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Public Private Partnership: The Multidimensional Poverty Index

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Poverty, Wellbeing and Inequality

In this paper we are dealing with poverty—with those people who live below what is considered by the society as the minimum acceptable level of deprivations that people could and should suffer. Traditionally, income has been used as a proxy for poverty, with national governments establishing income poverty lines under which a person is considered poor, and therefore eligible for special efforts by government to move them above that established threshold. Multidimensional poverty acts in a similar way, but now looking at poverty in the many dimensions that batter a poor person's life at the same time causing them to fall below the multidimensional poverty line established by the Multidimensional Poverty Index. Poverty can have many faces; it can be further divided into those who live in extreme poverty as opposed to those who are poor, but barely. The MPI can give data on the places poor people live, their ethnic composition, their religion, and the composition of each poor person's poverty. But in all this, the MPI is focused on those who are poor—not on society as a whole. The MPI is a poverty measure.

There is also a great deal of interest not just in dealing with poverty, but also in working on how to define social progress and inequality, how to measure not just economic performance, but how people, all people, in a society live. Bhutan has created a Gross National Happiness index made up of 9 dimensions that cover what the Bhutanese believe captures the wellbeing of its population—the minimum standards, now for the population as a whole—that, if met by all, would mean that the minimum standard of wellbeing of its citizens has been achieved. Other countries are beginning to measure similar concepts, such as *Vivir Bien* in Ecuador. These are not poverty measures—they aim to capture the minimum standards of wellbeing for the population as a whole. If such a measure is in place, then the progress of a society could be measured not merely by the traditional measure of GDP, but also by the changes over time in the wellbeing index.

There is also strong interest in not just dealing with a minimum standard of wellbeing, but also in inequality. Inequality is neither a measure of poverty nor of wellbeing. Inequality is the gap between the richest and the poorest in society, captured traditionally by the Gini coefficient. Neither the MPI nor a wellbeing index captures inequality. As poverty is reduced and the bottom tier of the population improves its income and social standards, it may or may not lead to a change in inequality, since the rich may continue to get richer, keeping the gap the same or worse despite improvements in poverty.

It is important to keep these distinctions—poverty, wellbeing and inequality—in mind as we focus now exclusively on poverty and the role of the private sector in dealing with poverty within its national borders. While the private sector may have very diverse opinions on wellbeing and inequality, we contend that public-private partnerships that focus on the eradication of poverty are more within reach.

The MPI and the Alkire Foster Method

What is the AF Method?

Quite simply, the Alkire Foster method is a measurement tool within multidimensional measures. Governments have used the method to measure poverty (for example, Colombia and Mexico) and to measure wellbeing (for example Bhutan). Bhutan has used the Alkire Foster method both to implement a poverty index and a wellbeing index.¹ When focused on poverty, the Alkire Foster method is a way of measuring poverty in the many dimensions that batter poor peoples' lives at the same time. This method is used to develop the Multidimensional Poverty Index, most often as a complement to a unidimensional income poverty measure.

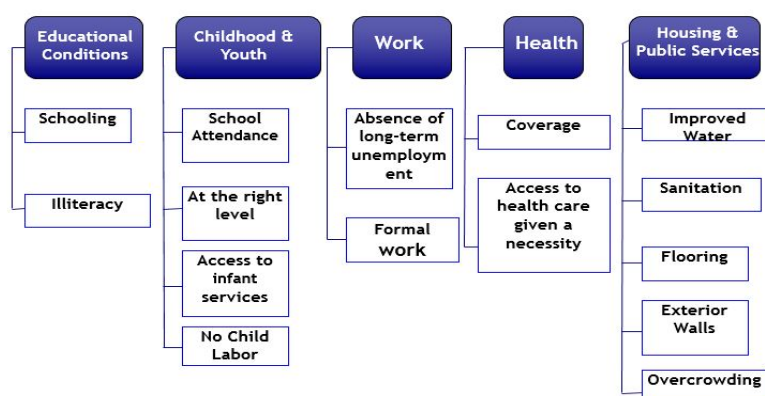
The following is just one example of an AF-based poverty measure. Each national measure is designed to meet national conditions and policy priorities. Therefore, the dimensions and indicators of the national measures are not comparable. They are used for national policy purposes—not for international comparisons. A global measure to compare across countries does exist. The Oxford Poverty and Human Development Initiative and the Human Development Report Office of the UNDP publish this measure of acute global poverty. The following are the dimensions and indicators in the Colombian MPI.

National MPIs in Latin America

As of the end of 2015 five countries in Latin America had launched official multidimensional poverty measures using the Alkire Foster MPI method—Mexico, Colombia, Chile, Costa Rica and El Salvador. In addition, the State Government of Minas Gerais in Brazil has an official state-wide MPI. Each national measure was designed to meet national conditions and priorities. They are not comparable since they are designed primarily for national policy applications.

Each country followed its own internal process for the design, approval and launch of the measure. In Mexico the Mexican Congress passed a law mandating the establishment of a national multidimensional poverty measure. The lead agency in the design process was CONEVAL, an agency focused on data collection, measurement and evaluation. The Ministry of Social Development led the implementation of the national MPI. In Colombia the impetus came directly from the Presidency and was developed by the Ministry of Planning and the National Office of Statistics. A whole range of ministries, led by the Department of Social Prosperity (DPS), implements it.

¹ Santos and Ura (2008).

Figure 1: Dimensions and Indicators of the Colombian MPI

Ecuador and Paraguay plan to launch their national MPI measures in early 2016. The Dominican Republic, Honduras and the states members of the Organization of Eastern Caribbean States are working on MPIs and have announced their intention of launching their measures in 2016. Other countries in Latin America involved in the Multidimensional Poverty Peer Network (MPPN)² that are considering national MPIs are Brazil, Cuba, Peru and Uruguay.

The national government is responsible for designing and adopting the National MPI as a new official measure of poverty (most likely to complement income poverty)³.

Since this becomes an official government measure, it has to go through whatever existing political decision-making process exists in each country—and these processes will differ. However, there are two key Government participants in the building of an MPI: national statistical offices that provide the technical know-how and provide the data for developing the MPI, and the ultimate decision-maker in the country, most often the President (or office of the Presidency). There needs to be technical capacity and political will. Most countries that have adopted the measure have done so with the active participation of the Ministry of Social Development (if it exists) and/or the Ministry of Planning.

Of course, the government can and does involve a number of other important stakeholders. These are:

- The social ministries of the government (national, regional and local). Multidimensional poverty cuts across the silos of established ministries. Therefore, it is essential to have the participation and buy-in of the various ministries besides planning and social development—for example, education, housing, health, agriculture, and infrastructure development. Of course, this initially

² The MPPN is a South-South initiative with over 40 countries that supports policymakers to develop multidimensional poverty measures. It promotes the use of such measures for more effective poverty eradication efforts at the global, national and local levels.

³ There have been instances of state governments (for example Minas Gerais in Brazil) or City governments (for example Ho Chi Minh City in Vietnam) that have adopted more localized MPIs without there being a national MPI in place.

means the ministers and policy makers in these ministries; the incorporation of civil servants and government bureaucrats is also important as the MPI moves to implementation.

- **The poor themselves.** The poor themselves are often the best experts on defining the key elements of their poverty. Experts and policy makers can develop an MPI but it will most often be stronger if people who live in poverty are consulted, either through panel discussions, surveys or other forms of tapping into their experience and expertise. For example, in El Salvador, the government established panels and conducted an initial survey to gather the voices of the poor to help develop the indicators for the National MPI.
- **Civil Society.** All countries have some level of civil society participation. Civil society covers a wide spectrum of agencies, organizations, groups, foundations, unions, and advocates. They often represent different segments of society, different organized interests. They therefore have a voice; they have expertise and commitment. The government process to establish a successful MPI often reaches out to this broad sector for input and buy-in. For example, in Chile the Government established a Poverty Commission, chaired by a local NGO and including representatives of the major political parties to develop proposals for the national MPI.
- **Academia and think tanks.** Every country has academics who work on poverty and its related issues. The MPI is still a new method to most of them (though this is rapidly changing). It is therefore important to reach out to the national academic community both to get their valuable input into the MPI and also to have their support for the MPI once it is launched.
- **The media.** Communications to the various stakeholders and to the population at large is important. Multidimensional poverty is a new—a new lens on a familiar topic. It can be challenging to explain the MPI to some people—and yet it must be communicated and grasped eventually by the whole population. It is important therefore to educate the media, to focus on messaging and on different ways of packaging information to different audiences. Radio, TV, press, magazines, blogs, social media—they are included. For instance, the National Office of Statistics of Colombia (DANE) has developed a training module for the media. El Salvador and Costa Rica have benefitted from this.
- **The private sector.** We will focus more in depth on this stakeholder below.

The Private Sector as a Partner

In this analysis we will focus on Central America. But the arguments here presented apply to all of Latin America. Though the conditions of poverty (both income and multidimensional) may vary across the region, the potential role of the private sector as a partner in the fight against poverty is applicable in every socio-economic context in the region.

The Central American Context

The Central American region faces truly alarming challenges at different levels. The following table presents data reflecting the region's socio-economic situation.⁴ A large percentage of the population still lives in poverty and extreme income poverty. Education is one of the biggest challenges – adults have an average education level equivalent to the completion of elementary school. A high percentage of young people (between 20% and 30%) neither studies nor works. The greater part of the employed population works in the informal sector. Physical safety is still one of the most pressing problems affecting most Central Americans.

Table 1: Region's Socio-Economic Situation

Indicator	Costa Rica	Panamá	Nicaragua	Honduras	El Salvador	Guatemala
Poverty	20.7	25.3	42.7	70.1	34.8	53.7
Extreme Poverty	6.4	12.4	7.6	48.2	9.12	13.3
<i>(% of population)</i>						
Education adult average	8.4	9.4	5.8	5.5	6.5	5.6
Net Attendance (high school)	74.6	58.7	45.8	34.3	63.3	37.4
NiNis (% of youth not studying nor working)	17.4	21	19.5	27.5	24.2	25.1
Informal Jobs (% of employed population)	35.9	68.5	75.4	71.8	66.1	77.2
Homicides per 100 thousand people	8.7	17.3	9	75.2	39.6	34
Total economic cost of crime and violence (% GDP)⁵	3.6	--	10	9.6	10.8	7.7

The overall situation of poverty in Central America requires more decisive political, social and economic participation of all societal stakeholders in order to be able to surpass unacceptable levels of social exclusion and low quality of life seen in large segments of these societies.

The arguments, listed below, make the case for the implementation of an MPI as a collaborative effort between different national stakeholder groups as a win-win situation. Crucially, the private sector may play a useful role in implementing the MPI in a country while receiving valuable inputs from this implementation:

⁴ The data for the table is based on the following sources: Trabajo decente y juventud en América Latina (ILO 2013a), *Economía informal en Centroamérica y República Dominicana* (ILO 2013b), *Crime and Violence in Central America: A Development Challenge* (World Bank 2011).

⁵ The World Bank's study does not include Panama in its analysis.

1. The MPI must be rigorous, robust, and academically sound: As shown below, the private sector may support the process of building an MPI. However, the MPI is mainly the government's responsibility, both at the political level with the ministries in charge of public policies, as well as at the technical level with its statistical departments. Still, in the process of constructing an MPI and implementing programs to fight poverty, the private sector can have an important role.
2. Efficient use of public resources with a Management Table of Accomplishments: In Colombia in implementing its MPI, the Government created a *Government Council on Poverty* as a coordination and monitoring mechanisms presided over by the President of the country. This is an excellent strategy and can be complemented by a *Management Table of Accomplishments (similar but not identical to a system used in Colombia)*. See an example of such a Management Table in Annex 1. These tools enable policymakers to manage and coordinate the following aspects: (i) Adequate assignment of public resources and programs based on the specific needs of regions and populations, (ii) Avoid duplications and uncover possible complementarities between government plans and programs, (iii) Monitor efficiency and quality of programs (performance metrics) that help the timely introduction of corrective measures.
3. Complementary social investment and communication of the Private Sector: (i) The *Management Table of Accomplishments* allows business people who wish to make social investments to know the needs of specific regions and population groups and which of these needs have already been addressed by government programs, thus avoiding duplication and facilitating the design of complementary or supplementary projects that accelerate a robust human development and fight poverty. The private sector could match public funds for specific programs, invest in socially responsible profit ventures and/or contribute to civil society efforts. (ii) Additionally, in coordination with the government, the private sector may play a valuable role in communication. By sending a consistent and articulate message to the media regarding the country's main poverty objectives, it helps foster a consensus between sectors. This consensus is necessary to ensure the political viability of policies and to help insure the continuity of plans across time
4. Knowledge Exchange between the Private Sector and Public Institutions: Once the private sector has been sensitized to the main priorities for human development both at the national and regional level, it can participate in efforts to address these priorities and identify some of its strengths that it can transfer to government. For example, these can include information technology, logistics, building technology, nutritional programs, and methodologies and personnel training for providing proper customer service, among others. The main beneficiaries of this knowledge exchange between sectors will be those living in poverty, since they can expect to receive better services and quality of care.

5. Effective development of human capital: Providing high quality public services will enable the country to foster human capital, with which it will be able to increase its productivity. This is particularly important in countries that wish to compete within more developed service and manufacturing sectors of international markets. In this sense, the private sector may provide valuable inputs for choosing multidimensional poverty indicators. For instance, in the case of dimensions such as education and employment, it may provide precise information regarding the required human resources in dynamic sectors of the economy. In such case a virtuous cycle can be initiated, whereby appropriate education programs can bring real opportunities to beneficiaries and enable them to access quality jobs, while at the same time providing necessary human capital to private sector industries.⁶
6. Crime prevention: The problem of high crime and violence rates in Central America is a serious challenge. As seen in the table above, the total economic cost of crime and violence for several countries exceeds 10% of GDP. In other words, with the exception of Costa Rica, the economic cost of crime in these countries is greater than the public investment in education as a percentage of GDP.⁷ Severe social exclusion and extreme poverty affecting youths, their families and entire communities, are an important root cause of crime. To make progress with this type of complex social problem involves the use of highly specialized methodologies that consider the problem as having many dimensions. In other words, it is less plausible that by simple improvements in education, health or housing, crime as a phenomenon will be resolved. However, without a doubt, tackling said dimensions (and others that can be captured through the MPI), will contribute a great deal to preventing these social pathologies. A reduction in crime and violence positively and directly impacts all groups and sectors of society.
7. Positive Fiscal Impact: Better targeted poverty programs will result in the more efficient use of fiscal resources. Successfully fighting poverty implies more citizens with higher incomes, which in turn generates an increase of aggregate demand and the tax base.⁸

⁶ The importance of this point is shown by Costa Rica: the country has undergone a sophistication process of its productive structure whereby traditional products like coffee, bananas, sugar and meat have dropped from 55% of goods exported in 1985 to 12% in 2011 according to data provided by CINDE, while IT & Business Services increased from 2% to 16% of service exports. Its public investment in education is close to the constitutional mandate of 8% of the GDP. However, learning performance is less than optimal, (as shown for instance by PISA results), and the demand of the most sophisticated sectors of the economy in terms of human resources is not fulfilled.

⁷ According to the State of the Region Report, the country that invests less in education as a GDP percentage is Guatemala (2,9%) followed by El Salvador (3%), Panamá (3,8%), Nicaragua (5%), Honduras (6,2%) and Costa Rica (7,2%).

⁸ It is beyond the scope of this paper to discuss what supplemental economic measures may be necessary to complement poverty programs in order to impact more macro economic aspects of development.

Case Study: Horizonte Positivo

Positive Horizon (H+) is a nonprofit private association founded in 2012. Its members come of various economic sectors --industry, commerce, construction, real estate, banking, and services, among others. The members of H+ are committed to improving the socioeconomic situation of Costa Rica, contributing to its human development and sustainability, independently, innovatively, permanently and with a long-term vision.

H+ contributes to closing the gap between the development potential and the socioeconomic reality of Costa Rica by focusing on different developmental challenges of the country. Given the complexity and magnitude of these national challenges, H+ considered it strategically necessary to cooperate with the government, prioritizing topics of human development.

H+'s work strategy was designed to operate under the Public – Private Alliance model. Legal cooperation agreements were signed between H+ and relevant entities of the current Administration, especially with the second Vice President who acts as provost of the social sector, as well as the Ministry of Human Development and Social Inclusion (MDHIS).

As part of its initial work, H+ decided to work with the Government on the development of a Multidimensional Poverty Index based on the Alkire–Foster method as a complement to the traditional income poverty measure.

Costa Rica's MPI, a Public and Private Initiative

After technical conversations with government officials, the H+ team reached a consensus regarding the importance of implementing a poverty measure reflecting the many dimensions affecting the poor. This way, it would be possible to identify the specific needs of each sub-region more precisely. Furthermore, through the use of the MPI, three crucial tasks would be performed: (i) The proper articulation and coordination between Institutions and Programs, (ii) Resource assignment and design of programs to fight poverty based on solid and accurate data and, (iii) the evaluation of the effectiveness of these programs.

A crucial step in developing this partnership was the travel by the Executive Director of H+ with the second Vice President and the Minister of Human Development and Social Inclusion to Berlin to the 2nd Multidimensional Poverty Peer Network. Inspired by the achievements of the Colombian Government, at this meeting, the decision to promote the use of the MPI in Costa Rica as a social policy and poverty-fighting tool was consolidated.

In the weeks following the Berlin meeting, an institutional arrangement was designed in order to support the implementation of this decision. This is what happened:

- The calculation of the MPI was done by the National Statistics and Census Institute (INEC), with the technical support of OPHI (Oxford Poverty and Human Development Initiative). The INEC is an autonomous institution whose headship does not change as the national government changes. The fact that INEC calculated the MPI may provide it with endurance across governments and administrations.
- The second Vice President (provost of the Social Sector and the Social Presidential Council⁹) coordinated the participation of policymakers and relevant institutions in the discussion of the dimensions and indicators that aimed to be directly linked to policy outcomes.
- The Ministry of Human Development (MDHIS) gave technical support and involved relevant representatives of various sectors (academic, technical, etc.) in the discussion of the dimensions and indicators and their links to social policies.
- H+ participated actively by providing inputs for the discussion of dimensions and indicators from the private sectors standpoint. It assigned resources to facilitate the implementation of the process: OPHI agreement, training technicians in the public institutions involved, communication strategies, management tools for coordinating and monitoring projects, involvement of the private sector in the implementation stages of poverty reduction plans, etc.)

The above steps resulted in the creation of a three-way agreement signed between the government, OPHI and H+ in August 2014, thus consolidating a Public-Private Partnership.

Acting against Poverty: The Intersectoral Work Begins

The constant conversations between government and H+ has allowed business leaders to advance in their understanding of both in the magnitude of poverty levels in each of the country's regions, as well as in its main causes and effects. In turn, this sensitization helps explain the Government's decision to work with the private sector in order for it to supplement government plans and programs to fight poverty.

Using the *Management System* and the *Government Council on Poverty*¹⁰ and based on the MPI's information, the government is in the active process of designing and coordinating actions to reduce poverty in the country.

⁹ The Presidential Social Council is a political entity of the government, coordinated by the Second Vice President and formed by officials of eight ministries (among them, Education, Health, Housing, Work and Social Security, Finance). It has the objective of establishing guidelines for social policies and fighting poverty as well as ensuring follow-up and monitoring and evaluation of the social sector's goals at the highest level.

Working with the *Government Council on Poverty*, the private sector's activities will be identified and coordinated to supplement Government actions, linking the strengths of the productive sector to the strengths of government to reduce poverty. Private companies located in various regions in the country that have the desire to provide resources, knowledge and support will be identified.

The operational goal consists in the effective implementation of a national model to fight poverty starting in 2016, based on robust statistical information that takes advantage of the public sector's strengths and complements them with those in the private sector. Implementation will be monitored to guarantee the efficiency and continuous improvement of programs.

Specific follow-up will be given in coordination with OPHI to this innovative model, systematizing good practices and promoting the replication in other countries of the region. The main priority must be to form efficient and strategic, public-private solidarity models. All sectors benefit from these linkages.

Conclusion: 'Win-win' and Possible Impact of Public-Private Partnership

It is clear that it is primarily the role of Government to develop and implement the MPI. It is the national Government that has the concern of all its citizens as its mandate and can build a consented view of their wellbeing. The MPI if used for developing and carrying out public policy can lead to a more efficient use of government dollars, more effective targeting and, through a coordination and evaluation/monitoring system, a more streamlined, efficient government. This should lead to more effective social programs, more adapted to the needs and interests of the poor, building needed capacities. However, these are all possible outcomes that resonate with the private sector and can elicit its involvement from the beginning, building a constituency in favour of this role for the MPI.

The private sector is particularly interested in increasing capabilities for people to enter the formal labour market. The government that includes employment in its MPI, by the very nature of job creation, will benefit from the collaboration of the private sector. Private sector input into the MPI indicators—input, not control—insures that the MPI will better target building capabilities for the poor to enter the labour market.

Private sector support and buy-in helps to insure that the MPI is not considered the “project” of one political party, and thus allow it to transition changes in government.

¹⁰ The main objective of the Government Council on Poverty is to facilitate dialogue, boost coordination of efforts and monitor progress in the implementation of the MPI and its impact on poverty. It will be integrated by Ministers and officials of institutions and will directly report to the President of the Republic on progress and challenges regarding the fight against poverty.

Private sector buy-in can lead to improved public relations, improved government-private relations that can increase the governance capacity of the government. Poverty is one area where such a partnership should be able to transcend historical differences.

The private sector can help defray the cost of designing an MPI and help with specific aspects of the implementation of the MPI—from the development and input into social maps to input into the control mechanisms for coordinating and evaluating programs. The private sector will bring a mentality of focusing on impact on measuring results, helping to insure accountability.

By having the private sector link its programs to the MPI, the government will reap much more investment into the areas of top priority for combating poverty.

The private sector also wins in this public-private partnership. By being involved in this whole process, there is a great deal of education and consciousness raising that is done in the private sector. There is an increased understanding of the social problems in the country, of government programs to combat poverty and of ways in which programs can be coordinated and improved. This leads to a clearer understanding not only of poverty, but of the link between poverty and wellbeing, and poverty and inequality. By focusing on the MPI—a poverty measure—it also highlights the importance of the complementary issues of societal wellbeing and inequality of opportunity.

There is also little doubt that this type of public-private partnership improves the image of the private sector and helps it to better focus its own resources. Involving the private sector in the MPI process could be a win-win situation for all actors.

This public-private partnership should benefit local poor communities, as government and private sector resources are also channelled to where the need is greatest due to solid data. Relying on MPI data should help target programs; having coordination mechanisms, such as the *Government Council on Poverty* and the *Management Table of Accomplishments*, should help streamline programs and increase efficiency and effectiveness. This should lead to higher impact on poverty.

Annex 1: Example of Government Table of Accomplishments for dimensions of Education and Work in Costa Rica

Dimension	Indicator	National Value	Regional Value	Program / Related Institution	Budget	Beneficiaries (per region)
Education	1. Without access 2. High school completion 3. Two or more years behind in education level 4. Human Resource ¹¹			FONABE / MEP Avancemos / MEP INA		
Work	1. Long-term unemployment or un motivated 2. Child and youth labor 3. Informal independent work 4. Employment not compliant with labor rights			Empléate / MTSS PRONAE / MTSS IMAS INA		

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¹¹ Homes with less than 50% of its members complying with the following characteristics: A. Ages between 25 and 35 years and that do not have a high school degree or technical certification. B. Ages between 36 and 57 years without ninth grade or technical certification. C. Ages between 58 and 64 years without elementary school completed or technical certification.