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APPROACHES TO POVERTY A NOTE FROM THE "DEVELOPMENT" PERSPECTIVE

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INTRODUCTION

1. The purpose of this note is to provide a brief summary of the way that poverty is, and has been understood by those involved in world development. These include not only professionals and policy implementers within the "development studies" profession and "high-level" and "low-level" practitioners such as the World Bank and other donors and Non-Governmental Organisations (NGOs) but also who approach poverty and development through the prism of faith and religion. As will become apparent, the approaches to poverty considered here also include the perspective of those who are poor themselves.
2. The Note is arranged as follows. Section 2 provides a short historical overview. Section 3 summarises the four main current approaches to poverty used by the "development studies" profession, and against this backdrop Section 4 briefly looks at the way the World Bank and the United Nations Development Programme have approached poverty and includes a discussion on the different ways that poverty has been and is currently quantified. Section 5 concludes the Note.
3. Poverty has been and remains today a contested area. There is unanimous agreement that it is a problem and that action is needed to address it. However, there is disagreement over what constitutes poverty, the unit of focus (individuals or families or households) and the importance to be given to different dimensions of poverty. There is disagreement about *who* should be involved in deciding what constitutes poverty. There is disagreement over how it should be understood temporally – whether at a particular point in time or over an extended period, and whether it should be understood as a permanent or temporary phenomenon. There is disagreement about the importance to be attached to the depth of poverty (the very poor, and the "not so poor"), to the vulnerability and risks of different groups to becoming poor, and to the gender dimensions of poverty.

4. Disagreement about what constitutes poverty is in turn closely linked to disagreement about its causes, and the weight to be given to these different causes. This, in turn, leads to disagreement about how best to address it. Finally, there is disagreement about the degree of ambitiousness about what to do about poverty. For some advocates and policymakers, the aim is merely to alleviate poverty; for others, the aim is to reduce the level, extent and degree of poverty; for others the aim is to strive for the complete elimination of poverty.

A BRIEF HISTORICAL OVERVIEW

5. The first recognisably rigorous studies of poverty can be traced back to the studies by Charles Booth on the problems of poverty in London in the 1890s. These were built upon and followed by studies of poverty in the northern England city of York at the turn of the nineteenth century by Seebohm Rowntree (1901). Rowntree made a distinction between primary and secondary poverty: those living in primary poverty did not have enough money to maintain physical efficiency; those living in secondary poverty had sufficient income “for the maintenance merely of physical efficiency were it not that some portion of it is absorbed by other expenditure either useful or wasteful”. This early work and Rowntree’s observations provided two clusters of insights into approaches to poverty which have endured down to this day – namely that poverty is related to a failure to meet core or basic needs, including critical physical needs such as food, clothing, shelter and health, but that decisions poor people make about how to spend their money, even when they have insufficient, is influenced not merely by meeting immediate needs but by social influences and pressures. In practice, very poor people will spend money on what “hard-nosed” external observers would view as unnecessary.
6. These early poverty studies led to the more formal creation of income-related “poverty lines”: those whose income fell below the line were deemed to poor, those with income above the line were not. One of the earliest poverty lines was developed by Bowley (1915). He defined the poverty line as “an estimate of the income needed by any individual household if it is to attain a defined minimum level of health and (social) decency.” From this work, further refinements were subsequently made, an important one being the distinction between what was termed “absolute” poverty, contrasting it with “relative” poverty. Relative poverty, as its name suggests, defines as poor that share of the population whose income is a certain (low) percentage of the overall income range. It is based on the well-founded perception that those whose incomes deviate markedly from society’s norm and are thus insufficient to enable them to purchase those goods and society deemed necessary will see themselves and be seen by others as poor. As overall incomes rise, so too will what are considered necessities. Relatedly, unless incomes are distributed fairly evenly around the average, then there will always be some people who are poor - relatively speaking – even in the richest countries of the world. However, it is incorrect to view the concept of *absolute poverty* as solely concerned with physical well-being; with its roots in the early work of Booth and Rowntree, assessments of absolute poverty also incorporate an important (if more basic) social dimension to them. Likewise it would also be wrong to assume that even in the richest countries of the world there are no people who are poor “absolutely”. There have always been people and groups of people in the wealthiest countries of the world who are poor “absolutely”, including children and different ethnic groups, being physically malnourished, inadequately clothed, and more vulnerable to sickness and early death (see Piachaud and Sutherland. 2002 for a summary discussion of definitions poverty in Europe).
7. Development studies began to emerge as a distinct discipline in the late 1950s and early 1960s, long after this early work on poverty had been underway. However, it was not initially influenced by it. Rather, the initial focus of development professionals and the international community more generally was not primarily on poverty as such. While from the late 1940s and into the 1950s and 1960s, it was recognised that there was a serious problem of poverty across

the globe, there were few attempts to define it, or measure it or to raise the possibility that it might be addressed in different ways. Rather, the core aim was to focus on different ways to try to accelerate the process of economic growth in the belief that higher levels of growth would lead to a faster reduction in poverty: growth was seen not merely as necessary but (to the extent that the issues was addressed) also as sufficient. In the year 1969, reviewing two decades of development progress and looking forward to the next decade, the 400 page Report of the Commission on International Development (the Pearson report) contained no data or tables, discussion, analysis or definitions of poverty at all.

8. From the 1970s all this was to change. In 1974, the World Bank produced a report with the Institute of Development Studies entitled *Redistribution with Growth* (Chenery *et al*, 1974) which, although primarily concerned with inequality, addressed the causes and dimensions of poverty, and, for the first time in an international report, explicitly identified the numbers of people living below the poverty line (in 1969). Building upon this work, the International Labour Office (ILO) became one of the early advocates of what became known as the “basic needs” approach to development, which, as the (1976) definition of basic needs indicates, marked the formal link between development and these earlier poverty studies. The ILO defined basic needs thus.

First, minimum requirements (for a family) for private consumption: adequate food, shelter and clothing, as well as certain household equipment and furniture. Second, access to essential services provided by and for the community at large, such as safe drinking water, sanitation, public transport and health, educational and cultural facilities.

9. The basic needs approach to development, with its specific focus on poor people and the need for redistribution, was not to last long as the core framework through which to address poverty. By the early 1980s, attention of major policy-makers had shifted away from addressing needs, including doing so directly by targeting poor people, to a re-emphasis on growth, this time to focus on those factors deemed to be impeding economic growth. This era, of stabilisation and structural adjustment policies, was built on the premise that once growth began to accelerate again, major inroads into poverty would result, as they did done in the 1950s and 1960s, though attention was also focused on education and health.
10. The 1990s witnessed not only a return to an explicit focus on poverty but the clear emergence of alternative paradigms to understand poverty which, in turn, shaped different approaches to policies and strategies of development. This period saw the emergence of the annual Human Development Report (which commenced in 1990). Instead of examining first what people did not have (poverty), it focused on human development which it saw as comprising three core elements - longevity, knowledge and decent living standards – and developed a score the Human Development Index (HDI) based on these scores to measure development status and (over time) progress. It observed that living standards are “the most difficult to measure simply” (UN, 1990: 12). In practice, work on human development contributed to an enrichment of the understanding of poverty and the growing acknowledgement that it is a multi-dimensional concept insufficiently captured merely by focusing on income levels and scores. This period also saw the growing influence and more formal adoption of forms of “participatory” methods of understanding and analysing poverty.
11. Finally, the 1990s saw the international community formally adopt the Millennium Development Goals (MDGs) as the core development “compact” for donors and host government alike to end human poverty. The first MDG has the goal of reducing by half the numbers of people living in absolute poverty, defined in terms of income, with subsequent goals focusing on education, health, child mortality, maternal health and HIV/AIDS. No longer was poverty unquestionably assumed to be solved merely by attempting to maximise economic growth. For most development specialists, growth was to be seen as necessary but not sufficient for poverty

eradication, but it had to be “pro-poor growth” (which has still not satisfactorily been defined) complemented by specific policies targeted at particular groups of poor people.

FIVE BROAD APPROACHES TO POVERTY

12. This section of the Note briefly outlines five different approaches to poverty, the first four of which currently dominate contemporary debate within the development profession and donor community. The summary of these is based on and uses parts of the overview study by Ruggeri Lederchi *et al* (2003).

Monetary approaches

13. As their name suggests, monetary approaches to poverty impute a monetary value to poverty. They are mostly used with poverty lines and can be either income-based or consumption-based. Thus under this cluster of approaches, poverty lines are drawn up which calculate the income required to purchase a given set of required goods and services: those with incomes less than the required amount fall below the line and are deemed to be living in poverty. These monetary-based poverty lines are most commonly assessed for individuals rather than for households. They can be drawn up at the national level or internationally; national poverty lines are considered more accurate, though even these are subject to quite wide margins of error (see Thorbecke, 2004).
14. Currently, there are two estimates of income-poverty in wide use for assessing poverty especially in poor countries: the \$1 a day level and the \$2 a day level. As used by the World Bank, the \$1 a day (\$375 a year) figure is meant to encapsulate what income is required to purchase the absolute basics; the \$2 a day poverty line is estimated by factoring in national poverty line data especially from lower-middle-income countries, and thus to some extent taking a less severe view on what are the socially and culturally acceptable minima. It is acknowledged that consumption-based poverty lines provide a better measure of poverty than income-based poverty lines but accurate data at the country level and across countries are more readily available in income form. Conversions from income to consumption are made on the basis of the share of consumption in total income in different countries. Also, because exchange rates do not accurately reflect the differential purchasing power across countries, different purchasing power estimates are commonly made and factored in to the raw income figures to produce income level based on “purchasing power parity” (PPP).
15. The monetary approach to assessing poverty, and poverty levels, is based on ensuring that all needed goods and services are included in the basket out of which the poverty line estimates are made and on the assumption that poor people will spend their money in the most efficient way and not buy any other “non-essential” items. But as noted above, even the earliest studies on the behaviour of poor people (Booth) challenged this assumption. The monetary approach is clearly also dependent upon whether the goods and services listed sufficiently encompass all that is required. Currently these only include estimates to fulfil food, clothing, shelter, and basic education and health needs. It is also dependent upon assumptions about what happens within households, with micro-studies often indicating that in practice different household members are able to access consumption goods inequitably. Additionally, defining poverty by means of a (very crudely drawn) line at a specific point in time fails entirely to capture those income that are near to the line but which fluctuate, especially across the year as a result of seasons factors, as well as failing to highlight that there are large numbers of people who, in different ways, are vulnerable to and risk becoming poor. Over time, many individuals and families can move “in and out of

poverty” as they find employment and then are made redundant, as their levels of remuneration fluctuate and their necessary expenses change.

16. The strongest case for using monetary-based indicators of poverty and poverty lines drawn from them lie not so much in their ability accurately to assess the level of poverty and the proportion of people falling below the poverty line(s). Rather they lie in “represent(ing) a convenient short-cut method, based on data that are widely available to identify those who are poor in many fundamental dimensions, not only lack of resources but also nutrition, health etc.” (Ruggeri Laderchi *et al*, p. 7). However, the potential errors arising from the figures produced are far from insignificant. A recent analysis of poverty levels using the monetary approach but based on different assumptions about behaviour reveals the poverty rate varying from between 13% and to as much as 66% of the population in 17 Latin American countries (Szekely *et al*, 2000).
17. According to the World Bank’s data for 2003, there were 1,293 million people living below the \$1 a day poverty line, about one in five of the world’s population. However this global total is based on national data from only 79 of the 134 developing countries in the world, comprising 1,099 million people: the data inputted from the other 55 countries to raise the lower amount to the final 1,293 million figures are merely “estimates”. In turn, it is instructive to compare this aggregate figure – of the number of people living in extreme (\$1 a day) income poverty - with recently estimated figures for those living in “chronic poverty” – defined as those likely to stay poor for the next five years or more. According to McKay and Baulch (2004), the numbers of chronically poor (as defined) amount to between 300 mn and 420 mn, thus between one quarter and one third of those who are deemed to be “absolutely poor”.
18. A further sub-category of the very poor, beyond both the absolutely poor and the chronically poor, are those termed the “destitute”. By definition, these are outside and excluded from not only economic systems and processes but also welfare systems, so will not only be untouched by growth but also by most (state-led) targeted welfare programmes. There are no global estimates of the numbers of destitute people in the world (see Harriss-White for definitions of destitute people).
19. Poverty lines are used to assess poverty not only in poor countries but also in the industrialised world. Most studies use relative poverty lines, and across Europe this is usually drawn at 60% of the median disposable income adjusted for household size (see Piachaud and Sutherland, 2002:6). On this basis, for instance, some 17% of UK households were assessed as being poor in 2001, rising to over double this ratio for single-headed households with children. However, poverty lines closer to what are considered to be assessing absolute poverty are also used in some industrialised countries. For instance, from the mid-1960s, the United States has used what it terms an “absolute poverty line” which is defined as three times the annual cost of a nutritionally adequate diet: in 1990, the poverty line measured in this way was estimated at \$13,359 for a family of four. Though the data is contested, based on these scores, over 30 million Americans have been deemed to have been living in poverty in the past decades, with the shares of those living in poverty rising to over 40% in deprived inner-city areas. (See Sawhill, 2002).

Capability approaches

20. Monetary approaches to poverty are rooted in utilitarianism. In sharp contrast are capability approaches. These focus on human freedoms and what is required to live a “valued life”. Within this paradigm, poverty is defined as the *failure to achieve certain minimal or basic capabilities*, where basic capabilities include the ability to satisfy certain crucially important functionings up to certain minimally adequate levels (Ruggeri Laderchi *et al*, p.14). The approach has been

particularly shaped by the writings of Amartya Sen on human freedoms; entitlements and empowerment (see bibliography).

21. Just as basic needs need to be defined in the monetary approach and linked poverty lines, so here, basic capabilities also need to be articulated. Lists drawn up tend to include health, nutrition and education, similar to the list of basic needs identified. As with other approaches, it is necessary to identify breaks in the distribution of capabilities and to differentiate between the poor and non-poor. The UN's Human Poverty Index which is based on the capabilities approach attempts to do this (see Section 4 below.). It defines human poverty as the deprivation in three essential elements of human life: longevity, knowledge and a decent standard of living. In contrast to income-based poverty measures, it focuses on other sorts of indicators such as the percentage of malnourished people/children, under five mortality rates and the percentage of children who are in primary school.
22. One of the most developed attempts to articulate what the capabilities approach means in practice has been carried out by Nussbaum (1993 and 2000), who lists the following as essential for a full human life: Life: normal length of life. Health: good health, adequate nutrition and shelter. Bodily integrity: movement; choice in reproduction. Senses: imagination and thought, informed by education. Emotions: attachments. Practical reason: critical reflection and planning life. Affiliation: social interaction; protection against discrimination. Other species: respect for and living with other species. Play. Control over ones environment, politically (choice) and materially (property).
23. In theory, the capabilities approach provides a far more satisfactory approach to poverty than monetary approaches because it provides a framework for defining poverty in the context of lives people actually live and the freedoms they enjoy. However, in terms of measuring poverty and trends in poverty, the breadth of analysis is limited by the need to develop a measure which can be used.
24. There are some common features to both the capabilities and monetary approaches. First, in principle both approaches take an individualistic perspective since both utility deprivation and capability failure is a characteristic of individuals, even though, in both cases, communities and households are important determinants of achievements, especially for children and the old. Secondly, both typically represent external assessments, though, in principle, as we shall suggest below, both could be adapted to include more internal inputs. Thirdly, neither approach captures fundamental causes or dynamics of poverty. Fourthly, they both describe the situation at a point in time, providing data for, but not themselves directly involving, fundamental analysis of the causes of poverty. However, some studies based on these approaches do follow up measurement with investigations of the causes of, or processes leading to, monetary and/or capability poverty (Ruggeri Laderchi et al, p. 20).

Social Exclusion approaches (SE)

25. The concept of poverty-as-social exclusion was developed in the 1970s to describe processes where individuals and groups of people do not participate in society and the shaping of that society and the benefits derived from it but would like to do so; indeed can be increasingly marginalised from them. The focus on poverty-as-process rather than viewing poverty statically at one point in time is important for two important reasons. Firstly, it is able to encompass the fact that people and households can move “in and out” of poverty over time; secondly and relatedly, it is well placed to examine the different reasons why some people move in and out of poverty and others appear to be poor more permanently. SE differs from both monetary and capability approaches in putting the social perspective centre-stage, and, because exclusion is

assessed in relation to the “norm”, SE is very much a relative approach to poverty. It is also explicitly multi-dimensional, focusing on the ways in which people and groups are deprived in more than one dimension: employment and housing, employment and access to welfare benefits.

26. Thus far, the application of SE to poor countries has tended to focus on particular exclusions in specific countries and there has, as yet, been no overall framework developed which views social exclusion in the developing world as a whole – nor is there likely to be, given the nature of this sort approach and the fact that the concept is both difficult to define and to measure. Nonetheless, as Ruggeri Laderchi *et al* argue (p. 23), the approach is the only one that focuses intrinsically, rather than as an add-on, on the processes and dynamics which allow deprivation to arise and persist. Moreover, the analysis of exclusion lends itself to the study of structural characteristics of society and the situation of groups (e.g. ethnic minorities; or the landless) which can generate and characterise exclusion themselves. SE also leads to a focus on distributional issues – the situation of those deprived relative to the norm generally cannot improve without some redistribution of opportunities and outcomes.

Participatory poverty approaches

27. Participatory approaches to poverty differ from the other three, as their name suggests, by involving poor people and groups themselves in articulating what poverty means for them, and how they should respond. Participatory poverty assessments (PPA) are a major part of this approach. These “enable local people to share, enhance and analyse their knowledge of life and conditions, to plan and to act” (Chambers, 1994: 57). Participatory approaches potentially embrace social, economic, cultural, and political and security issues and thus provide a multi-dimensional view of poverty. Like capability approaches, participatory approaches focus on ways to empower poor people to enable them better to make and influence decisions which affect their well-being. A wide range of tools have been developed to help assess and verify people’s perceptions of poverty such as wealth-ranking and triangulation techniques.
28. Participatory approaches were originally conceived and intended for small community-based projects, but they have been scaled up, notably by the World Bank and used not merely as a “stand-alone approach to poverty” but as part of other and wider approaches. As an input to its most recent (2000/20001) poverty report, the World Bank initiated a world-wide consultation with poor people and poor groups which led to its publication *Voices of the Poor* (Narayan, 2000). This identified five clusters of types of well-being: material, physical, security, freedom of choice and action and social well-being. However, it remains unclear how far this categorisation of poverty reflected and summarised what poor people and groups actually said or the views and perspectives of those who synthesised them.
29. There are three types of problems or weaknesses to this type of approach to poverty. The first – as the title of Chambers’ book puts it – concerns precisely whose reality counts or should count? While the power of participatory approaches lies in drawing out the views of “the poor” and juxtaposing them with the views and perspective of outsiders, it is not clear how the approach deals with the differing views of different people – men and women, traditionalists versus modernisers – within and across different poor communities. Secondly, and relatedly, anthropological research leads one to be wary of and cautions one to weigh carefully what people, including poor people, say to outsiders. Especially if groups feel threatened, there is no guarantee that what they say will necessarily and accurately reflect what they actually think and believe to be so (see Poulter, 1998: 7). A third problem is that even if people do accurately convey their own views and perspectives, their wants and a hierarchy of their needs, this does not constitute the whole picture. People’s own assessments of their own condition can be partial and

narrow because it risks not seeing, and being able to see, the “whole picture” (see Sen, 1999). In short, it can be objectively “biased” as a result of limited information and social conditioning.

A faiths-based perspective

30. In addition to these four approaches, we consider here some of the key the views and perspectives of the main faith and religious groups to poverty and their particular approaches to addressing it.
31. The main faith groups would concur with the view that poverty is multidimensional and, because they would tend to take a more “holistic” view of poverty, would see the merits of all four approaches which each contribute to a fuller understanding of this complex issue - confirming that poverty is about deficiencies, it is about material deprivations, it is about exclusion, lack of capabilities and lack of empowerment and its is about marginalisation.
32. However there are particular aspects or dimensions of poverty which would be emphasised by the faiths, only some of which can be traced back to the previous four approaches. Thus for the faiths, the prime emphasis is not so much on poverty as an abstract concept but on poor *people*, those who in different ways are deprived and as a result who suffer. Consequently, for the faiths, addressing poverty involves not merely striving in the abstract to ensure that in future fewer people in poverty; it also means having compassion for and working with those (tangible) people who are currently poor.
33. For the faiths, too, a complete understanding of deprivation needs to encompass an understanding of different relationships – with other people and with the material world – which either contribute to giving meaning to, and help shape their lives, or contribute to alienating them. And as people live community and communities, poverty needs fundamentally to focus on the relationship of the individual-within-community. Three practical conclusions follow.
34. The first is that poverty needs to be seen and understood in terms of history because relationships are shaped and formed, built upon and evolve in specific and concrete in historical contexts.
35. The second, rooted in the view that all human beings (even the very “rich”) are fragile, is the need to give emphasis to vulnerability. For the faiths, it is often not possible to make a sharp distinction between those who are and are not poor; it is necessary to work within a broader/wider context of vulnerability in its different manifestations, and seek to reduce these vulnerabilities – not least the worry, concern and sometimes fear that living in the (different) “margins” of society frequently brings with it, especially if one’s primary group or community is itself under threat.
36. Thirdly, it remains insufficient to fulfil needs, to have income and to develop capabilities – as ends in themselves. Acquiring goods, services, capabilities, power and security are seen as ways of giving “meaning” to life. Thus, it remains insufficient for people merely to have a job which provides an income high enough to acquire basic goods and services for this is no guarantee of human fulfilment and may be accompanied by acute alienation. It is insufficient for people to have a job that pays a high enough wage or salary: it is important for work to be meaningful and fulfilling and not alienating. Likewise, it is essential for people to be and feel identified with their immediate community, and for that group, in turn, to engage productively in the wider political processes. Hence the relationships and problems which minorities, indigenous people and different ethnic have as they engage in the wider society is an important dimension of poverty.

37. But there are two other dimensions of poverty important to the faiths which receive relatively little attention in the four other approaches.
38. The first is the importance given not merely to poor people but also to those who are not poor. Especially where resources are comparatively plentiful, material poverty, in particular, needs to be viewed alongside wealth and wealth creation. Consequently, addressing poverty cannot be perceived merely as working to ensure that those who are deprived have the goods, services and opportunities that those who are not poor are currently able to access, and largely ignoring those who are relatively better off. Rather, action to reduce poverty necessarily involves as a constituent part a focus on inequalities. The growth of inequalities and the existence of poverty-amidst-plenty points to the need to re-shape the political economy, not merely to redistribute what has been created. It requires addressing the process of wealth creation in order to ensure that they do not continue disproportionately to favour the better off: freedom of opportunity needs to be linked to freedom of outcome. It also requires addressing the process of wealth creation in order to guard against the excesses of “consumerism” where having more is (wrongly) assumed unquestioningly to be the root to “being more” (see Loy, 1999).
39. The second dimension of importance to the faiths is the emphasis given to the less tangible “building blocks” of society and inter-personal relationships. For the faiths, poverty is nurtured and development challenged by the absence or erosion of the personal and social “building blocks” or cement of human society - those traits of human beings without which inter-personal relationships and social life would break down, the virtues. An incomplete list of these attributes would include trust; companionship; solidarity; compassion; sensitivity to the needs of others; personal integrity; the pursuit of truth; honesty; respect for others; tolerance; mercy; forgiveness; charity; altruism; the absence of indifference; respect for other cultures; respect for the elderly; and loyalty. While it is not being suggested that all human beings need to have all these “in abundance”, when many of these are absent, human society cannot flourish. It is the view of the faiths that the lack of and erosion of these virtues, and the failure to support and nourish them in people and within and across societies contributes to the continuation and deepening of the more visible manifestations of poverty in our world.

THE WORLD BANK AND UNDP APPROACHES TO POVERTY

40. The two institutions which, in practice, have particularly shaped and influenced the debates on poverty and approaches to poverty reduction are the World Bank and, more recently, the United Nations Development Programme – the latter especially through its annual Human Development report and its development of the Human Development Index and, more recently, its Human Poverty Index.

The UN’s Human Development and Human Poverty indices

41. The Human Development Index (HDI) is a summary measure of human development. It measures the average achievements in a country in three basic dimensions of human development:
 - A long and healthy life, as measured by life expectancy at birth.
 - Knowledge, as measured by the adult literacy rate (with two-thirds weight) and the combined primary, secondary and tertiary gross enrolment ratio (with one-third weight).
 - A decent standard of living, as measured by GDP per capita (PPP US\$).

42. The HDI is calculated as follows. First, an index needs to be created for each of these dimensions. To calculate these “dimension indices”, the life expectancy, education and GDP indices - minimum and maximum values (called goalposts) - are chosen for each underlying indicator and actual levels for each country scored against these. (For details see UN, 2004: 259).
43. The UNDP has also developed two poverty indices, one for poor and one for more affluent societies (UN, 2004: 261). While the HPI-2 index (for richer countries) and the HDI do make use of a key element of the monetary approach, notably the income poverty line, the HPI-1 index (for poorer countries) does not.
44. **The human poverty index for developing countries (HPI-1)** measures *deprivations* in the three basic dimensions of human development captured in the Human Development Index (HDI):
- A long and healthy life—vulnerability to death at a relatively early age, as measured by the probability at birth of not surviving to age 40.
 - Knowledge—exclusion from the world of reading and communications, as measured by the adult illiteracy rate.
 - A decent standard of living—lack of access to overall economic provisioning, as measured by the unweighted average of two indicators, the percentage of the population without sustainable access to an improved water source and the percentage of children under weight.
45. In contrast, **the human poverty index for selected OECD countries (HPI-2)** measures deprivations in the same dimensions as the HPI-1 and also captures social exclusion. Thus it reflects deprivations in four dimensions:
- A long and healthy life—vulnerability to death at a relatively early age, as measured by the probability at birth of not surviving to age 60.
 - Knowledge—exclusion from the world of reading and communications, as measured by the percentage of adults (aged 16–65) lacking functional literacy skills.
 - A decent standard of living—as measured by the percentage of people living below the income poverty line (50% of the median adjusted household disposable income).
 - Social exclusion—as measured by the rate of long-term unemployment (12 months or more).

World Bank approaches

46. The World Bank has published three overall reports on poverty in the last fifteen years, the first in 1980, the second in 1990 and the third in 2001, and has facilitated the publication of a major consultants’ report on poverty in Africa also in 2001 (White and Killick, 2001).
47. The Bank’s 1980s *World Development Report* focuses largely on income poverty and need for economic growth to reduce poverty, but additionally argues that improvements in health and education are important both in their own right and as a means to enhance growth in the incomes of poor people (2000: 6).
48. The Bank’s 1990 *World Development Report* notes that poverty is concerned with the absolute living standard of living of a part of society, the poor, and defines poverty as “the inability to attain a minimum standard of living” (p. 26). The Report goes on to explain that household incomes and expenditures per capita are adequate yardsticks for the standard of living as long as they include own production”, but that neither captures such dimensions of welfare as health, life expectancy; literacy; access to public goods or common property. Because of these drawbacks, the Report

supplements a consumption-based poverty measure with others, such as nutrition, life expectancy, under five mortality and school enrolment. It uses two global poverty lines to estimate the numbers of people living in poverty, based on a headcount measure (numbers living below the line), noting that this fails to account for the depth or degree of poverty, vulnerability to poverty and asset levels. To reduce poverty, it proposes a two-pronged strategy: promoting labour-intensive growth and providing basic services to poor people in health and education.

49. Most recently, the Bank's 2000/2001 *World Development Report* "accepts the ... view of poverty as encompassing not only material deprivation but also low achievement in education and health" (p. 15). Its view of poverty also includes vulnerability and exposure to risk, voicelessness and powerlessness. Thus it perceives poverty as multi-dimensional, over-riding which are the absence of "fundamental freedoms of action and choice" (p. 1), and, as noted above, its perspective is also influenced by the views of poor people (Narayan, 2001). In its Report, the Bank uses income poverty measures (headcount poverty lines) to lay bare the problems of poverty, but also highlights non-income measures and influences such as life expectancy and HIV/AIDS, stressing that these measures need to be developed nationally. It also notes that poverty can "readily" be calculated in terms of poverty gaps (the distance of poor people from the poverty line) and the degree of income inequality among poor people.
50. The Report proposes a three-pronged comprehensive strategy for tackling poverty, but adds that each country will need to develop its own approach, based on "resources and what is institutionally feasible" (p. 7):
 - Promoting opportunity both by emphasising economic growth and addressing inequalities by supporting action to enhance the poor's human, land and infrastructural assets.
 - Facilitating empowerment by ensuring that public action and institutions are responsive to the needs of the poor.
 - Enhancing security and reducing vulnerability by national actions that address shocks and reduce risks poor people face.
51. It notes that defining poverty as multidimensional raises questions about how to judge overall poverty and how to compare achievements in different dimensions: what weights should be given to each? It chooses not to try to construct a single multi-dimensional index. Instead it focuses on deprivations in different dimensions but "in particular on the multiple deprivations experienced by the income poor" (p. 19), highlighting the importance of income and consumption measurements of poverty and encouraging greater international coverage of these measures (currently 85% of developing countries conduct household income and expenditure surveys) as well as education and health indicators (p. 21).
52. The Report breaks new ground by comparing the share of people living in "absolute poverty", defined as having incomes of less than \$1 a day (PPP) with those living in "relative poverty" defined as those whose incomes are less than one third of the national average. Overall, the figures suggest that relative poverty is about 5% higher than absolute poverty, but the degree of relative poverty is far higher in some regions, notably Europe and Central Asia, the Middle East and North Africa and Latin America. (p. 23-24).
53. The African poverty study identified the following dimensions of poverty: the proportion of people living above the consumption poverty line; gross primary enrolment rates; life expectancy at birth; adult literacy rate; income inequality (as measured by one minus the Gini ratio); the proportion of people not living with HIV; the probability of survival to the age of five; and the proportion of children not malnourished. However the study's view was that "material

deprivation is at the core of poverty: low income and consumption levels resulting in poor nutrition, inadequate clothing and low-quality housing” (White and Killick, 2001:10).

Differences between World Bank and UNDP and participatory assessments of poverty

54. We have seen that poverty can be viewed (and defined) in different ways. But the monetary and capabilities approaches are closest in that they both focus on individuals and attempt to measure the numbers and percentages of people who are poor. Taking these two approaches to poverty, a key question is the extent to which they provide similar, or different, assessments of the numbers of people living in poverty.
55. Ruggeri Laderchi *et al* (2003) compare poverty levels across countries based on capability poverty, international and national monetary poverty lines. They reveal some substantial differences in poverty levels across some countries dependent upon which measure is used for which countries. For instance, according to the HPI, 56% of people in Ethiopia were living below the poverty line, but the figure was only 31% in terms of international monetary poverty. For Egypt, the figures were respectively 31% and 3%. However, the comparisons across some other countries not only produced significant differences in poverty by using the different measures, but the trends were reversed – in other words monetary poverty was in these cases higher than capability poverty. For instance in India, 44% of the population were judged to be living in international monetary poverty, but only 33% living in capability poverty. The figures for Peru were respectively 16% and 13%. For all countries in the sample except for one, the poverty shares derived from the different approaches were all different, in some cases markedly so. Only in the case of Zimbabwe were the poverty measures based on capability and monetary approaches almost the same (p. 30).
56. Their study also compared poverty levels in two countries (India and Peru) based on national data sets and micro-surveys, this time using participatory data as well as monetary and capability approaches. They also found that significantly different people were identified depending upon the measure used. For instance in Peru, huge variations arose between self-perceptions of poverty and monetary poverty. In the rural area studied, 29% of the self-declared poor were non-poor according to the monetary indicator, while of the monetary poor, 42% did not believe themselves to be poor. In the urban area studied, 40% of the self-declared poor were not monetary poor, and 42% of the monetary poor did not state that they were poor (p. 33).
57. Perhaps even more disturbing are instances where trends over time in one sort of poverty indicator (downwards) contrast with the reverse trends over time when poverty is measured by other indicators. For instance in Uganda, McGee found that participatory assessments of changes in poverty over time differed from monetary measures even over the change in direction: the former concluding that no overall advances were being made to reduce poverty, the latter that there were.

CONCLUSIONS

58. There is no agreed definition on what constitutes poverty and how it can be measured.
59. Poverty can be assessed using monetary measures – based on either income levels of or estimates of the money required for basic (household) consumption. The literature confirms that nationally-based poverty lines are far more likely to indicate current and historical levels than do poverty lines based on internationally income comparisons.

60. Poverty can be assessed using an array of social indicators either individually or brought together in a composite index. Over time more and more have been added. The latest Human Development Report provides tables for well over 60 different indicators. Among the most widely used now are the following: life expectancy; under five mortality rates; levels of nutrition/malnutrition; adult literacy rates; primary school enrolments; maternal mortality; access to safe water and sanitation; and immunisation rates for tuberculosis and measles.
61. Neither of these assessments gives sufficient emphasis to the vulnerability of people to poverty, to the cycle nature of some dimensions of poverty, to the manner in which poor people themselves perceive poverty or to the relationship between poverty and wealth creation.
62. The Ruggeri Laderchi study already cited in this Note stress that the considerable lack of overlaps empirically between the different approaches to poverty means that policies emerging from one definition of and approach to poverty will involve serious targeting errors in relation to other types. While a monetary approach suggests a focus on increasing money incomes (by economic growth, or redistribution), a capability approach tends to lead to more emphasis on the provision of public goods. Social exclusion draws attention to the need to break down exclusionary factors, for example, by redistribution and anti-discrimination policies. Overall, the discussion suggests that identification and targeting of the poor with combined methods should be more widely adopted, reflecting the concerns for a broad characterisation of poverty which are currently part of the development discourse (2003:35).

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