OPHI

OXFORD POVERTY & HUMAN DEVELOPMENT INITIATIVE

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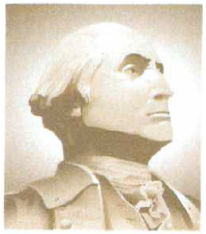
UNIVERSITY OF OXFORD

MPI: Why, What, and How?



James Foster

Elliott School, George Washington University

OPHI, Oxford

Why MPI?

Poverty can take multiple forms with many dimensions

Who says?
UN Member Countries via the SDG process

Preamble. We recognise that eradicating **poverty in all its forms and dimensions,** including extreme poverty, is the greatest global challenge and an indispensable requirement for sustainable development.

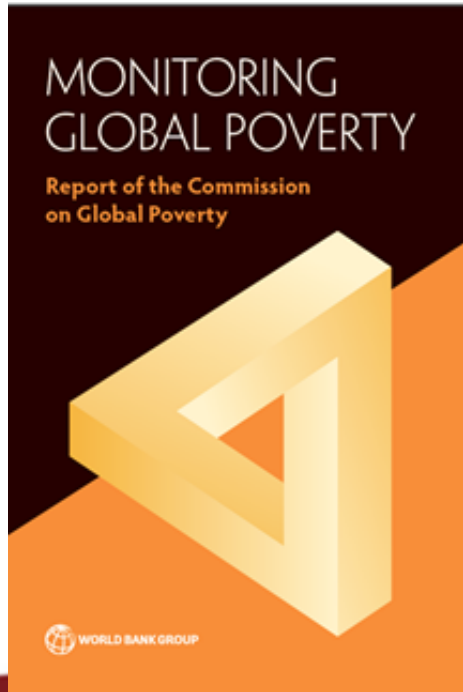
Target 1.2: by 2030, reduce at least by half the proportion of men, women and children of all ages living in **poverty in all its dimensions** according to national definitions.

-Transforming Our World (SDGs) 2015

Who says?
The World Bank in the Atkinson Commission

It is not just how many people are deprived, but also how many households have a low score on all or several of the dimensions. Do those with low levels of education also suffer from poor health? From the standpoint of evaluating policy, **the different dimensions have to be examined in conjunction**.

Recommendation 19: Complementary Indicators should include a multidimensioned poverty indicator … implemented in terms of the **adjusted head count ratio**, and its constituents of the head count and average breadth of deprivation.

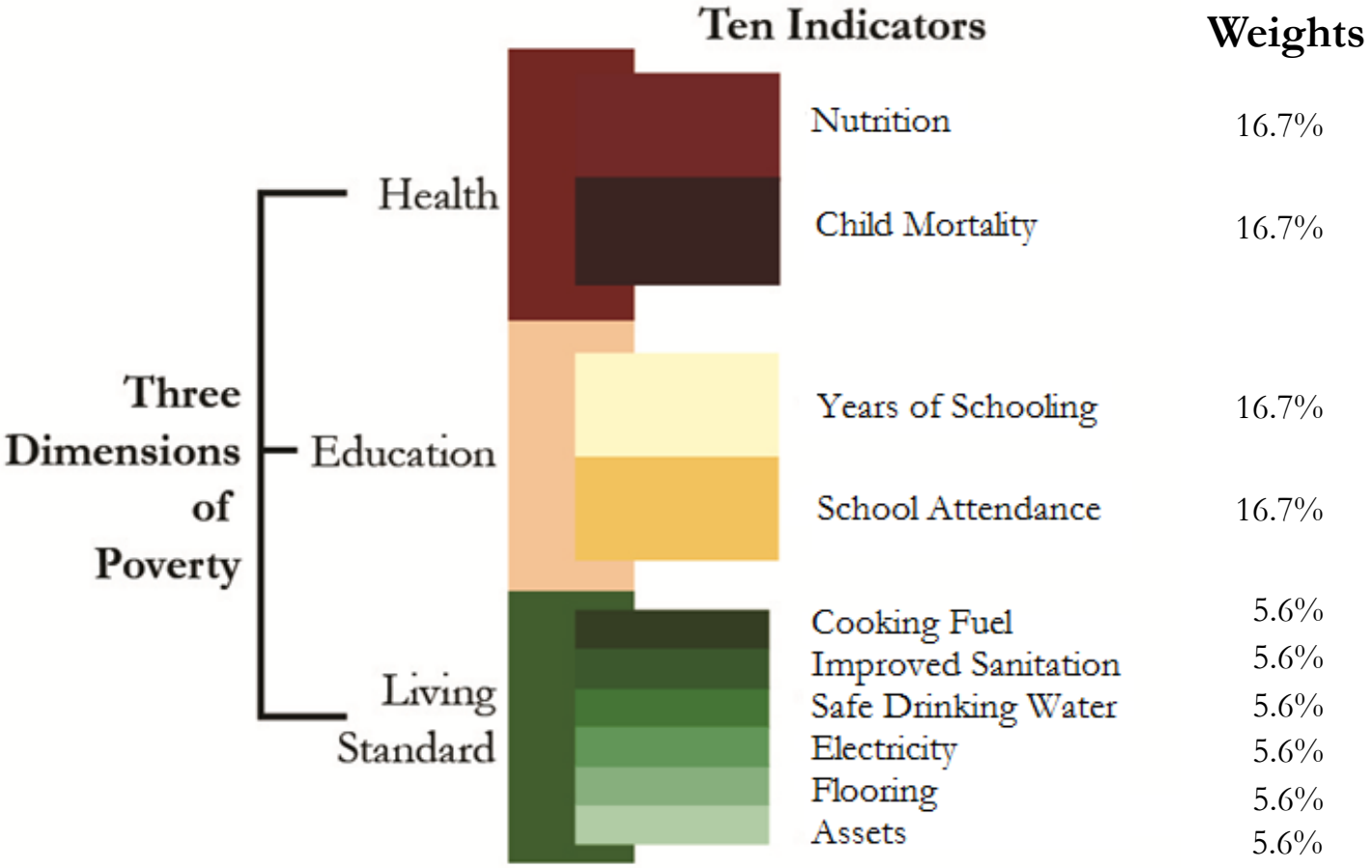


What is an MPI?

Poor are those sufficiently multiply deprived
Poverty is prevalence of poor deprivations

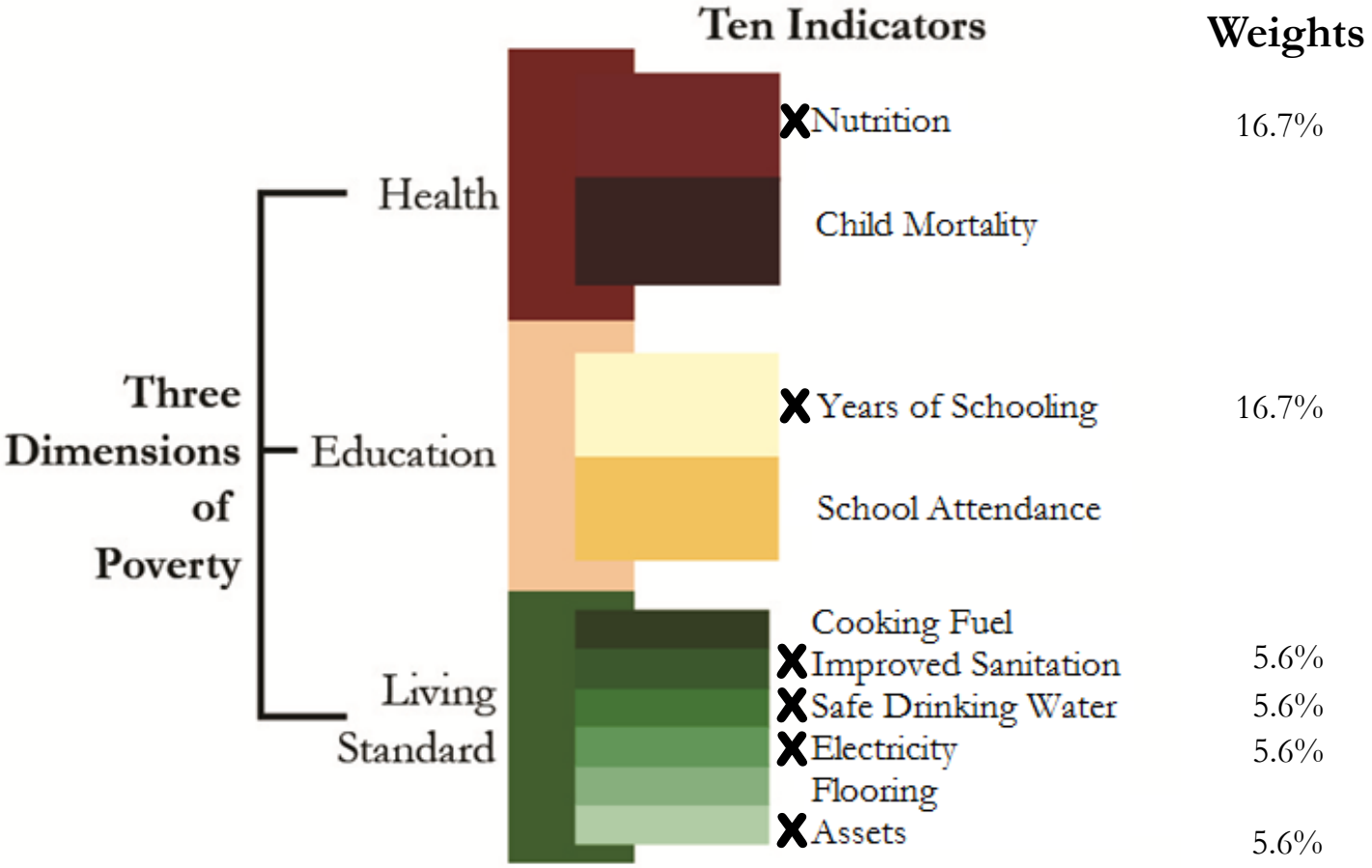
MPI Elements

Dimensions, Indicators, Cutoffs, Weights



Poverty cutoff
33%

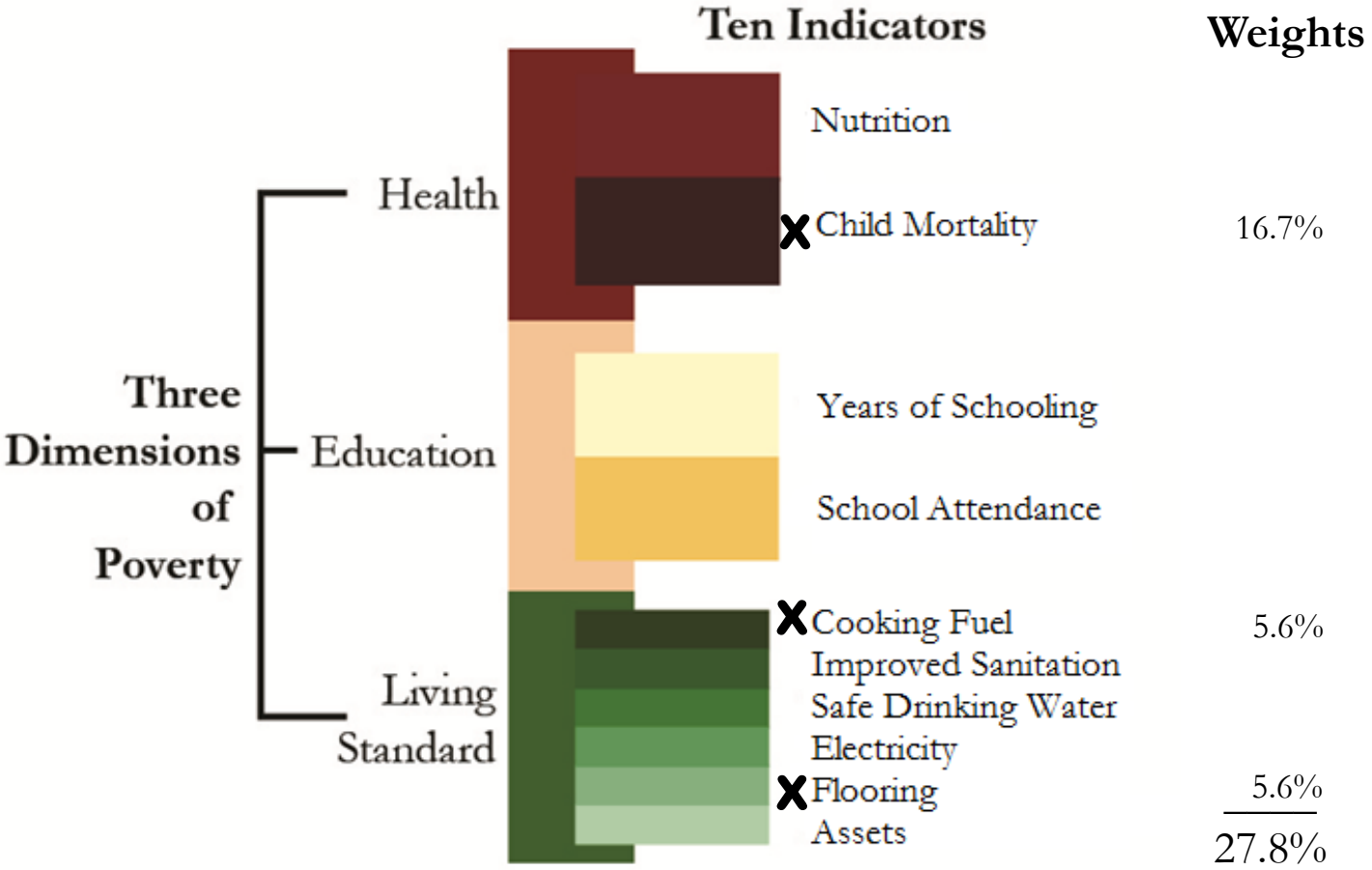
Is John poor? YES



Poverty cutoff 33%

John's Deprivation Score 55.6%

Is Di poor? NO



Poverty cutoff 33%

Di's Deprivation Score 0%

Measuring Poverty

The MPI uses the Alkire and Foster (2011) method:

Formula: MPI = $M_0 = H \times A$

where

H is the Headcount ratio (or **Incidence**)

The percentage of people who are poor

A is the Average deprivation score of the poor (or **Intensity**)

On average how much deprivation a poor person suffers at the same time

Reflects the *joint distribution* of deprivation

Useful Properties

Statistical

Standard errors and confidence intervals for all statistics

Statistical inference for all comparisons (level/trend)

Validation for component indicators, alone and jointly

Robustness tests for cutoffs and weights

Axiomatic

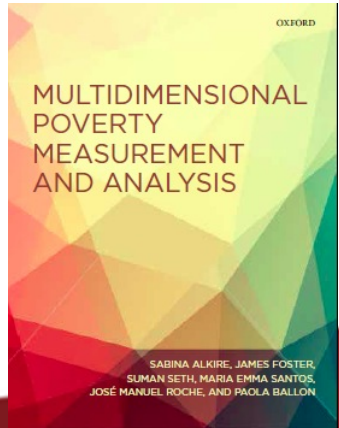
Decomposability across populations

Breakdown by indicators or dimensions

Ordinality of data is ok

Others

see *Multidimensional Poverty Measurement and Analysis*
by **Alkire, Foster, Seth, Santos, Roche, Ballon (OUP 2015)**



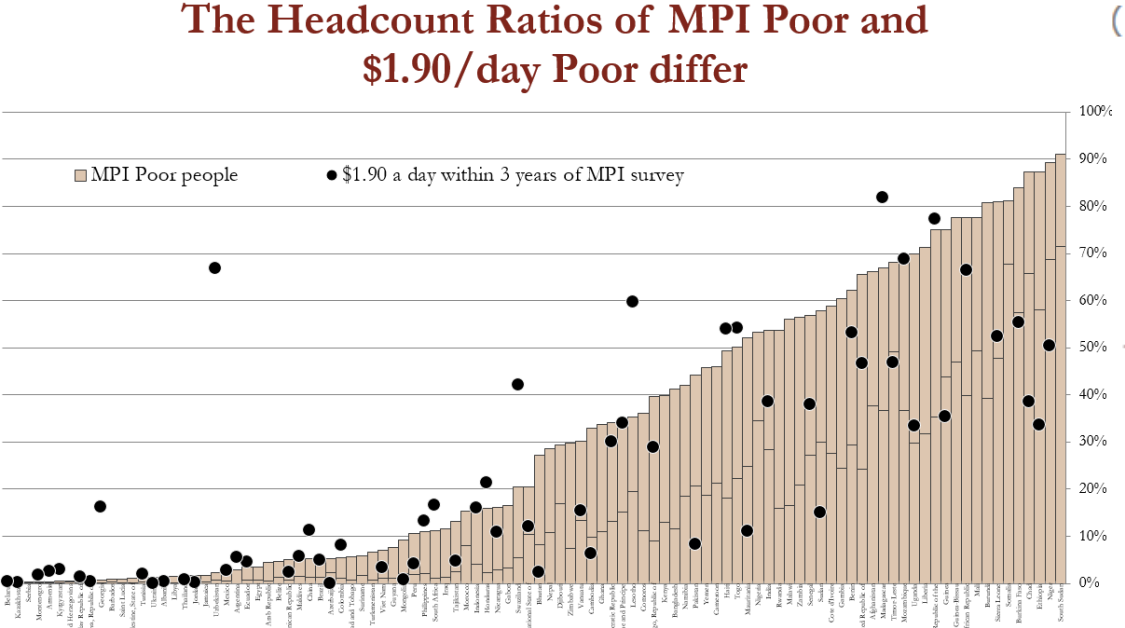
How are MPIs being used?

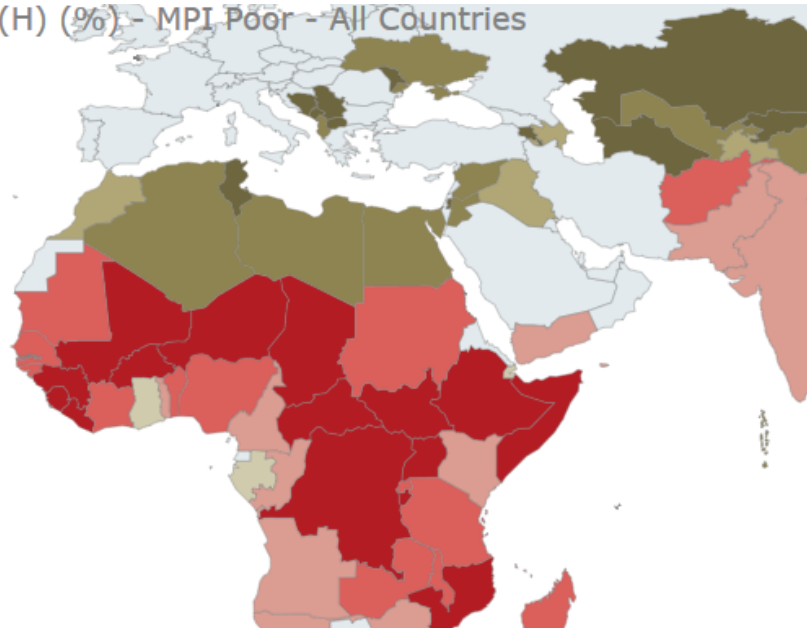
Comparable or National Purposes

Comparable MPIs

Eg: Global MPI, ECLAC, UNESCWA)

- **Compare across countries**
  - **Like $1.90/day and $3.10/day monetary measures**
- **Could monitor SDG-1**

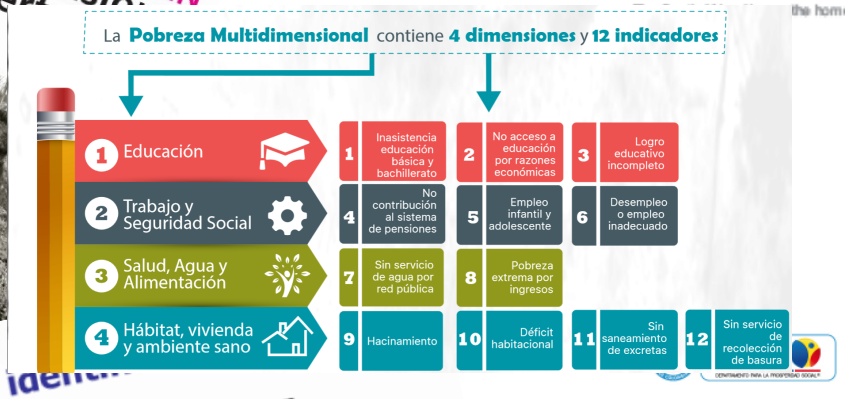




National MPIs

Official statistics reflecting national policy priorities

Ecuador

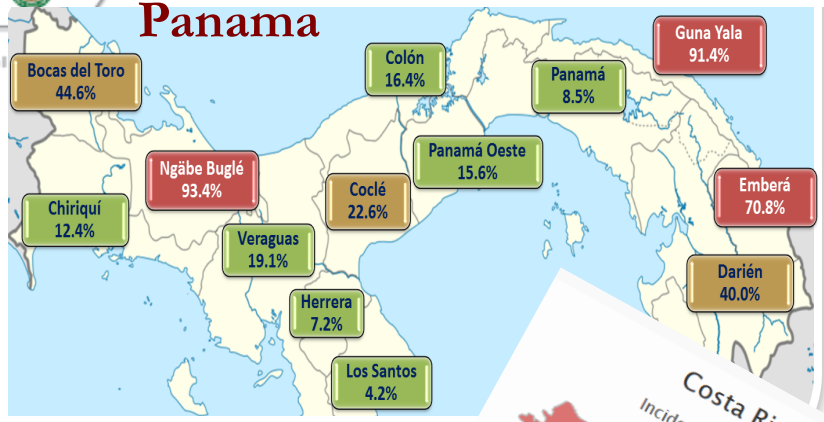


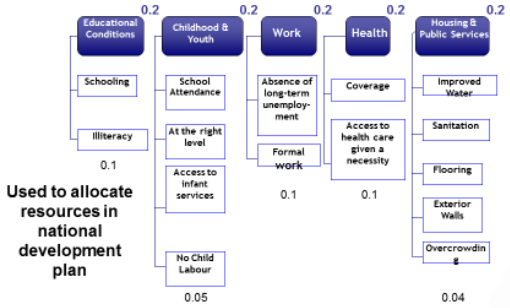
Statistics South Africa

The South African MPI

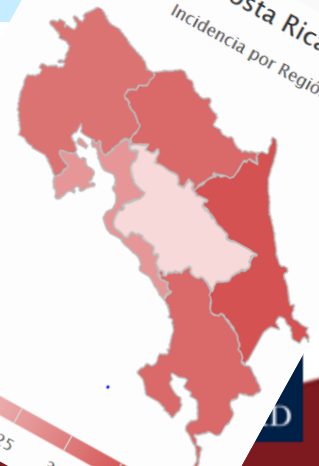
Creating a multidimensional poverty index using census data

Panama





Costa Rica



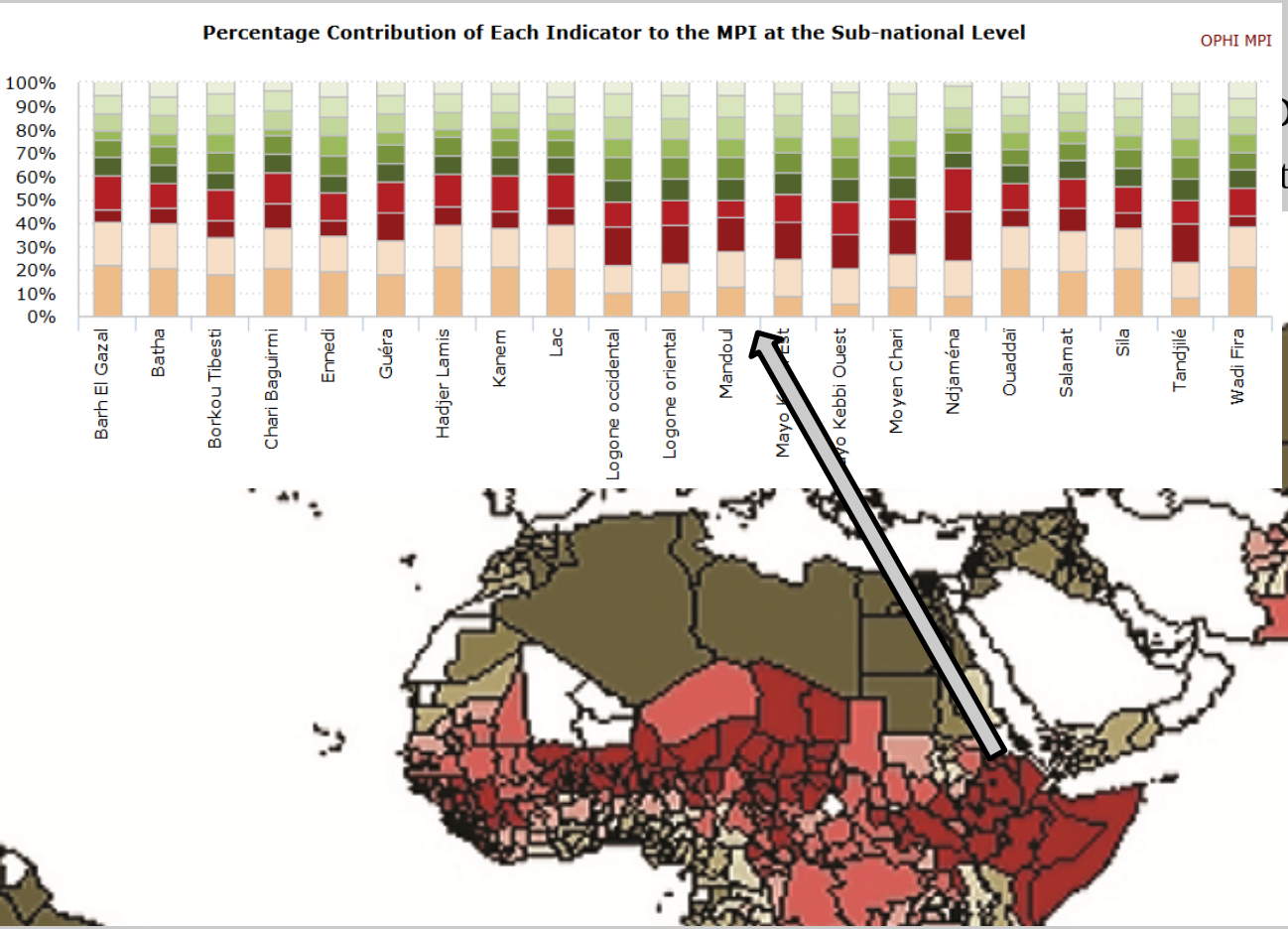
Colombia

MPIs can be used to:

Complement monetary poverty statistics
Track poverty over time
Allocate resources by sector and by region
Target marginalized regions, groups, or households
Coordinate policy across sectors and subnational levels
Adjust policies by what works measure to manage
Leave No One Behind by tracking the poorest
Be Transparent so all stakeholders engage – NGOs, Private Sector etc., all parts of government

"Poverty measures should reflect the multidimensional nature of poverty."

ec, 2014)
tary General

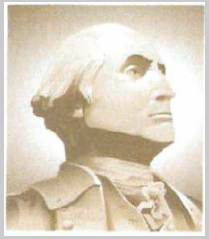


MPIs provide a headline measure, disaggregations and interlinkages

to inform integrated action

to complement monetary measures

to help Leave No One Behind



"Thank You!"

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