basket of food, unable to satisfy the minimum dietary conditions of its members. A second goal 1 target is to reduce the proportion of households in poverty, both at national and sub-national levels to less than 16% by 2015. Poverty households lack sufficient income to buy basic goods and services to satisfy the needs of all its members. In 1990, the proportion of households at this higher poverty line was about 27% (see row 3 of Table 2.11).

While Costa Rica has had reasonably positive growth since 1990, poverty reduction slowed in recent years in part due to a rise in inequality. The share of the bottom quintile fell from 4% in 1990 to 3.5% in 2002, while the Gini coefficient rose from .46 to .50, a substantial increase (see lines 14 and 15 of Table 2.11). The lower “hunger” poverty line is roughly \$2/day (compare lines 3,11,18 and 23) and by almost all estimates poverty measured using this standard fell, though in some cases the fall is not fast enough to meet the MDG goal 1 target set out in the MDG report (lines 3, 11 and 18 all show this poverty rate falling fast enough to meet the MDG target).

Perhaps the most reliable poverty rates are those computed using the CEDLAS surveys shown in lines 22-25 in Table 2.11. Using household income adjustments to make various surveys comparable and the OECD adult equivalence scale (more or less) tends to reduce the number of poor relative to other groups because the poor tend to have more children and larger households. These poverty rates show Costa Rica is on track to meet a \$2/day target at these lower poverty lines (see lines 22,16, 4 and 2). Most of these poverty rates are falling fast enough to be “on track” to meet a 2015 poverty goal.

Costa Rica is unusual in that survey mean monthly income in \$PPP 1993 grew more rapidly than national accounts based income estimates, 3.8% annually compared to 2.4% for the national account measures (see lines 13 and 19 of Table 2.11) This is consistent with the observed rapid fall in poverty rates (by most estimates), but not with rising inequality evident as a rising Gini coefficient and a falling share of the bottom 20% (see lines 14 and 15 of Table 2.11).

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<sup>15</sup> Costa Rican Government and UN Agencies (2004). *Primer Informe de Costa Rica sobre el avance en el cumplimiento de los Objetivos de Desarrollo del Milenio*. pp. 8-10.

## 2.15 MDG Poverty Indicators for El Salvador

El Salvador is a lower middle-income country for which the \$1/day poverty remains a relevant goal 1 target. The 2004 El Salvador MDG report (*Primer Informe de País, Avance de los Objetivos de Desarrollo del Milenio*) claims \$1/day poverty in El Salvador fell from 59% in 1991 to 39% in 2002, but these estimates seem too high (see line 1 in Table 2.12). The UNSD and WB monitoring sites report the \$1/day poverty rates of 21% in 1995 and 19% in 2002. Povcal.net and the WDI put \$2/day poverty at 43% in 1989 and 41% in 2002, indicating progress in reducing poverty and demonstrating that both poverty rates cited in the MDG report are for higher poverty lines (see line 1 and 2 of Table 2.12). In fact the “national poverty” line is very close to the higher CEPAL poverty line (compare lines 14 and 2). The “extreme poverty” line is somewhere in between \$1/day and \$2/day and is close to CEPAL’s lower indigence poverty line (compare lines 3 and 15 in Table 2.12).

Trends in this entire middle range of poverty lines suggest El Salvador’s progress in halving poverty is limited and that the country is not on track to meet goal 1. However, the more recent and complete data reported by CEPAL in Figure 2 claims El Salvador is just on track to meet the goal of reducing “indigence” or extreme poverty by 2025 (see Figure 2 above). And while the Povcal net poverty rates show very limited progress in reducing \$1/day poverty in El Salvador (see lines 4, 7 and 12 in Table 2.12), the generally better quality CEDLAS estimates suggest \$1/day poverty is falling at the “on-track” rate of 3.2% annually (from 25% in 1991 to 16% in 2004, see line 16 of Table 2.12). However, this same data show \$2/day poverty falling more slowly at about 2% annually, to slow to halve poverty by 2015. Recall that the CEDLAS data reflects a different but standardized approach to measuring income across surveys, and the use of an adult equivalence measure for counting household members. Because of the extra effort CEDLAS staff put into making surveys comparable, it is like to be a better guide to poverty trends than the more standardized “one method fits all” approach used by the World Bank’s Povcal Net – in fact comparing lines 7 and 16 in Table 2.12, the \$1/day poverty rates are similar in the early 1990s, but the CEDLAS estimates fall more rapidly.

Another possible source of inconsistency between poverty rates is a discrepancy between income growth recorded by surveys and indicated by national accounts measures. In fact, real income per capita in El Salvador grew at about 2% annually according to the national accounts (line 14) while survey mean income rose at 1.4% -- a small difference in grow rates that can make a big difference over a 15 year period (CEPAL for example adjusts its poverty estimates to make survey income consistent with various national account surveys, which may explain its “on track” conclusion reported in Figure 2 above). Still El Salvador’s income growth has been modest. Referring back to Figure 1, El Salvador has kept pace with OECD economies, but has not closed the gap during this period. Rising inequality has also limited progress in poverty reduction. The share of the bottom quintile has barely changed, rising from a low 2.5% in 1989 to 2.7% in 2002, as the Gini coefficient rose from .49 to .52 over the same period (lines 9 and 11 in Table 2.12).

**Table 2.11: MDG Poverty Indicators for Costa Rica**

<b>Headcount Poverty rates by date and source</b>	<b>1990</b>	<b>1991</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	Annual Change <sup>3/</sup>	On Track Goal 1?
<b>UN (2005) Costa Rica MDG Report<sup>2/</sup></b>																	
<b>1. Population below \$1.day \$PPP % of perons</b>	3.4	5.3	4.1	3.3	2.8	3.4	2.5	1.6	2.0	1.8	2.2	2.8				-1.6%	slow
2. Poverty Rate, National Headcount	27	32	29	23	20	22	21	20	21	21	20	21	19	22		-1.7%	slow
3. Poverty Rate, National Headcount (low poverty lin	9.1	11.7	9.3	6.9	5.8	6.9	5.7	5.3	6.7	6.1	5.9	5.7	5.1	5.6		-3.4%	on track
<b>UNSD MDG Indicators &amp; WB MDG Quick Query<sup>4/</sup></b>																	
<b>4. Population below \$1.day \$PPP % of perons</b>	<b>5.2</b>			<b>4.1</b>		<b>3.6</b>		<b>&lt;2%</b>		<b>&lt;2%</b>	<b>&lt;2%</b>		<b>3.3</b>			-3.4%	on-track
5. Population below national poverty line, total, %			22														
6. Poverty gap ratio at \$1/day \$PPP	1.3			1.4		1.1		<.5		0.7	<.5		1.6			1.3%	regress
7. Share of bottom 20% in total income																	
<b>World Bank Povcal Net (August 2007)</b>																	
	<i>all income surveys</i>																
<b>10. Population below \$1.day \$PPP % of perons</b>	<b>5.2</b>		<b>4.4</b>	<b>4.1</b>		<b>3.6</b>	<b>1.9</b>	<b>1.4</b>		<b>2.0</b>	<b>1.4</b>		<b>1.8</b>			-7.7%	early
11. Poverty headcount \$2/day \$PPP % of persons	16.1		16	14.6		13.3	10	9.1		9.5	8.2		9.6			-3.9%	on track
12. Poverty Gap \$2/day \$PPP (H * income shortfall)	6.0		5	5.3		4.7	3.1	2.6		3.0	2.4		3.0			-5.3%	early
13. Average monthly income per capita \$1993 PPP	\$234		\$244	\$251		\$278	\$297	\$346		\$316	\$383		\$381			3.8%	
14. Share of bottom quintile	4.0		4.0	4.0		3.9	4.3	3.9		4.1	3.7		3.5			-1.0%	regress
15. Gini Coefficient	46		47	46		47	46	48		47	50		50			0.7%	
<b>World Bank WDI query (August 2007)</b>																	
<b>16. Poverty headcount \$1/day \$PPP % of persons</b>	<b>5.2</b>			<b>4.1</b>		<b>3.6</b>		<b>&gt;2%</b>		<b>2.0</b>	<b>&gt;2%</b>		<b>3.3</b>			-3.4%	on-track
17. Poverty gap \$1/day \$PPP (incidence*depth)	1.3			1.4		1.1		<.5		0.66	<.5		1.6			1.3%	regress
18. Poverty headcount \$2/day \$PPP % of persons	16.1			14.6		13.3		9.1		9.5	8.2		9.8			-3.7%	on track
19. Average \$ppp \$2000 per capita income	6268	6272	6682	7007	7162	7144	7354	7774	8211	8170	8082	8148	8505	8710	9067	2.4%	
<b>CEPAL</b>																	
<b>20. National CEPAL Poverty Line</b>	<b>26.3</b>				<b>23.1</b>		<b>22.5</b>		<b>20.3</b>			<b>20.3</b>		<b>21</b>	<b>21.1</b>	-1.5%	slow
21. National CEPAL Indigence Poverty Line	9.9				8.0		7.8		7.8			8.2		8	7.0	-2.3%	slow
<b>CEDLAS</b>																	
<b>22. Poverty headcount \$1/day \$PPP % adult equiv.</b>	<b>7.6</b>		<b>8.0</b>				<b>4.8</b>			<b>5.8</b>	<b>5.5</b>	<b>5.2</b>	<b>5.1</b>	<b>5.3</b>		-2.5%	slow
23. Poverty headcount \$2/day \$PPP % adult equiv.	13.3		12.8				8.5			9.2	9.6	9.04	8.75	8.3		-3.3%	on track
24. Poverty Gap \$1/day \$PPP % of adult equiv.	3.8		3.4				2.1			2.1	2.8	2.7	2.4	2.2		-4.0%	on track
25. Poverty Gap \$2/day \$PPP % of adult equiv.	6.6		6.1				4.0			4.1	4.8	4.6	4.3	4.0		-3.6%	on track

1/ ESCAP's MDG progress classification system: early achiever; on track for 2015; off-track slow and off-track regressing.

**Table 2.12: Alternative Poverty Headcount Estimates for El Salvador**

Goal 1 indicators by date and source	1989	1991	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	Annual Change <sup>3/</sup>	Track progress
<b>El Salvador MDG Report</b>															
<b>1.0 Population below \$1/day \$PPP % of persons</b>		58									39			-3.5%	on-track
2. Poverty Rate, National Headcount		66	59	54			50	47	45	44	43			-3.5%	on-track
3. Poverty Rate, National Headcount (extreme poverty)		33	28	21.6			22.6	20.0	19.2	19.4	19.2			-4.4%	yes <sup>2/</sup>
<b>UNSD MDG Indicators &amp; WB MDG Quick Query<sup>4/</sup></b>															
<b>4. Population below \$1 (PPP) per day, %</b>				20.8	25.3		21.4		18.9		19			-1.3%	slow
5. Population below national poverty line, total, %				50.6							37.2			-4.3%	on-track
6. Poverty gap ratio at \$1 a day (PPP), percentage				8.2	10.4		7.9		8.5		9.3			1.8%	slow
<b>World Bank Povcal Net (August 2007)</b>															
<b>7. Poverty headcount \$1/day PPP % of persons</b>	21.4			20.8	25.3	21.5	21.4		18.9		20.4			-0.3%	slow
8. Poverty headcount \$2/day (PPP) % of persons	43.0			47.1	51.9	47.5	45.0		39.2		40.5			-0.4%	slow
9. Share of bottom quintile in total income	2.5			3.7	3.4	3.7	3.3		2.9		2.7				
10. Average monthly income per capita (\$1993 PPP)	\$107			\$106	\$101	\$110	\$121		\$134		\$131			1.4%	
11. Gini Coefficient	49.0			50	52	51	52		52		52			0.5%	
<b>World Bank WDI query (August 2007)</b>															
<b>12. Poverty headcount \$1/day PPP % of persons</b>	21.4			20.8	25.3		21.4		18.9		19.0			-0.8%	slow
<b>13. Poverty headcount \$2/day PPP % of persons</b>	43.0			47.1	51.9		45.0		39.2		40.6			-0.4%	slow
14. Income (GDP) per person \$2000 PPP	3495	3661	4207	4381	4363	4454	4527	4589	4597	4586	4607	4627	4629	2.0%	
<b>CEPAL</b>															
<b>14. National CEPAL Poverty Line</b>				54.2		55.5		49.8		48.9			47.5	-1.3%	slow
15. National CEPAL Indigence Poverty Line				21.7		23.3		21.9		22.1			19.0	-1.3%	slow
<b>CEDLAS (UNDP and World Bank LAC)</b>															
<b>16. Poverty headcount \$1/day PPP % adult equiv.</b>	24.9						23.3		19.5	19.8	20.4	18.8	16.4	-3.2%	on-track
16. Poverty headcount \$2/day PPP % adult equiv.	51.1						44.1		39.7	40.2	41.4	40.5	38.7	-2.1%	slow
18. Poverty Gap \$1/day PPP (adult equivalent)	12.3						12.8		10.2	10.8	10.8	9.8	8.3	-3.0%	on-track
18. Poverty Gap \$2/day PPP (adult equivalent)	25.4						23.4		20.0	20.6	21.0	19.7	17.8	-2.7%	on-track

1/ ESCAP's MDG progress classification system: early achiever; on track for 2015; off-track slow and off-track regressing.

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## 2.16 MDG Poverty Indicators for Honduras

Honduras is one of the poorest countries in Latin America. It has a relatively high \$1/day poverty rate and is one of the only countries in our sample that has failed to keep pace with the leading OECD economies in terms of income per person (see Figure 1 above). Not surprisingly, Honduras' official goal 1 target is to reduce by half the proportion of people who live on less than \$1/day between 1990 and 2015. According to the UN and the Honduran government's 2003 MDG report, progress towards this goal has been slow and the probability of reaching this target by 2015 is weak (25.3% in 1992 to 24.6% in 1999). The report includes the poverty gap as an additional indicator, and adds nationally defined poverty and extreme poverty rates, with national poverty lines, which is very similar to the CEPAL definitions discussed previously.<sup>16</sup> Using the national measure of poverty, 64% of households were poor in 2002, down from 75% in 1990 with a goal of reaching 42% by 2015. Extreme poverty was 54% early in the 1990s, but fell to 45% by 1999 with a 2015 goal of 25%.<sup>17</sup> All of these figures are from the 2003 MDG report (see also lines 1-3 in Table 2.13).

**Table 2.13: MDG Goal 1 Poverty and Inequality Indicators for Honduras**

Headcount Poverty rates by date and source	1990	1992	1994	1996	1997	1998	1999	2002	2003	2004	2005	Annual Change <sup>3/</sup>	Progress Goal 1?
<b>UN (2005) Honduras MDG Report<sup>2/</sup></b>													
<i>Population below \$1 (PPP) per day, %</i>		25.3					24.6					-0.4%	slow
Poverty Rate, National Headcount		75					64					-2.2%	slow
Poverty Rate, National Headcount (low poverty line)		54.2					45.0					-2.6%	slow
<b>UNSD MDG Indicators &amp; WB MDG Quick Query<sup>4/</sup></b>													
<i>Population below \$1 (PPP) per day, %</i>	37.8	28.3	23.7	25		23.8	20.7		14.9			-6.9%	early
Population below national poverty line, total, %							53		50.7			-0.7%	
Poverty gap ratio at \$1 a day (PPP), percentage	16.8	11.8	9.5	9.1		11.6	7.5		4.4			-9.8%	early
<b>World Bank Povcal Net (October 2007)</b>													
<i>Poverty headcount \$1/day (PPP) (% of population)</i>	37.8	28.3	23.7		12.3		11.4		14.1			-7.3%	early
Poverty headcount \$2/day (PPP) (% of population)	64.2	54	48		32		29.1		36.0			-4.4%	on track
Average monthly income per capita (\$1993 PPP)	\$84	\$103	\$120		\$169		\$177		\$160			5.1%	
Income (GDP) per person \$2000 \$PPP	2744	2821	2792	2846	2907	2913	2785	2886	2919	2998	3052	0.6%	
Gini Coefficient	57.4	55	55.2		53		51.5		53.9			-0.5%	
<b>World Bank WDI query (August 2007)</b>													
<i>Poverty headcount \$1/day PPP % of persons</i>	37.8	28.3	23.7	25.0		23.8	20.7		14.9			-6.9%	early
<i>Poverty headcount \$2/day (PPP) (% of population)</i>	64.2	53.5	48.2	51.3		44.4	44.0		35.7			-4.4%	on track
<b>CEPAL (BADIENSO August 2007)</b>													
<i>National CEPAL Poverty Line</i>	81		78		79		80	77	75			-0.6%	slow
National CEPAL Indigence Poverty Line	61		54		54		57	54	54			-0.9%	slow
<b>CEDLAS</b>													
<i>Poverty headcount \$1/day PPP % of adult equivalents</i>					12.0		10.7		15.4	16.8	16.5	4.1%	regress
<i>Poverty headcount \$2/day PPP % of adult equivalents</i>					32.6		29.1		37.4	33.4	32.7	0.0%	slow
<i>Poverty Gap \$1/day PPP % of adult equivalents</i>					4.8		4.3		5.4	8.4	8.7	7.7%	regress
<i>Poverty Gap \$2/day PPP % of adult equivalents</i>					13.7		12.1		16.0	16.9	16.9	2.7%	regress

1/ ESCAP's MDG progress classification system: early achiever; on track for 2015; off-track slow and off-track regressing.

<sup>16</sup> CEPAL defines its poverty lines to include access to a basic consumption basket that includes food and other goods and services (the poverty line) or extreme poverty or indigence as access to a basic basket of food only.

<sup>17</sup> Government of Honduras and UN Agencies (2003). *Informe sobre las Metas del Milenio*. Pp. 17-18.

## 2.17 MDG Poverty and Inequality Indicators for Mexico

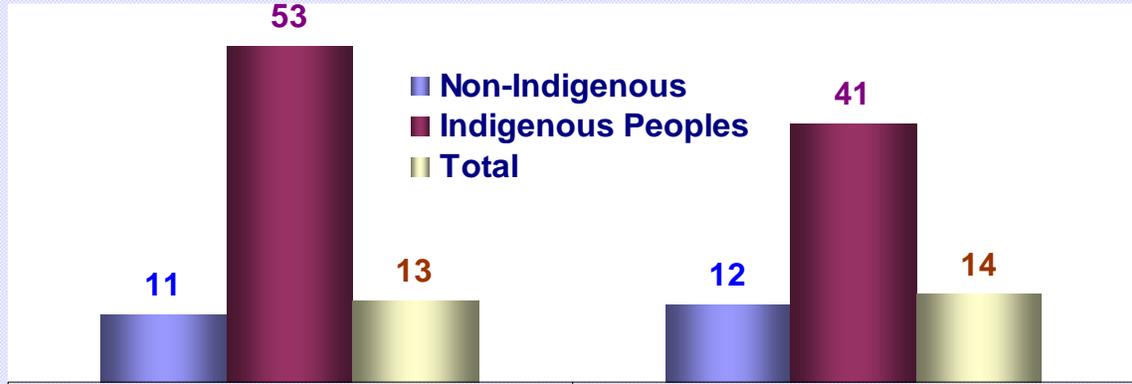
Mexico is a middle income country whose growth performance over the past decade has averaged a disappointing 1.5% annual per capita growth as measured by both the national accounts and expenditure survey means (see line 9 and 17 of Table 2.14). Nevertheless, Mexico has taken measures to assist the poorest segments of its population, especially in rural areas. Notably the conditional cash transfer program Progresa (now Oportunidades) began in response to Mexico's 1995 currency crisis. The measurement of poverty, and particular its household surveys have also improved steadily. Table 2.14 presents various poverty and inequality estimates for Mexico. The 2005 national MDG report captures the basic picture, but the origin of its poverty estimates is not clearly documented, and in some cases its estimates seem inconsistent with other sources. The dollar a day poverty rates reported are broadly consistent with those of Povcal.net (compare lines 1 and 10 or 11), but the report does not note the change between income and expenditure surveys for the most recent data and the 2005 poverty rate is very likely estimated.

As reported by the World Bank's povcal.net site, Mexico's income and expenditure survey series yield similar poverty trends, but only if we use an average of 1989 and 1992 as the base year. Even then the last income survey reported at the World Bank site is 1998. The \$1/day poverty rate estimated using expenditure surveys is much lower, suggesting some redistribution of income is taking place (compare line Using only expenditure survey trends (see rows 11, 13, 15) both \$1/day and \$2/day poverty is falling fairly rapidly in Mexico, putting the country on track to meet MDG 1 early. Progress has been a bit slow in achieving Mexico's national MDG goal of halving higher poverty line food poverty or "pobreza alimentaria" from 22% in 1990 (note that the 2006 MDG report puts the 2015 goal at 15.7% which implies Mexico is on track). Similarly, Mexico is on track to reduce "indigence" as defined by CEPAL's low poverty line, but is a bit behind schedule in reducing poverty as defined by CEPAL's higher poverty line (see line 21 and 20 in Table 2.14).

This pattern of slower progress at higher poverty line persists even when we turn to the higher quality CEDLAS \$1/day and \$2/day poverty estimates based on income surveys, but adjusted for household composition. Using an average of 1989 and 1992 surveys as our 1990 estimate, and taking into consideration the broader poverty gap reflecting both the incidence and depth of poverty (lines 24 and 26 of Table 2.14), Mexico is on track to meet its MDG for a \$1/day poverty, but lagging behind for most higher poverty line indicators (but if we use 1996 as a base year, Mexico is on track to meet all of its MDG targets, this suggest that crisis may have played a role in slowing MDG progress in Mexico). Inequality has fallen somewhat, and the share of the bottom 20% has increased, which may explain the reduction in \$1/day poverty despite slow growth during this period. (see lines 25 and 19 of Table 2.14).

Finally, inequality and perhaps social exclusion of indigenous peoples has been a problem in Southern Mexico (Chiapas). Still, only about 6% of the \$1/day poor are indigenous peoples, according to these CEDLAS estimates. The UNDP (2006) breaks out indigenous peoples and reports comparable \$1/day poverty rates for both groups (see Chapter 2). Figure 5 shows the poverty rates for both groups. The poverty rate for indigenous groups is much higher, but fell from 53% to 41% from 1992 to 2002 even as the overall poverty rate rose. Inequality seems to falling, especially in the past five years. Note that the Gini and Theil indices have fallen consistently since 1990, with the share of the bottom 20% rising from a low 3.4% to a still low 3.8% of income.

**Figure 5: Mexico \$1/day Indigenous Group Poverty**  
% of Population



1992 2002  
Source: UNDP (2006) Ethnicity and the Millenium Development Goals, Chapter 2

**Table 2.14: MDG 1 Poverty and Inequality Indicators for Mexico**

Poverty and Inequality indicators:	1989	1990	1992	1994	1995	1996	1998	2000	2002	2004	2005	Annual Change <sup>3</sup>	Goal 1 Progress
<b>UN (2005) Mexico MDG Report<sup>2</sup></b>													
1. Population below \$1 (PPP) per day, %		10.8			5.6			8.6			3.5	-7.2%	early
2. Poverty Gap, population below \$1 (ppp) per day		3.6			1.3			2.6			0.9	-8.8%	early
3. Poverty Rate, National ("pobreza alimentaria")		22			37			24			18.2	-1.4%	slow
<b>UNSD MDG Indicators &amp; WB MDG Monitoring Quick Query<sup>4</sup></b>													
4. Poverty Headcount Population below \$1/day PPP			5.2			7.77	8.8	5.9	4.31	3.0		-4.8%	early
5. Population below national poverty line, total, %								24.2		17.6		-7.7%	
6. Poverty gap ratio at \$1 a day (PPP), percentage			0.9			1.9	2.3	1.6	0.9	1.4		4.1%	regress
<b>World Bank WDI query \$1.08 and \$2.16 per day</b>													
7. Poverty headcount \$1/day (PPP) (% of population)			5.2			7.8	8.8	5.9	4.3	3.0		-4.4%	early
8. Poverty headcount \$2/day (PPP) (% of population)				22.5		27.8	27.5	22.6	21.2	11.6		-5.3%	early
9. Per capita GDP, PPP (2000 \$PPP)	7517	7751	8066	8285	7634	7903	8603	8813	9134	9451	9618	1.5%	
<b>World Bank Povcal Net Surveys (income and expenditure)<sup>1</sup></b>													
10. Poverty headcount \$1/day PPP (income surveys)	8.3	12.0	15.8		8.39	6.5	8.0					-5.0%	early
11. Poverty headcount \$1/day PPP (expenditure surveys)		4/	5.2			7.8	8.8	5.9	4.31	1.9		-7.4%	early
12. Poverty headcount \$2/day PPP (income surveys)	25	33.1	41		26	23.9	24.4					-3.8%	early
13. Poverty headcount \$2/day PPP (expenditure surveys)		4/	22.5			27.8	27.5	22.6	21.2	12.5		-4.4%	early
14. Poverty Gap \$2/day PPP (income surveys)	9.6	13.1	16.6		9.25	8.37	9.18					-3.9%	early
15. Poverty Gap \$2/day PPP (expenditure surveys)		4/	3.3			4.32	4.87	3.8	2.9	1.4		-6.1%	early
16. Average monthly income per capita (income surveys)	\$219		\$128		\$205	\$204	\$216					-0.2%	
17. Average monthly income per capita (expenditure surveys)			\$212			\$166	\$171	\$208	\$205	\$254		1.5%	
18. Gini Coefficient (income surveys)	55	52.7	50		53.7	52	53					0.1%	
19. Gini Coefficient (expenditure surveys)			51			49	49	52	49.68	46.1		-0.9%	
<b>ECLA-CEPAL 2006 (Economic Commission on Latin America)</b>													
20. National CEPAL Poverty Line	48			45		52.9	46.9	41.1	39.4	37	35.5	-2.2%	slow
21. National CEPAL Indigence Poverty Line (indigencia)	19			17		22	18.5	15.2	12.6	11.7	11.7	-3.5%	on track
<b>CEDLAS- World Bank LAC-UNDP<sup>4</sup></b>													
			4/										
22. Poverty headcount \$1/day \$PPP % of population	10.9	10.7	10.5			18	14	9	7.3	6.7	7.0	-3.1%	on-track
23. Poverty headcount \$2/day \$PPP, % of population	28	26.4	25			39	31	23	20.6	17.5	18.1	-2.5%	slow
24. Poverty Gap \$1/day \$PPP % of population	5.2	5.1	5.0			8.9	6.8	4.9	3.8	3.6	3.8	-2.0%	slow
25. Poverty gap squared \$1/day PPP	3.6	3.6	3.5			6.4	4.8	3.6	2.9	2.8	2.9	-1.4%	slow
26. Poverty Gap \$2/day \$PPP % of population	12	11.7	11			19	15	10	8.7	7.7	8.0	-2.5%	slow
27. Gini Coefficient	0.53	0.54	0.55			0.54	0.54	0.53	0.51	0.51	0.51	-0.3%	
28. Theil measure	0.63	0.64	0.65			0.62	0.59	0.57	0.50	0.57	0.56	-0.9%	
29. Income share of bottom 20%	3.5	3.4	3.3			3.1	3.1	3.4	3.8	4.0	3.8	1.0%	

1/ Mexico's ENIGH survey collects data on both income and expenditures, but WB Povcal only provides expenditure poverty lines after 1992.

2/ The annual change is computed for the first and last values reported here, a 2.74% annual rate of change is required to halve poverty in 25 years (by 2015) a 4.5% annual rate of decline will halve poverty in 15 years or by 2005.

3/ ESCAP's MDG progress classification system: early achiever; on track for 2015; off-track slow and off-track regressing.

4/ Where possible 1990 benchmark values are estimated as the average of 1989 and 1990: the annual rate of change is computed to the most recent survey.

## 2.18 MDG Poverty Monitoring in Middle Income and Transition Countries:

Our examination of inconsistencies in data reporting, and monitoring of progress between various global and national poverty reports, including MDG reports and PRSPs, has revealed a wide range of poverty estimates and methods. However, in most cases the inconsistency in poverty estimates can be explained if not resolved. Many discrepancies derive from the fact that there are many plausible ways to compute poverty rates from survey and national accounts data. More careful reporting of poverty rates in MDG/PRSP reports and by global poverty monitoring groups makes it much easier to resolve and understand inconsistencies in poverty levels and trends. The recommendations below apply mainly to middle income countries, but are complemented by a similar recommendations for low income countries in Part I of this report.

It is worth repeating that in many cases national and regional poverty estimates made better use of available survey and national accounts data. This does not necessarily reflect greater statistical capacity at the national level, rather it reflects the great methodological flexibility and first hand knowledge available to researchers at the national level. To cover the maximum number of nations for the maximum number of years, global poverty monitoring agencies must to some extent choose “lowest common denominator” of data availability and estimation methods. Global monitoring agencies cannot make use of country specific data, provincial price data, or even household equivalence scales for example simply because this data is not available in both countries. Similarly results from a household survey during a crisis year for example can be adjusted or discounted at the national level in a fashion not possible at the international level. This does not mean national poverty estimates are always superior; in fact the best procedure is always to have national poverty estimates vetted and evaluated by outside agencies and experts. , just as various development agencies reviewed Bangladesh’s poverty estimates. This process occurs more naturally at the regional level where CEPAL for example estimates poverty rates for many Latin American countries. These are readily comparable to national estimates, though it is important to allow collaboration and review in an atmosphere free of political pressure.

Since advances in poverty measurement at the national level have continued and in many cases surpassed the international monitoring methods (of Povcal.net for example) it is incumbent on global monitoring agencies to report all available consistent national poverty estimates. It is also incumbent on national statistical offices, UNDP country offices, regional agencies and development banks to convert national poverty lines to international prices, and to carefully document household definitions, income deflators, etc. (as Povcal.net already does).

Poverty estimates that use survey information in a more consistent fashion, or that use superior data (expenditure surveys) or methods (equivalence scales) will differ from the “one method fits all” approach used (of necessity) by international agencies: but these differences generally represent opportunities rather than inconsistencies. Generally, international agencies can do more to improve tracking of goal one targets by (a) reporting national poverty estimates on equal footing and frequency with international estimates, even when the two appear to be contradictory and (b) providing enough documentation and references to help users understand the key differences in how these poverty indicators are computed (this can even be a reference to a recent MDG report or PRSP,

PRSP or regional poverty assessment).<sup>18</sup> A good general rule is to document each national poverty series with clear national documentation (including poverty lines, household definition, price deflators, income definitions, etc.) and with an outside agency evaluation of that poverty data (this agency can be a regional development bank or UN agency such as ESCAP or CEPAL).

The main conclusions of this report are summarized as set of recommendations for “Reconciling National, Regional and Global Monitoring Poverty Rates” included as section 2.1 of this report above.

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<sup>18</sup> To be fair, Povcal.net now does an excellent job of documenting survey sources, price indices used, etc. But a reference to a report on that nation’s poverty rates (often a World Bank publication) or a link to a national poverty assessment would be even more helpful.

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## Appendix A: International Poverty and Inequality Data Sources for MDG 1: Primary, secondary and household survey data sources (as of November 2007)

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### I. Primary sources of Poverty and Inequality Data

A number of international agencies compute and post poverty and inequality indicators derived for many countries using comparable methods and based on household survey data. Groups that report but do not estimate poverty and inequality indicators estimated by national governments, researchers or other agencies are included in group II below. **Note: the underlined text in this pdf file are hyperlinks that take can be “clicked” to see the relevant web page if you are connected to the internet.**<sup>19</sup>.

1. The [Socio-Economic Database for Latin America and the Caribbean](#)<sup>20</sup> (SEDLAC) maintained by CEDLAS Universidad Nacional de La Plata and The World Bank's LAC Poverty Group (LCSPP) and MECOVI Program. Their web site “includes statistics on poverty and other distributional and social variables for 21 Latin American and Caribbean countries computed from the main household surveys assembled by the MECOVI ,(see part III below) a joint initiative of the World Bank, the Inter-American Development Bank and the United Nations ECLAC. Statistics are updated periodically as new surveys become available.

**To access the poverty and inequality data (as of November 2007):** Go the [SEDLAC webpage](#) and select Poverty or Inequality from menu on your left. **For poverty rates**, you will have two choices: poverty from official Sources (country estimates or regional estimates) and poverty estimates using CEDLAS methodology (country estimates or regional estimates). Click on the desired category and open the zip file. You will get an excel file with the countries, year, estimates and sources. **For inequality indicators** there is only one “inequality” data file: open this zip file and extract the excel file containing inequality indicators including income shares by deciles, income ratios, the Gini coefficient, Theil index, coefficient of variation, Atkinson index, and the generalized entropy index as well as Wolfson and EGR bipolarization indices. Each measure is reported for most Latin American and a few Caribbean countries in available survey years over the 1986 to 2005 period. This database is updated regularly as new surveys become available.

2. The World Bank's [PovcalNet](#) “is an interactive computational tool that allows you to replicate the calculations made by the World Bank's researchers in estimating the extent of absolute poverty in the world, including the \$1 a day poverty measures... also allows you to calculate the poverty measures under different assumptions and to assemble the estimates using alternative country groupings or for any set of individual countries of you're choosing.” For example, you can calculate poverty rates for different \$PPP poverty lines. The site also provides information on the surveys and price indices used to compute each poverty rate.

**To access poverty and inequality data:**<sup>21</sup> On the main [PovcalNet webpage](#) click one of the “Choose your own country/aggregates” buttons. In the next control box selects the countries you want poverty and inequality data for (selecting all countries works fine). Click the continue button to move to the next window and choose a Poverty Line (PL): the default is \$1/day or \$32.74 a month. You can also select some or all available survey years. Click “Submit” to have Povcal compute the headcount poverty rate, poverty gap, squared poverty gap, the Watts index, Gini coefficient and MLD inequality indices (the survey means and inequality indicators do not depend on the poverty line chosen). Each heading is a hyperlink to that that indicator's definition. Click “detail Output” to see documentation on price deflators, survey coverage, and references to related poverty studies for that country and time period.

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<sup>19</sup> Or you can right-click and copy the link directly to an other file or browser.

<sup>20</sup> [Socio-Economic Database for Latin America and the Caribbean](http://www.depeco.econo.unlp.edu.ar/cedlas/sedlac/) (www.depeco.econo.unlp.edu.ar/cedlas/sedlac/ )

<sup>21</sup> For data access as of November 2007 go to: <http://iresearch.worldbank.org/PovcalNet/jsp/index.jsp> .

3. [CEPAL Stat's Social Indicators and Statistics Database](#)<sup>22</sup> (BADEINSO), “gathers data, estimates and projections from various international organizations, as well as information from censuses and household surveys supplied by national statistical systems. BADEINSO presents data on the following topics: Demography, Education, Health, Housing, Employment, Wages, Poverty and income distribution, Economy, and the Millennium Development Goals.” It includes “more than 130 indicators summarizing the past and present social evolution of the 33 Latin American and Caribbean ECLAC member countries, as well as that of seven non-independent, associate member Caribbean territories”.

**To access poverty and inequality data:\*** The [BADEINSO webpage](#) has several scroll-down menus. Use the first to choose the BADEINSO database. The second menu selects the area or topic, choose “Poverty and Income Distribution”. The third menu allows you to choose an indicator, the Gini Coefficient for example. Finally, select the regions you want: geographical area, country and year (click to highlight your choices). Your output table can be saved in spreadsheet or HTML format (see the bottom right of the screen).

4. The [African Development Bank's](#)<sup>23</sup> [Gender, Poverty and Environmental Indicators on African Countries 2007 \(Section 2\)](#), compiles poverty and inequality indicators from survey data, along with other social indicators, for the 53 African countries.

**To access poverty and inequality data:**<sup>24</sup> The above link for *Gender, Poverty and Environmental Indicators on African Countries 2007 (Section 2)* will take you directly to a .pdf file. In this document you will find various tables with the abovementioned indicators.

5. [Eurostat](#) is the Statistical Office of the European Communities and it contains comparable relative poverty and risk-of-poverty and inequality [indicators](#) for the European countries and some for countries seeking accession to the EU (Bulgaria for example). **To access poverty and inequality data:\*** The [Eurostat Indicators](#)<sup>25</sup> page displays a number of indicators on will see various indicators categories under Poverty and Social Exclusion. Clicking on the + sign next to Monetary poverty for example yields a list of indicators. Select a table, graph and/or map by clicking on the icons next to the name of the indicator.

6. [Inter-American Development Bank](#): The [Equity and Social Indicators](#)<sup>26</sup> (Eqxis) “is a tool developed by the Poverty and Inequality Unit (SDS/POV) to monitor disaggregated data on social indicators, in particular, those proposed for measuring progress towards the Millennium Development Goals. This disaggregation measures discrepancies among different population groups. EQxIS displays social indicators by income quintile, gender, urban/rural area and race/ethnicity, using information from the households surveys databank of the MECOVI Program for 20 countries.” It estimates “four points in time starting from 1990 to the latest available year, use microdata from the Household Surveys Databank of the MECOVI Program and definitions of indicators from the United Nations for monitoring the Millennium Development Goals (MDGs).” **To access poverty and inequality data:\*** The [EQxIS](#) webpage provides several options to display inequality data. Choosing Tables, for example, allows access to a country, year and indicator in table format: clicking “view excel table” under the heading downloads the data in spreadsheet format.

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<sup>22</sup> For data access as of November 2007 go to: <http://websie.eclac.cl/sisgen/ConsultaIntegrada.asp>

<sup>23</sup> [http://www.afdb.org/portal/page?\\_pageid=473,1&\\_dad=portal&\\_schema=PORTAL](http://www.afdb.org/portal/page?_pageid=473,1&_dad=portal&_schema=PORTAL)

<sup>24</sup> \*This is the data access process as of November 2007.

<sup>25</sup> [http://epp.eurostat.ec.europa.eu/portal/page?\\_pageid=1996,45323734&\\_dad=portal&\\_schema=PORTAL&screen=welcomeref&open=/&product=sdi\\_ps&depth=2](http://epp.eurostat.ec.europa.eu/portal/page?_pageid=1996,45323734&_dad=portal&_schema=PORTAL&screen=welcomeref&open=/&product=sdi_ps&depth=2)

<sup>26</sup> For data access as of November 2007 go to <http://www.iadb.org/xindicators/>

## II. Secondary Sources of Standardized Poverty and Inequality Data

These groups and agencies gather poverty and inequality data computed by national governments or other international agencies and attempt to present it in a standardized format. Some agencies, including UN Wider and the UNSD for example, also rate and classify the data by origin and quality.

1. [Wider](#) Inequality Data Base (updated May 2007): “*The [UNU-WIDER World Income Inequality Database \(WIID\)](#) collects and stores information on income inequality for developed, developing, and transition countries*”. The database covers 156 countries from 1960 to 2005. It includes calculations for Gini coefficients and income distribution by quintiles or deciles. The latest update also includes “*survey means and medians along with the income shares of the richest 5% and the poorest 5%*”. Documentation is provided in standard format, with data quality rated on a scale of one to four, a score of four indicates inequality statistics that are not adequately documented. **To access poverty and inequality data:** \* *The [Wider Database](#)<sup>27</sup> page displays a box under the title “WIID2 and its documentation consist of.” Click on the first choice spreadsheet file to download a zipped file containing the data for all countries. A user guide, country information sheets and revision notes of latest updates are also available.*

2. Deininger and Squire ([World Bank](#)): The [Measuring Income Inequality Database](#)<sup>28</sup> “*contains data for 138 countries, over the period 1890-1996 (with data on Gini coefficients and cumulative quintile shares). It was put together in 1997 by Klaus Deininger and Lyn Squire.*” **To access poverty and inequality data:** \* *On the database’s webpage, click “Dataset in Zipped Format” at the bottom of the page. When the zip file opens you will see several files. The data is in the Excel file under NDATA.xls (it is also available in a text file under NDATA.txt). The README files (Word or Text files) provides definitions of the database variables.*

3. The [United Nations Economic and Social Commission](#) for Asia and the Pacific ([ESCAP](#)) provides an online database, called [Annual Core Indicators](#)<sup>29</sup>, that compiles poverty and inequality statistics (from WB and UNSD) for ESCAP member countries. **To access poverty and inequality data:** \* *ESCAP’s [Annual Core Indicators](#) page provides menu on the left, use it to select “Poverty and Income Distribution”. Particular indicators can be chosen by using check boxes by that indicator’s name. You can choose all or some ESCAP countries. Finally, click continue to get a data table that can be download in three formats (see top left of the screen): CSV (comma separated values), TXT (text file) or XML (Extensible Markup Language).*

4. The official United Nations site for the MDG indicators is the [UN Statistics Division MDG Indicators](#) site ([mdgs.un.org](#)). The poverty and inequality indicators associated with MDG 1 are available on this data base, including \$1/day poverty rates and national poverty rates (incomplete coverage) and the share of income or expenditures commanded by the bottom 20% of the population. The UNSD MDG database is easily accessible for country and regional queries. The UNSD site marks the global monitoring poverty indicators it reports with a “G” for global estimates, while the subset of national poverty rates that reported for Bangladesh are marked “CA” for “country adjusted.” In November 2007 the UNSD discussed above was made available on a new [MDG Monitor](#)<sup>30</sup> site through UN initiative involving the UNSD, the UNDP, UNICEF, DESA, UNICEF and OCHA with support by Google and Cisco systems.

5. The World Bank also maintains a [Global Data Monitoring](#)<sup>31</sup> Information system which also has a “quick query “system for country data. The World Bank provides additional information and definitions of each of

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<sup>27</sup>For data access as of November 2007 go to: <http://www.wider.unu.edu/wiid/wiid.htm>

<sup>28</sup><http://econ.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTRESEARCH/0,,contentMDK:20699070~pagePK:64214825~piPK:64214943~theSitePK:469382,00.html>

<sup>29</sup>For data access as of November 2007 go to: <http://www.unescap.org/stat/data/index.asp>

<sup>30</sup><http://www.mdgmonitor.org/>

<sup>31</sup><http://developmentgoals.org/>

these variables in its WDI database. Most poverty estimates are from the [World Bank's Povcal.net group](#), a similar set of poverty estimates are published by World Bank's World Development indicators (the WDI).

### **III. Household Survey Data Quality and Sources**

These groups and agencies gather and standardize household data in preparation for estimating poverty and inequality indicators and for basic research on policy impacts. All of these organizations attempt to promote comparable surveys across countries.

1. [MECOVI](#)<sup>32</sup>: *“The objective of the Program for the Improvement of Surveys and the Measurement of Living Conditions in Latin America and the Caribbean (MECOVI), is to generate adequate and high quality information about the living conditions of people in the region, in terms of scope, coverage, reliability, timeliness and policy relevance.”* This program is undertaken by the World Bank (IBRD), the Inter-American Development Bank (IDB) and the United Nations Economic Commission for Latin America and the Caribbean (CEPAL).
2. [LSMS](#) are the World Bank's [Living Standards Measurement Study \(LSMS\) household surveys](#)<sup>33</sup>. They are available for many countries (and some for several years) such as Albania (1996, 2002-2005), Cote d'Ivoire (1985-1988), Ecuador (1994-1995, 1998) and Nepal (2003/04).
3. [Demographic and Health Surveys](#)<sup>34</sup> ([DHS](#)) *“are nationally-representative household surveys with large sample sizes (usually between 5,000 and 30,000 households). DHS surveys provide data for a wide range of monitoring and impact evaluation indicators in the areas of population, health, and nutrition.”*
4. International Food Policy Research Institute ([IFPRI](#)): *“In collaboration with institutions throughout the world, IFPRI is often involved in the collection of primary data and the compilation and processing of secondary data. The resulting [datasets](#)<sup>35</sup> provide a wealth of information at the local (household and community), national, and global levels.”* Some of the household and community-level datasets made available by IFPRI include the South African KwaZulu-Natal Income Dynamics Study (KIDS) 1993-1998 and the Nicaraguan Red de Protección Social (RPS) Evaluation Dataset (2000-2002).
5. The Rio group published the [Compendium of best practices in poverty measurement](#)<sup>36</sup> in 2006, a compilation of the *“most well-developed practices in poverty measurement.”* The Compendium *“offers a “menu” of poverty measurement approaches and methodologies. A discussion is also provided of the most important aspects relating to their implementation.”*
6. The [International Household Survey Network](#)<sup>37</sup> (IHSN) *“is a partnership of international organizations seeking to improve the availability, quality and use of survey data in developing countries. This informal network was established as a recommendation of the Marrakech Action Plan for Statistics.”* It provides a [Central Survey Catalog](#)<sup>38</sup> that allows searching for household surveys by country, year and survey type (types include, for example, the LSMS and DHS surveys).

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<sup>32</sup>[web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/LACEXT/EXTLACREGTOPPOVANA/0,,contentMDK:20886217~pagePK:34004173~piPK:34003707~theSitePK:841175,00.html](http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/LACEXT/EXTLACREGTOPPOVANA/0,,contentMDK:20886217~pagePK:34004173~piPK:34003707~theSitePK:841175,00.html)

<sup>33</sup> <http://www.worldbank.org/LSMS/guide/select.html>

<sup>34</sup> <http://www.measuredhs.com/aboutsurveys/dhs/start.cfm>

<sup>35</sup> <http://www.ifpri.org/data/dataset.asp>

<sup>36</sup> [http://www.ibge.gov.br/poverty/pdf/rio\\_group\\_compendium.pdf](http://www.ibge.gov.br/poverty/pdf/rio_group_compendium.pdf)

<sup>37</sup> <http://surveynetwork.org/home/>

<sup>38</sup> <http://surveynetwork.org/home/?lvl1=activities&lvl2=catalog&lvl3=surveys&ihsn=320-2000-002>

## Appendix B: The MECOVI Program (Poverty and Social Indicator Monitoring)

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Program for the Improvement of Surveys and the measurement of Living Conditions in Latin America and the Caribbean (MECOVI)<sup>39</sup>

### Background

The objective of the *Program for the Improvement of Surveys and the Measurement of Living Conditions in Latin America and the Caribbean* (MECOVI), is to generate adequate and high quality information about the living conditions of people in the region, in terms of scope, coverage, reliability, timeliness and policy relevance. This kind of information is needed for the design, monitoring and evaluation of policies, programs and projects, aimed at reducing poverty and the promotion of greater social equity. The program was formally launched in December 1996 in Asuncion, Paraguay.

MECOVI is a Spanish acronym for: "Mejoramiento de las Encuestas de Hogares y la Medición de Condiciones de Vida". The Program has two main components: (i) country-specific activities, and (ii) Region-wide activities. The MECOVI Program is executed by the World Bank (IBRD), the Inter-American Development Bank (IDB) and the United Nations Economic Commission for Latin America and the Caribbean (CEPAL), as well as specialized institutions or agencies in countries participating in the Program. Subsequently other donors, such as Canada, Denmark, Germany, Japan, Norway, Sweden, UNDP, USA, and the Soros Foundation, have supported the Program

### National Statistical Development Strategy

The MECOVI Program is expanding its action plan to strengthen the institutional and technical capacity of the National Statistical Systems (NSS). To achieve this goal, the MECOVI Program is implementing Trust Funds for Statistical Capacity Building (TFSCB) to support 13 countries in the preparation of their National Statistical Development Strategy (NSDS): Bolivia, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Guyana, Honduras, Nicaragua, Panama, Peru, Uruguay and Venezuela regard the formulation of the NSDS as an essential input to boost the activities of their NSS.

The NSDS will be validated and endorsed by the largest possible number of institutions involved in the production and use of statistical information. The NSDS would identify the areas in which general and particular requirements of statistical information should be strengthened. The NSDS will also reinforce the central role of the National Statistical Offices in the NSS and provide the guiding principles for statistical development. Additionally, the NSDS would provide a tool to facilitate the harmonization of statistical information across the region, in accordance with recognized international standards.

**Regional Databank:** The Poverty and Gender Group has created a Regional Poverty Data Bank that contains an inventory of more than 400 household survey data sets from 23 countries in the LAC region. The data sets are maintained on line and are readily accessible to users in the World Bank. The data sets have been extensively utilized by the World Bank researchers in and outside the LAC region for numerous research projects and ESWs. The maintenance of the data bank component is currently undertaken by the Poverty and Gender Sector, LAC PREM, largely supported by trust fund resources. Contact [Mr. Namsuk Kim](#) for more information on the databank. For non World Bank work, please contact the National Statistical Offices in the countries to gain access to the data.

### Lessons Learned

The MECOVI Program has developed good practice partnership programs in LAC. It has assisted countries in upgrading their capacity to plan and implement household surveys. It has been instrumental in: (i) diagnosing the situation of the surveys; (ii) creating awareness among donors and countries of the needs for mounting concerted efforts to mobilize financial and technical resources; and (iii) organizing reasonably successful multilateral efforts to build regional and country capacity to conduct household surveys.

Some of the key lessons learned from the MECOVI program are:

- The activist role of the National Statistical Offices (NSO) in its consultation with other stakeholders (sponsors and users) helps to create country ownership and accountability.
- Build capacity on top of existing capacity.

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<sup>39</sup> This material is taken directly from the MECOVI web page. For more information and the full text of this description of MECOVI from which this appendix is copied, please see <http://go.worldbank.org/ZIFHV0LK00>.

- Emphasize building capacity for planning, designing and executing the surveys, instead of just improving the survey instruments.
- Interaction between the producers and users of statistical information increases the viability of the project over time.
- Wide dissemination and democratization of statistical information is essential for engendering trust and confidence in the statistical system that generates it.
- Commitment of the country to the production of high quality statistical information creates a virtuous circle: better information, more credibility, more utilization of data, more demand, more resources, improved capacity, better information, and so forth.
- Training offered through workshops and courses is essential to enhancing the technical capacity, as well as for creation of a network of cooperation.
- Horizontal technical cooperation among countries is a practical, economical and mutually beneficial mechanism for enhancement of NSO capacities.
- Close coordination between sponsoring organizations helps to establish priorities and to conduct program activities in an integrated manner.

### **Program Coordination**

The MECOVI Program owes its success to the collaborative spirit and extensive joint consultation among management and staff of the three co-sponsoring institutions (see [go.worldbank.org/ZIFHV0LK00](http://go.worldbank.org/ZIFHV0LK00) )

At the highest level of authority, the Steering Committee of the Vice President of the World Bank, Vice President of the IDB, and Executive Director of UN-CEPAL, have met to review the progress of the activities, provide overall guidance, and have made executive decisions regarding the direction of the MECOVI Program. Members of the Steering Committee have received recommendations on best practices and policy directions from the Advisory Board, made up of experts. The Program Coordinators from the three co-sponsoring institutions periodically meet to coordinate their support to the program countries, and discuss any pending issues.

The Poverty and Gender Sector, Latin American and the Caribbean Region (LAC), Poverty Reduction and Economic Management (PREM), provides the institutional home for the World Bank's contribution to the MECOVI Program. Its members constitute: Jaime Saavedra, Sector Manager; Jose Molinas Vega, Coordinator; Monica Penuela, Assistant Coordinator; Namsuk Kim, Databank Administrator; Marta Cervantes-Miguel, Program Assistant. For more information, please contact [mecovi@worldbank.org](mailto:mecovi@worldbank.org).