

NoPoor Summer School Academic Report

1- Measuring poverty: a representative course

Ms Saint-Macary's (IRD Researcher) lecture was based on a literature review of poor economics and how it has been developed during the years. Taking a historical track of the structural debt crisis in the world, she presented the strategies on which government legislations in poverty reduction and crisis management were built. Based on different definitions and measurements of poverty, those laws produced multiple changes in the political assessment of the poor and then on the new scientific perspective of the late 90s.

As defining poverty, Ms Saint-Macary proceeded to explore the Welfarist and No-Welfarist approaches used in the common economic analysis. Giving the importance on how these branches have defined economic analysis, she defined the main facts of poverty: identification, referencing or labelling and statistical treatment. Taking into account that usually economists use a normative approach based on monetary indicators in poverty assessment data, she presented other methodologies such as: subjective measures, multidimensional indicators (having particular attention on the synthesizing components of this method and using as an example the Human Development Index), and composite indexes. Also she made important remarks about the manner on which absolute, relative or subjective poverty lines and indexes should be chosen and analysed them depending on the context.

To conclude, she explained that more than methodology, economists should be aware of the core axioms of poverty (focus only in poor individuals, monotonicity and intra poor monetary transfers), which are items that must be respected at all stages of the analysis.

2- Pro-Poor growth measurement: main indexes, operationalization, examples

After assessing the results of the Millennium Development Goals (MDG), the World Bank decided recently to establish a new goal of poverty in 3% on globally. Even though the Bank thinks that it is an achievable rate looking at the historical statistics, many economists think that the actual definition of poverty has not included inequality. Indeed, poverty reduction by economic growth is often related to big gaps of economic inequality. Much more work is needed in order to proceed to these new MDG.

For Mr Negre (World Bank's Economist), a better treatment of statistics and a new method to distinguish poor population is essential to accomplish the new Development goals. In this reasoning, he showed his new methodology to calculate, given the data on monetary inequality, the proportion of poor people that benefited from an economic growth in a given country. This new definition of Pro-Poor growth, based on a simple index proposed on the redistribution component of poverty gap changes obtained through an exact decomposition, will permit to calculate how much Pro-poor growth is over a given period.

3- Qualitative approaches to poverty and inequality

Professor Green's aim (Manchester University) in this lecture was to look the inside characteristics of poverty and inequality. As she remarked, economic poverty analysis tends

to explain the dynamics, using simple mathematical methods. Such analysis could leave many other important elements to understand the multidimensional dynamics of poverty. One should be able to understand the inequality in the people's context, and therefore have a comprehension of the drivers of economic behaviour.

Professor Green also pointed out the fact that moral judgements and political factors determinate development and antipoverty interventions but at the same time, social and historical factors determinate human relations and in this way morals and laws are built on that. Here is where social sciences and mostly sociology, start to have an important place in poverty analysis. A sociological or anthropological analysis will give some answers to the understanding of social networks and institutions functioning. Therefore, one will be able to interpret social norms and laws. Some of the methods used to study social behaviours are: interviews with the specific individuals, case studies with specific individuals, and group chats (where social network could be analysed and where truth is much more likely to be said because of willing to keep a certain level of morality in the society). It is up to the researcher to choose which method to use, depending of its information's needs.

4- Importance to inclusive growth to eradicate global extreme poverty

Looking at the new global poverty goals established by the United Nations by 2030, studies from the World Bank on this matter have predicted no growth at this level even using relatively optimistic distribution-neutral growth scenarios. Poverty goals will not be reached in the best case study. Proposing a shared prosperity model with multiple scenarios, Mr Mario Negre's analysis and those from other colleagues from the World Bank showed that the 3% of the poverty goal could be reached.

Taking into account five scenarios where growth distribution is: In the first case, all individuals have 0% growth, in the second case the bottom 40% is at 2pp, in the third case the bottom is at 1pp, in the fourth case at -2pp and in last case at -1pp. Having these growth rates for the rest 60% higher than for "the poor", means that at the end of the assessment, the individuals of top poor-percentile (considered originally richer) will be considered poor. For this eventual problem, a group re-rank is consequently made for the estimations. One important remark is that rich people are not imposed in very high costs to ensure income growth for the poor. On the contrary, this depends on the country's actual context, initial level of poverty, shape of the distribution and growth rate. Assuming that in the best panorama, all characteristics are fully reached, high levels of poverty (below 40%) will lead to a decrease in the pace of poverty reduction in the short term, in comparison to the neutral-distribution scenario.

5- Measurement issues in global and national poverty analysis

Poverty measurements are typically used worldwide by researchers and students. Their use has become international and gives us a way to compare among countries. Mr Jolliffe's (Work Bank Economist) lecture was focused on the relatively innocuous changes in the questionnaires or data treatment that could lead to different results and induce to false results if comparing to an international level or over time.

Looking at the progress in poverty reduction around the world, one can easily observe that national and regional policies and programs have been more effective than other global policies. And even though indexes and instruments to measure poverty have been homogenized internationally, there have been not consensus for the moment. This could be the reason why at the moment of comparing poverty by countries, all indexes seem to be different even if they have the same approach. Reasons for these differences could be due to the heterogeneity of questionnaires that are done across years. Simple changes based on better improvement of the informational content of the data are made, but forgetting that little weight placed on the cost of creating new data could lead to inconsistent comparisons with previous questionnaires.

It is to remark that researchers are aware of this effect and know that changes in the questionnaire could lead to double-counting, over or underestimation. Also it is known that changes in the form of how the questionnaires are asked, supervised or counted, could lead to bad quality, or could critically compromise the comparability over time. Jolliffe clearly explains these errors using one of his previous research papers, where he proved wrong the traditional conception, which says that the vast majority of poor population in the USA come from the rural zone. Poverty thresholds in major urban centres are the same as for rural, lower-cost areas of the country. He used data from the household cost subsidies program for qualified poor participants. The effect of adjusting for the differences in the cost of housing has statistically significant effect of re-ranking the relative poverty rates in urban areas, in a period of 10 years.

6- Multilateral poverty measurement: Analysis and applications

Taking back the classic methodologies in poverty assessment, Professor Seth (Oxford University) explained all the inside characteristics that poverty analysis should have and which type of procedure one should use regardless of the methodology. For him, poverty measurement could be divided in two main branches: the one-dimensional and the multidimensional approaches.

One-dimension methodologies as the Pen's Parade Depiction, the head count ratio, the poverty gap measures or the squared measures, they all possess three basic steps for a good assessment: First, they all should follow a good identification of individuals, denominated poor and belonging to the respectively poverty line used by the researcher. Secondly, they all should be aware of the data's aggregation process, using a correspondent methodology that explains the research question. For example, with the Head Count ratio is very intuitive and easy to have results on poverty data analysis, but it does not capture the depth of poverty or any distributional changes of inequality. A poverty gap measure captures the depth of poverty using a given poverty line, but it is not sensitive to distribution among poor, and so inequality standards are forgotten. Not all poverty analysis methodologies have the same theoretical background to respond to different poverty assessments. Finally, the choice of space is essential in order to have good results.

As for multidimensional methodologies, Professor Seth explained their high potential in poverty analysis. As poverty is not always a monetary problem, researchers have to look at others factors that are related to it. As for Amartya Sen, Professor Seth thinks that poverty is based on basic deprivations that make a person incapable to function in society. Economic growth reducing non-monetary deprivations is therefore very important. In reality, governments and policy makers had not seen other policies of economic growth other than monetary strategies. It is evident that there is a lack of inclusiveness for these non-monetary strategies.

Using multidimensional measures suggest broader policies in the subject. For governments, it could be a way to provide a coordinated policy that is at the same time comprehensive with the poor's situation. Also it could be a great way to report socio-economic trends over time, in order to evaluate progress of those policies, and to target an affected geographical region or households for particular purposes. Equal to the one-dimensional approaches, the three steps for good assessment are required (choice of space, identification and aggregation). Also last reports on poverty reduction, using these methodologies in the United Kingdom, have been very successful in the identification of poverty dynamics and submitting social and economic programs to reduce poverty.

7- Poverty imputation and dynamics in the context of missing consumption data

For policy makers and governments in general, the constant assessment of their people and especially their poverty is a first-to-do task. Mr Hai-Anh (World Bank Economist) has remarked that even if the economic and statistical institutions have put all their efforts to do so, it is quite rare to have household consumption data. This is due to the fact, that in many countries, this survey is not frequently collected or it is not constructed using the adequate criteria to do so.

Professor Hai-Anh and others have been developing methods to fill up this gap of years and obtain a good estimation of poverty and continue its monitoring. Those methods provide imputation-based poverty estimates and construct synthetic panel data to study poverty dynamics. For the moment, there are two developed methods: Simple imputation and the Synthetic panels.

The simple imputation methods consist to create new data, based on a series of database from recent years (even if they are taken from different surveys). Assuming that all survey's measures are consistent and poverty in next year follows a variation, given by the weight of population value measurements with its respective standard errors, the new imputation data is a simple regression. It will weigh the value measurement of individuals based on the basis years. This method is very simple to use, because of the simple restrictive assumptions, variance formulas and also because it can be used to different or equal sampling designs.

One important remark about the former method is that, if there is no panel data, one could not say too much about poverty. Here is where synthetic panels have their importance. With this method, one can use much less data for creating poverty dynamics and also parsimonious assumptions. Compared to the Bonds approach, the synthetic panels provide point estimates

rather than bounds, making easier their analysis and political intervention. Also it can obtain estimates for correlation coefficients from own surveys and it can extend the results to three or more periods. The inconvenience is that results only allow to study associational relationships rather than causal ones. Empirical works on both methods have confirmed their effectiveness and future research advances.