NEW DEVELOPMENTS IN THE ANALYSIS OF ULTRA-POVERTY

Background

RESULTS and Uplift joined efforts in the fall of 2017 to produce the Global State of Ultra Poverty (GSUP), a report which identifies the segments, among the extreme poor, who are most likely to be left behind in the global effort to rid the world of extreme poverty by 2030.   The document determined that there were 395 million people living in ultra-poverty.

The analysis also led to the identification of 14 countries who were bearing the highest burden of ultra-poverty either in absolute numbers, or as a proportion of their total population.

The analytical work was based on a multidimensional poverty measurement methodology developed by the Oxford Poverty and Human Development Initiative (OPHI).

A DATA UPDATE BRINGS ENCOURAGING NEWS

An update by OPHI of their data and methodology in the second half of 2018 has led to a significant shift in ultra-poverty numbers. The number of people in ultra-poverty has gone down from 395 million to 341 million.   If it had not been for population growth (which automatically increases the population living in ultra-poverty), the actual number of people in ultra-poverty would have been reduced by 70 million people!

Additionally, with the new numbers, the geographic concentration of ultra-poverty is even more marked: 70% in Africa and 30% in Asia, with the Americas representing less than 1%.

What is truly exciting is that the intensity of poverty has gone down: i.e. the percentage of ultra-poor who are catastrophically poor, i.e. who experience 70% or more of all possible deprivations, has gone from 46% to 42%.   In fact, of the reduction of 54 million among the ranks of the ultra-poor, 39 million is due to a reduction in the ranks of the catastrophically poor.

In other words, the poorest among the ultra-poor are the ones most likely to have seen their situation improve.   The situation in India is particularly striking: 47 million fewer people living in ultra-poverty, and 23 million fewer people living in catastrophic poverty. Overall, only 3.3% of Indians now live in ultra-poverty. That percentage used to stand at 7%.

With the new data (especially the Indian estimates), the 14 high burden countries now represent 75% of the world's ultra-poor, not the 80% they represented when GSUP was published in 2017.

A closer look at the data shows that one of the original high burden countries, Guinea, now has a more moderate burden, and two countries, Mozambique and Madagascar, have however seen their ultra-poverty levels rise to high-burden level.

This slightly reconfigured list of 15 high-burden countries now comprises over 77% of the ultra-poverty burden in the world.

Also of interest is the fact that new data allows us to see that extreme intra-country variations exist: even in high burden countries, ultra-poverty is virtually absent from certain regions. For instance, in Kinshasa, in Kampala, in Delhi (as well as Kerala, Punjab and Tamil Nadu) and in Lagos (as well as the Nigerian States of Rivers, Edo, Ekiti and Abia), the prevalence of ultra-poverty is less than 1%.

TWO WORLD BANK ANALYSES CONFIRM GSUP'S SELECTION OF TOP COUNTRIES FOR IMMEDIATE ATTENTION

World Bank Multidimensional Poverty Index

On October 17, 2018, the World Bank released its Global Poverty and Shared Prosperity Report. For the first time, one of the chapters is devoted to multi-dimensional poverty measures. The intent was not to identify pockets of ultra-poverty but, its methodology shows that acute deprivations are concentrated in the same countries identified by the Global State of Ultra Poverty methodology.
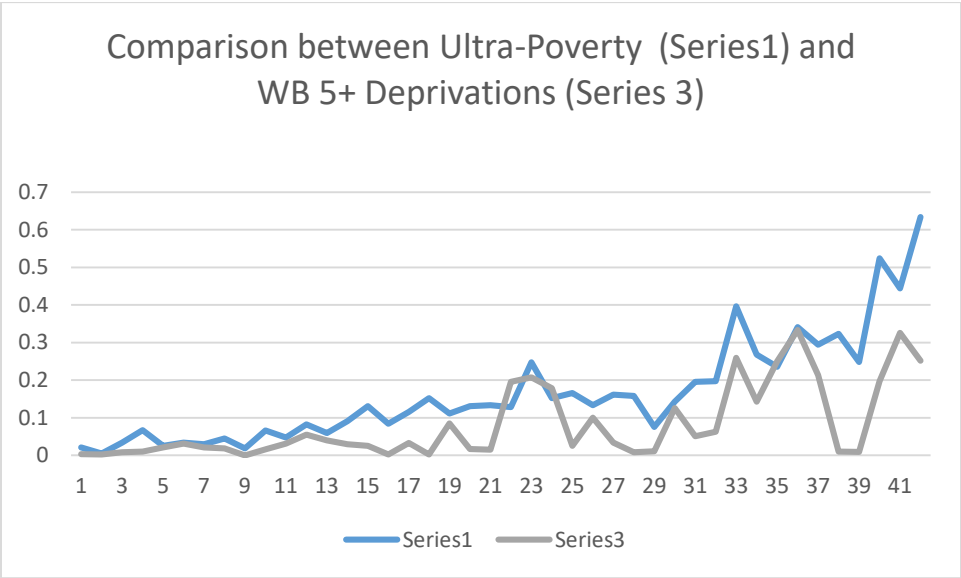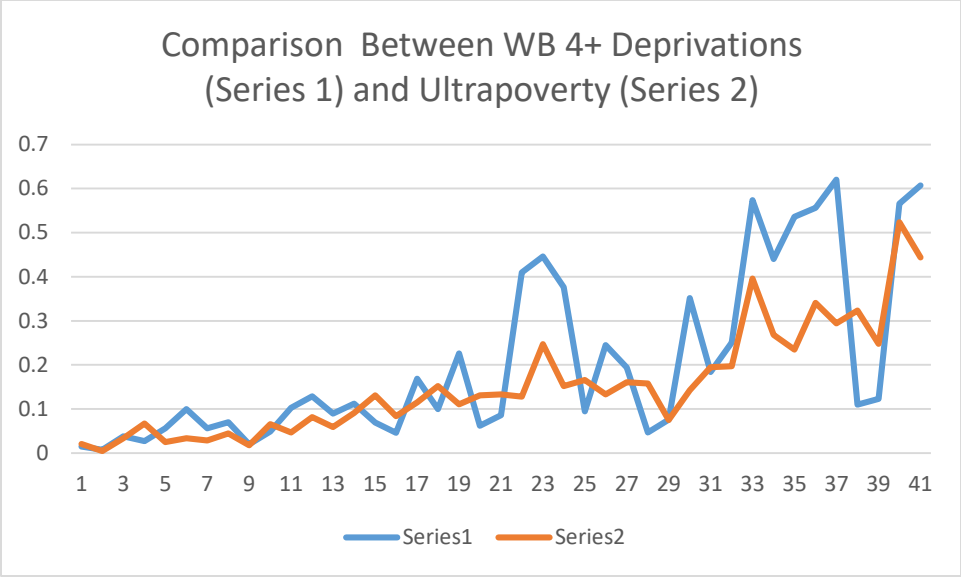
The multidimensional poverty methodology that the World Bank will be now be including in each of its Global Poverty and Shared Prosperity reports is based on the following indicators: Income per capita (1/3), Child school enrollment (1/6), Adult school attainment (1/6), Limited-standard drinking water (1/9), Limited-standard sanitation (1/9), and Electricity (1/9).

The World Bank analysis does not cover all countries with ultra-poverty: it covers 119 countries (45% of the world population), including 42 of the 56 countries where ultra-poverty affects more than 1% of the population. For data availability reasons, it unfortunately does not cover 2 of the 3 highest burden countries: India and Nigeria.

In the 42 countries with ultra-poverty, those who suffer 5 deprivations and more out of a possible 6 represent 8% of the population, and those who suffer 4 and more deprivations represent 19% of the population.

In the same countries, the prevalence of ultra-poverty, using the GSUP methodology, is right in the middle at 14%.

Deprivation in at least 4 or 5 indicators is a good predictor of ultra-poverty in a given country. The charts, which plot data for the 42 countries, below speak for themselves.

Comparison Between WB 4+ Deprivations (Series 1) and Ultrapoverty (Series 2)

Comparison between Ultra-Poverty (Series1) and WB 5+ Deprivations (Series 3)

Not only are the results obtained with the WB methodology and the GSUP very consistent, but from a very practical point of view, they seem to be indicating that attention should be focused on the same countries.

Indeed, among the 119 countries analyzed by the WB, 42 have ultra-poverty and 9 are on GSUP's original list of high burden countries[1]. If we take all the people living in ultra-poverty in these 42 countries, approximately 70% live in the 9 countries. If we take all the people with living with at least 4 deprivations, 70% live in the same 9 countries. And if we take all the people living with at least 5

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[1]   The 9 countries are: Bangladesh, Pakistan, Ethiopia, Uganda, RDC, Chad, Tanzania, Niger, and Guinea.

deprivations, 70% also live these 9 countries. In other words, both analyses show that deprivations and ultra-poverty are concentrated in the same countries.

Furthermore, if we include the two new high burden countries (Madagascar and Mozambique) we now cover approximately 80% of people in ultra-poverty, 80% of the people living with at least 4 deprivations and 80% of the population living at with at least 5 deprivations, an indication that these two countries do indeed require to also be prioritized.

Human Capital Index and Ultra-Poverty

At the October 2018 Annual Meetings in Bali, the World Bank released its Human Capital Index (HCI), an initiative strongly supported by RESULTS, with Executive Director Joanne Carter playing high profile role in the launch. The HCI attempts to quantify the contribution of health and education to the productivity of the next generation of workers. It has six components:

- Probability of survival to age 5

- Expected years of school

- Harmonized School Test Scores

- Learning-adjusted years of school

- Children under 5 not stunted

- Adult Survival Rate

The components cover general areas which are similar to some of the ones used by OPHI such as health, education and nutrition.   It therefore comes as no surprise that there is a strong correlation of over 70% between the two approaches: in the 56 countries where ultra-poverty touches 1% or more of the population, the data show that the lower the human capital index, the more prevalent ultra-poverty is likely to be. The graph below illustrates this relationship.

Human Capital Index (Series 1) Vs. Proportion of a country's population in Ultra-Poverty (Series 2)
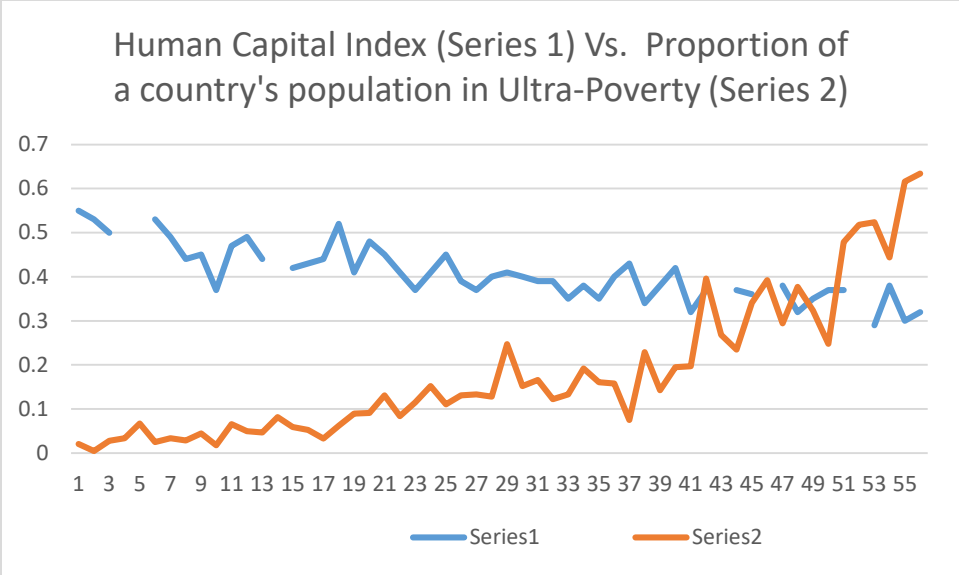
The Global State of Ultra-Poverty also published an index which reflects a country's prospects for ending ultra-poverty. The index includes a very wide range of indicators such as governance, security, climate vulnerability etc.. Somewhat surprisingly, that index and the Human Capital Index also have a correlation of over 70%, which can be interpreted as meaning that a country with low human capital tends to have poor prospects of ending ultra-poverty in the future.

From a more practical point of view, the Human Capital Index provides yet another confirmation that the high burden countries identified by the GSUP methodology should indeed receive priority attention.

First, let's note that a simple cursory look at the table below reveals that:

- The ten countries with the lowest human capital index all have a moderate to high prevalence of ultra-poverty

- In fact, the 3 countries with the lowest human capital index are the three countries with the highest proportion of citizens in ultra-poverty: Chad, Niger and South Sudan.

If one digs a little bit deeper, one notices that all the countries with a high burden of ultra poverty are among the 20% lowest scoring countries for Human Capital, with the exception of India and Bangladesh who have single-digit ultra-poverty rates, but huge populations.

COUNTRY (countries with high burdens of ultra-poverty are in blue)	Human Capital Index	National Ultra-Poverty Rate	Ranking (from worst human capital gap to smallest, 157 countries)
Chad	0.29	52.4%	1
South Sudan	0.30	61.6%	2
Niger	0.32	63.4%	3

Mali	0.32	37.7%	4
Liberia	0.32	19.7%	5
Nigeria	0.34	22.9%	6
Sierra Leone	0.35	32.3%	7
Mauritania	0.35	16.1%	8
Côte d'Ivoire	0.35	13.3%	9
Mozambique	0.36	34.1%	10
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Congo, Dem. Rep.	0.37	23.5%	12
Burkina Faso	0.37	47.9%	14
Guinea	0.37	24.8%	17
Madagascar	0.37	39.6%	18
Uganda	0.38	14.3%	21
Ethiopia	0.38	44.4%	23
Pakistan	0.39	13.1%	24
Tanzania	0.40	15.2%	30
India	0.44	3.3%	42
Bangladesh	0.48	9.1%	52

Source: World Bank and updated data from Global State of Ultra-Poverty

Conclusions

Various methodologies appear to confirm that the high-burden countries identified using the GSUP methodology do require special attention, given the deprivations and human capital gaps endured by their populations.

These countries should receive priority attention from bilateral donors, the newly formed Partnership for Economic Inclusion and multilateral donors like the World Bank.

These countries should also receive technical assistance to develop and implement proven multi-sectoral interventions like graduation programs for their poorest populations, as part of an effort to narrow human capital gaps.

More generally, as virtually all these countries are IDA recipients, it may also be appropriate to consider making the building of human capital in countries with the biggest gaps a theme of the next IDA replenishment.