Political Considerations:

Why measure?
Policy
Incentives

How develop?
Politically
Technically

How Update?
Institutions
Authority
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These slides are taken from Gonzalo Hernandez Licona’s presentation at the World Bank, Aug 2010.
Political Considerations:

Why measure?

Consider the kinds of policy analysis and response the measure should be designed to support.
What policies should be carried out?

**Economic Policies:**
- Economic growth
- Job creation

- EWL
- MWL

Deprivations
Social Rights
What policies should be carried out?

Social Policies:
- Health
- Education
- Housing

Deprivations
Social Rights

EWL
MWL
What policies should be carried out?

Targeted policies
- Social Programs for the population in poverty

Diagram:
- EWL
- MWL
- Social Rights
- Deprivations

Graph shows a distribution of points, with a focus on the area labeled MWL.
What policies should be carried out?

Universal policies
- Social Security
- Education for all
- Access to health services
- Economic growth
Colombia: clear national targets in MD Poverty reduction by dimension and by indicator

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2008</th>
<th>2014</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Multidimensional Poverty Headcount (IPM-Colombia)</td>
<td>34.7%</td>
<td>22.5%</td>
<td>-12.2%</td>
</tr>
<tr>
<td>Absolute number of poor people by IPM</td>
<td>15,415,986</td>
<td>10,701,598</td>
<td>-4,714,388</td>
</tr>
<tr>
<td>Absolute number of non-poor people by IPM</td>
<td>29,034,274</td>
<td>36,959,770</td>
<td>7,925,496</td>
</tr>
</tbody>
</table>

Figure from DNP Colombia 8/11
Political Considerations:

Why measure?

Which people, institutions or networks will use the measure to monitor progress?
Using the methodology

- Other Ministries, besides the Ministry of Social Development, understand better their role in reducing poverty in Mexico.

- We’re starting to evaluate social programs (ex post and ex ante) using this approach.

- Social programs are changing the way they identify their beneficiaries.

- The Strategy for poorer municipalities is using the methodology to target their programs.
Using the methodology

- By linking social deprivations with poverty, policy recommendations are strengthened.

- It is now possible to evaluate the effect of social policy not only on income poverty but also on specific social deprivations.

- There is a tendency to focus on cash transfers when poverty is measured only with income. Social policies for overcoming poverty should also pursue to universally guarantee social rights.
Using the methodology

- Since income poverty is influenced by a number of circumstances that social policy cannot control (sometimes the country cannot control), relevant social achievements may remain undetected.

- Finally, a remarkable feature of the methodology is that it does not only identify poverty (priority), but also it identifies the whole population without access to social rights, which is a complete way of looking at public policy.
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Incentives from measurement design:
How do policy makers decrease headcount poverty measures?
They reach out to the person closest to the line

Is this fair?
Incentives I: from Methodology

Unlike the Headcount, $M_0$ provides incentives to:

- Reduce the **percentage** of poor persons (H)
- Reduce the **average intensity** of poverty (A)

- Implication: use $M_0$ to reflect changes in poverty over time.
Incentives II: Calibration Decisions

Consider the incentives created by each choice:

• Space (service delivery, functionings)
  – If the space matches **programme outputs**, a direct M&E tool.
  – Will the measure inform **budget allocation**? How?

• Indicator selection & weights
  – Which institutions will be congratulated if poverty goes down? Who will be accused if poverty goes up?
  – What **achievements** will be undetected due to missing data? Can oversights be fixed?
  – What programmatic tradeoffs do weights imply?
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Who gives input into a measure? Who designs it? Who releases it?

- Civil Service
  - Planning
  - Statistics
  - Ministries
  - Social Development
- Political leaders
- International Institutions?
- Business Leaders?
- Academics?
- Think Tanks / Policy groups?
- NGOs?
- Interest groups (unions, local government, provincial govt)
- Poor people & communities?
Institutional agreement on the measure of poverty
The National Department of Statistics acquired the responsibility of producing the official poverty measurements.

Technical and methodological decision are defined in a committee (NPD, DSP, external experts)
High official commission
Monitoring an integrated poverty reduction
▪ Leaders
  – Presidency
  – Department of Social Prosperity
  – National Planning Department
▪ Permanent members
  – Ministry of Health
  – Ministry of Labor
  – Ministry of Housing
  – Ministry of Agriculture
  – Ministry of Education
  – Ministry of Finance

MANDATORY PRESENCE
The President of Colombia
Some National Considerations

• Political cycles:
  – Elections may create an incentive to introduce a new measure, or discourage it.
    • MD poverty measurement based in AF can show results in the short-run; results take longer to be evident using income poverty measures.
  – Same with a switch of government
    • A new government may not be interested in showing MD poverty reduction trends from previous years.
    • Yet is also a good way of starting from a different benchmark.

• Establishing trust in the new measure:
  – Confusions will need to be settled if the income and multidimensional poverty measures have different headcounts.
  – If groups already gave input, they may trust already.
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Updating should be discussed before a measure is released

Who is responsible for:

- generating data,
- providing and releasing authoritative updates
- updating methodology (changing $k$ etc)

Angus Deaton: “when a national poverty line is set using the calorie method, it is usually updated over time in a way that is inconsistent with the maintenance of the nutritional norm.”

“In countries as widely different as the US and India, the official poverty lines have never been updated”

“[B]ecause of the political issues … lines survive even beyond the time when they can be justified… Poverty lines are as much political as scientific constructions.”