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Outline

I: Monitoring extreme poverty
   - the international poverty line
   - global profile of extreme poverty
   - the data with call-out to LIS (=> broadening the focus to include lines & measures relevant to richer countries)

II: Higher poverty lines

III: Work to improve transparency, replicability, trust
The International Poverty Line (currently $2.15 in 2017 PPPs)
• Since the introduction in 1990 of the ‘dollar-a-day’ international poverty line, the World Bank has monitored poverty using an international poverty line.

• The international poverty line reflects the typical national poverty line of some of the poorest countries in the world.

• These national poverty lines typically indicate the minimum cost of covering basic food and nonfood needs.

• People living on less than the international pov. line are in extreme poverty.

• This measure of poverty is used for the first of the World Bank’s twin goals and for the first indicator of the Sustainable Development Goals.
History of revisions to the international poverty line

- National poverty lines and household consumption are reported in local currencies. We use purchasing power parity (PPP) exchange rates convert them to the same currency and account for price differences faced by people.

- New PPPs are collected periodically, most recently in 2017. When PPPs are updated, the international poverty line is typically updated.

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</thead>
<tbody>
<tr>
<td>ICP Data (PPPs)</td>
<td>1985</td>
<td>1993</td>
<td>2005</td>
<td>2011</td>
<td>2017</td>
</tr>
<tr>
<td>Method</td>
<td>Inspection (rounded)</td>
<td>Median</td>
<td>Mean</td>
<td>Mean (rounded)</td>
<td>Median</td>
</tr>
<tr>
<td>International Poverty line (ICP year USD)</td>
<td>$1.01 ($1.00) “Dollar-a-day”</td>
<td>$1.08</td>
<td>$1.25</td>
<td>$1.88 ($1.90)</td>
<td>$2.15</td>
</tr>
<tr>
<td>Countries used in sample</td>
<td>Bangladesh, Indonesia, Kenya, Morocco, Nepal, Pakistan, Philippines, Tanzania</td>
<td>Bangladesh, China, India, Indonesia, Nepal, Pakistan, Tanzania, Thailand, Tunisia, Zambia</td>
<td>Chad, Ethiopia, The Gambia, Ghana, Guinea-Bissau, Malawi, Mali, Mozambique, Nepal, Niger, Rwanda, Sierra Leone, Tajikistan, Tanzania, Uganda</td>
<td>Same as Ravallion et al.(2009) (15 countries)</td>
<td>28 low-income countries</td>
</tr>
</tbody>
</table>
Revision to poverty line did not change trend in global poverty, relatively modest regional changes
The data for setting the international poverty line

- **Previously**: $1.90 poverty line (2011 PPPs) and $1.25 poverty line (2005 PPPs) were derived as the average national poverty line of 15 poor countries.

- **Now**:
  - Larger, newer, more comparable sample of national poverty lines
  - International Poverty Line = median national poverty line for low-income countries, $2.15 in 2017 PPPs
  - + higher lines derived as median national poverty line of LMICs and UMICs
  - Using the new data set and the 2011 PPPs also resulted in a poverty line of $1.90 in 2011 PPPs.

Global profile of extreme poverty
Where do those in extreme poverty live?

concentrated in Sub-Saharan Africa

Half the poor are in 5 countries

Source: 2022 Poverty and Shared Prosperity Report
Three decades ago, the majority of the world’s poor lived in East Asia & Pacific.

Poverty population by income level

Source: Poverty and Inequality Platform. Historical income classifications • The figure shows the share of the global extreme poor (measured at the international poverty line of $2.15 per person per day) by country income group. The ‘evolving’ income group classification changes from year to year. Classifications refer to fiscal years (FY) and are here matched to the year of their release. For example, the FY23 classification, released in July 2022, is here tied to 2022. The ‘current’ income group classification uses the FY23 classification in the entire graph.
Poverty rate by income level

Poverty rate (%), evolving classification

Source: Poverty and Inequality Platform, Historical income classifications. The figure shows the extreme poverty rate (measured at the international poverty line of $2.15 per person per day) by country income group. The ‘evolving’ income group classification changes from year to year. Classifications refer to fiscal years (FY) and are here matched to the year of their release. For example, the FY23 classification, released in July 2022, is here tied to 2022. The ‘current’ income group classification uses the FY23 classification in the entire graph.
1990 – 2014: remarkable progress in reducing poverty

After 2014, significant slowdown


Note: The figure shows the poverty rate and number of poor at the international poverty line of US$2.15 (2017 PPP) per person, per day. See box 1.1 for more details on the adoption of 2017 PPPs that are used for monetary poverty measures throughout the chapter. PPP = purchasing power parity.
The COVID-19 pandemic was a historic shock to global poverty.

Forecasting poverty reduction: Completely off path to 3% by 2030

Source: 2022 Poverty and Shared Prosperity Report
LIS in the global estimates of extreme poverty
### Overview of survey data used for global poverty monitoring

1968 - 2022

<table>
<thead>
<tr>
<th>Region</th>
<th>Number of countries</th>
<th>Number of survey-years</th>
<th>Median of last survey years</th>
<th>Share (%) of extreme poor in 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>East Asia &amp; Pacific</td>
<td>21</td>
<td>160</td>
<td>2018</td>
<td>3.7</td>
</tr>
<tr>
<td>Europe &amp; Central Asia</td>
<td>30</td>
<td>569</td>
<td>2020</td>
<td>1.7</td>
</tr>
<tr>
<td>Latin America &amp; Caribbean</td>
<td>25</td>
<td>456</td>
<td>2020</td>
<td>4.2</td>
</tr>
<tr>
<td>Middle East &amp; North Africa</td>
<td>12</td>
<td>67</td>
<td>2014</td>
<td>5.6</td>
</tr>
<tr>
<td>South Asia</td>
<td>7</td>
<td>55</td>
<td>2019</td>
<td>24.4</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>45</td>
<td>213</td>
<td>2017</td>
<td>59.4</td>
</tr>
<tr>
<td>Other—High-income Countries (HICs)</td>
<td>28</td>
<td>599</td>
<td>2020</td>
<td>1.0</td>
</tr>
</tbody>
</table>

**HICs for which LIS data are used**

<table>
<thead>
<tr>
<th>HICs for which LIS data are used</th>
<th>Number of countries</th>
<th>Number of survey-years</th>
<th>Median of last survey years</th>
<th>Share (%) of extreme poor in 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>9</td>
<td>208</td>
<td>2018</td>
<td>0.7</td>
</tr>
</tbody>
</table>

**World**

| World                          | 168                 | 2,119                   | 2018                       | 100.0                             |

(1) Australia (2) Canada (3) Germany (4) Israel (5) Japan (6) South Korea (7) Taiwan, China (8) United Kingdom (9) United States

- We download household-level data in 400 bins from LISSY.
- LIS data are treated as microdata, NOT grouped data, in the Poverty and Inequality Platform (PIP).
• circa Fall 2013, headline poverty estimate focused on poverty in the world (rather developing world). Assumed no extreme poverty in high-income countries.

• Since Fall 2017, with inclusion of data from high-income countries, including LIS, poverty in HICs in global poverty estimates.

• While inclusion of LIS data in extreme poverty estimates has relatively small effect on extreme poverty estimates, ...

• ... our use of LIS data has been much more about broadening our toolkit for monitoring poverty (in accord with Atkinson recommendations).

• In PovcalNet/PIP, high-income countries were/are classified as “Other High Income”.

Note: Other High Income refers to all high-income countries, including nine countries for which LIS data are used.
Higher poverty lines
Limitations of the $2.15 line

The $2.15 poverty line is a frugal, absolute, and monetary standard for measuring poverty. Many people who live on more than $2.15 per day could be considered poor, for example:

**Higher standards**

An individual who lives on less than $3.65 or $6.85 day

**Relative standards**

Basic needs may vary across countries.
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</thead>
<tbody>
<tr>
<td>Low income (LIC)</td>
<td>1.91</td>
<td>1.90</td>
<td>33</td>
<td>2.15</td>
<td>2.15</td>
<td>28</td>
</tr>
<tr>
<td>Lower-middle income (LMIC)</td>
<td>3.21</td>
<td>3.20</td>
<td>32</td>
<td>3.63</td>
<td>3.65</td>
<td>54</td>
</tr>
<tr>
<td>Upper-middle income (UMIC)</td>
<td>5.48</td>
<td>5.50</td>
<td>32</td>
<td>6.85</td>
<td>6.85</td>
<td>37</td>
</tr>
<tr>
<td>High income (HIC)</td>
<td>21.7</td>
<td>24.36</td>
<td>29</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Global poverty lines, 2011 & 2017 PPPs
At higher poverty lines, the regional distribution of the global poor changes.

Source: 2022 Poverty and Shared Prosperity Report
Relative standards

Societal poverty: Using a poverty line that increases as countries get wealthier

• Societal poverty reflects idea that as countries get wealthier, the standard of meeting basic needs increases.

• The wealthier a country, the more resources one needs not to avoid social exclusion.

• The World Bank introduced the societal poverty line (SPL) in 2018:

\[
SPL = \max[2.15, 1.15 + 0.5 \times \text{median}]
\]
Societal poverty 3 times larger than extreme poverty

How countries define basic needs increases with income

Societal poverty declines more slowly with growth because the poverty line increases

- The societal poverty line reflects average assessments of social & economic basic needs at different levels of development. SPL = max($2.15, $1.15+0.5 \times \text{Median}$)

Societal poverty is hybrid of absolute & relative poverty; Declines, slowly, over time
About half of the world’s population lives on less than $6.85 a day, still very low rates in our LIS data and ‘other high income’.

Societal poverty in LIS and other high income countries has been steady at just under 20% over last three decades.

Note: LIS means the 9 LIS countries used in PIP.
COVID & Poverty at higher lines:
Poverty largely declined in richer countries during COVID

- Each dot represents the percent of people who crossed the SPL (societal pov line) anchored in 2019.
- Poverty changes were higher for countries with relatively medium income.

Source: Mahler et al. 2022, updated
Estimated changes in inequality were mixed in 2020. Inequality went up in as many countries as it went down in 2020.

- Inequality changes were mixed. However, largely, richer countries saw a decline in inequality in 2020.

Source: Mahler et al. 2022, updated
Work to improve transparency, replicability, trust
Quality, **accessibility**, and transparency

- All estimates can be accessed through the Poverty and Inequality Platform (PIP) (www.pip.worldbank.org).
- PIP is a comprehensive platform for all the World Bank’s poverty and inequality data.
- The data can also be accessed through API-based solutions.
- Where data sharing agreements permit, the anonymized microdata are accessibly through PIP’s Statistics On-Line (SOL) tool (www.pip.worldbank.org/sol).
Quality, accessibility, and transparency

- All code necessary to create the poverty estimates are publicly available (https://github.com/PIP-Technical-Team)
- A description of the entire methodology is available in a technical handbook (https://worldbank.github.io/PIP-Methodology/)
Quality, accessibility, and transparency

- All major methodological decisions are peer reviewed internally and/or externally and documented through Global Poverty Monitoring Technical Notes or Policy Research Working Papers.
Install PIP Stata module from github by running the following command in Stata (It will be available from SSC soon.)

```
net install github, from("https://haghish.github.io/github/")
```

```
github install worldbank/pip
```

Note that there might be an issue when installing from Github if connected to the VPN. We recommend disconnecting from the VPN.

For details see: https://worldbank.github.io/pip/

Please report any other issues installing the wrapper here: https://github.com/worldbank/pip/issues or send an email to pip@worldbank.org
PIP resources

- PIP how to videos: https://pip.worldbank.org/use-pip
- Detailed methodology: https://worldbank.github.io/PIP-Methodology/
- Data updates and related publications: https://pip.worldbank.org/publication
- FAQs: https://pip.worldbank.org/faqs
- Questions/comments/concerns: pip@worldbank.org
• Learn from LIS expertise, particularly in high-income countries
• As noted by many, there is much to be learned from better understanding income-consumption-wealth linkages
• As PIP expands ... more countries with income only
  • low-income countries get richer, we are seeing more of the measurement challenges and opportunities faced in data collection in high-income countries (e.g., nonresponse, respondent burden, innovative instruments)
• As LIS expands ... more MICs, more interest in consumption
• Better measures of wealth important for both