Strategic Recommendations for "A Measured Approach to Ending Poverty and Boosting Shared Prosperity"

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Summary

Data issues for a "measured approach" still loom large

> Country coverage, the PPP conversion factors, discrepancies and proposals to address them

Inequality should be tracked too

> Lower inequality can fast forward poverty reduction and shared prosperity

Tracking the contribution of fiscal policy

> Successful use of public resources for fast-forwarding achievement of twin goals

> Taxes may leave post-tax poverty at higher levels than pre-tax (and transfers) ones

Two of the four key recommendations refer to data:

➢ Strengthening the capacity of national statistical agencies to collect … data should not be neglected in favor of data collection by international organizations

➢ Quality of data should be the primary aim of efforts to improve data measurement and collection at the country level
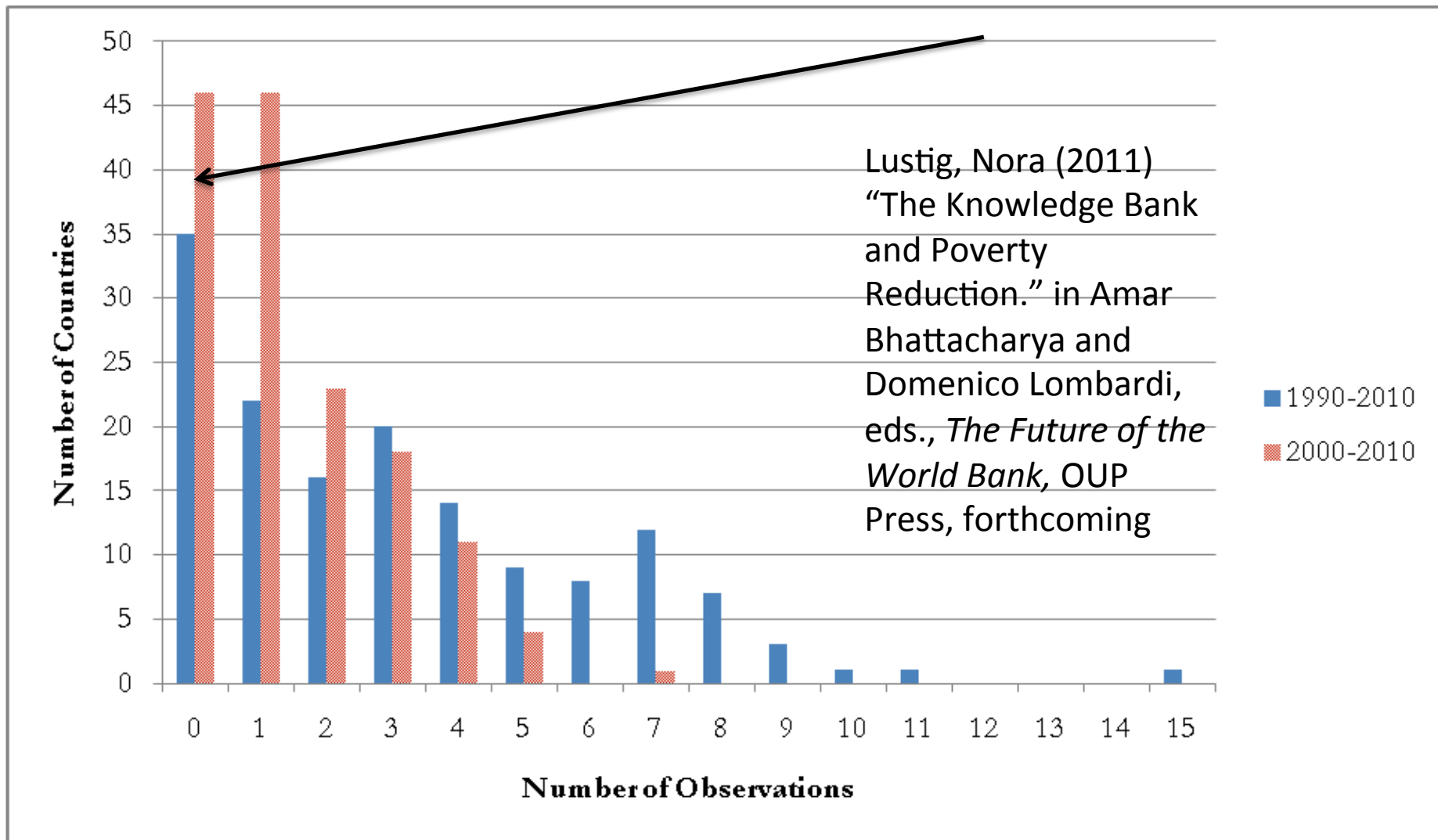
Data! Data! Data!

Is the world ready for tracking the twin goals?

NOT YET

I. Do most of the countries collect the data (e.g., surveys) needed to track progress in the twin goals?

➢Great progress since the 1990s (WB can take credit)

➢However, gaps are still large

Figure 1. Number of countries with number of observations between 1990-2010 and 2000-2010

Lustig, Nora (2011) "The Knowledge Bank and Poverty Reduction." in Amar Bhattacharya and Domenico Lombardi, eds., *The Future of the World Bank*, OUP Press, forthcoming

Source: Author's estimates based on PovcalNet.

Solution

> LSMS & MECOVI-like initiatives should be given utmost strategic priority

> Why was MECOVI discontinued in 2005?!

II. How confident can one be regarding the poverty indicators reported by international organizations?
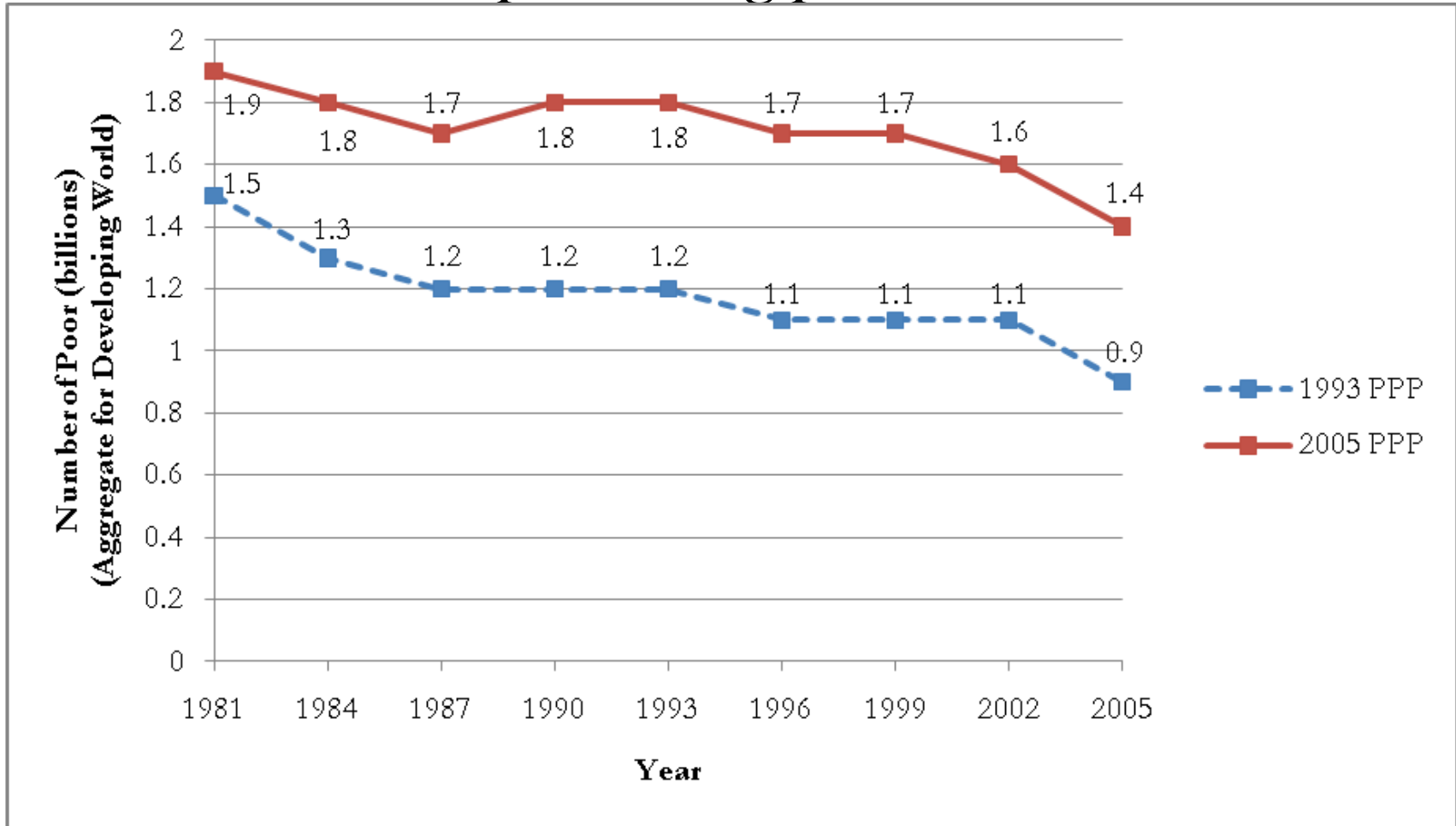
Myriad of issues:

> ➢ comparability of surveys

> ➢ treatment of non-response and outliers

> ➢ treatment of non-sampling errors

> ➢ selection of welfare indicator (income vs. consumption, per capita vs. equivalized)

However, most crucial factor is access to reliable Purchasing Power Parity conversions

➢ When the 1993-based factors were replaced by the 2005 round factors…

➢ ….the 2005 headcount ratio and the number of poor people in the world increased by 50 percent!!!

Figure 2. World number of poor using 1993 and 2005 price data for purchasing power conversions

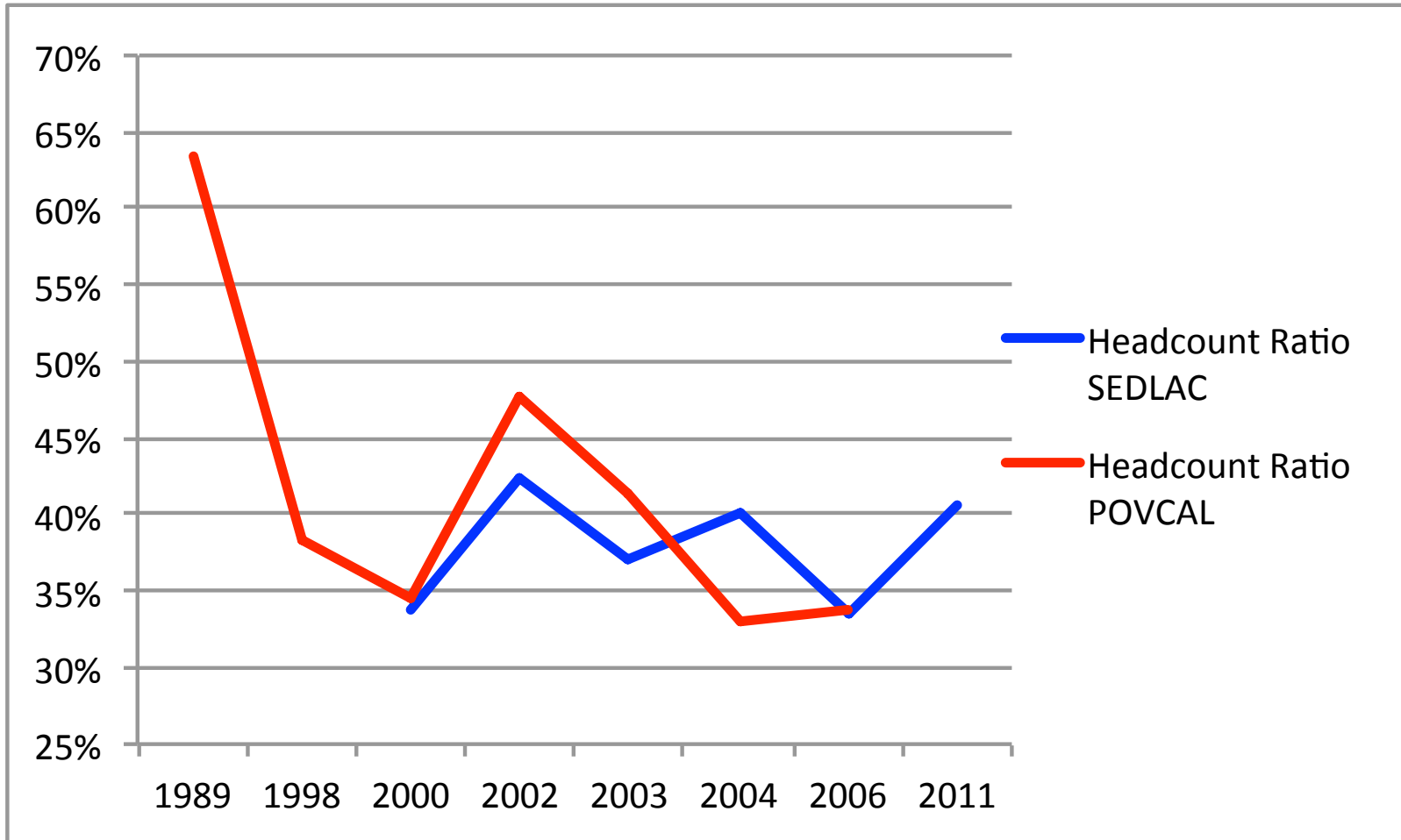*Source:* Data from Chen and Ravallion (2008).

Solution

➢ Improving the design and implementation of price collection?

➢ More frequent rounds of collection?
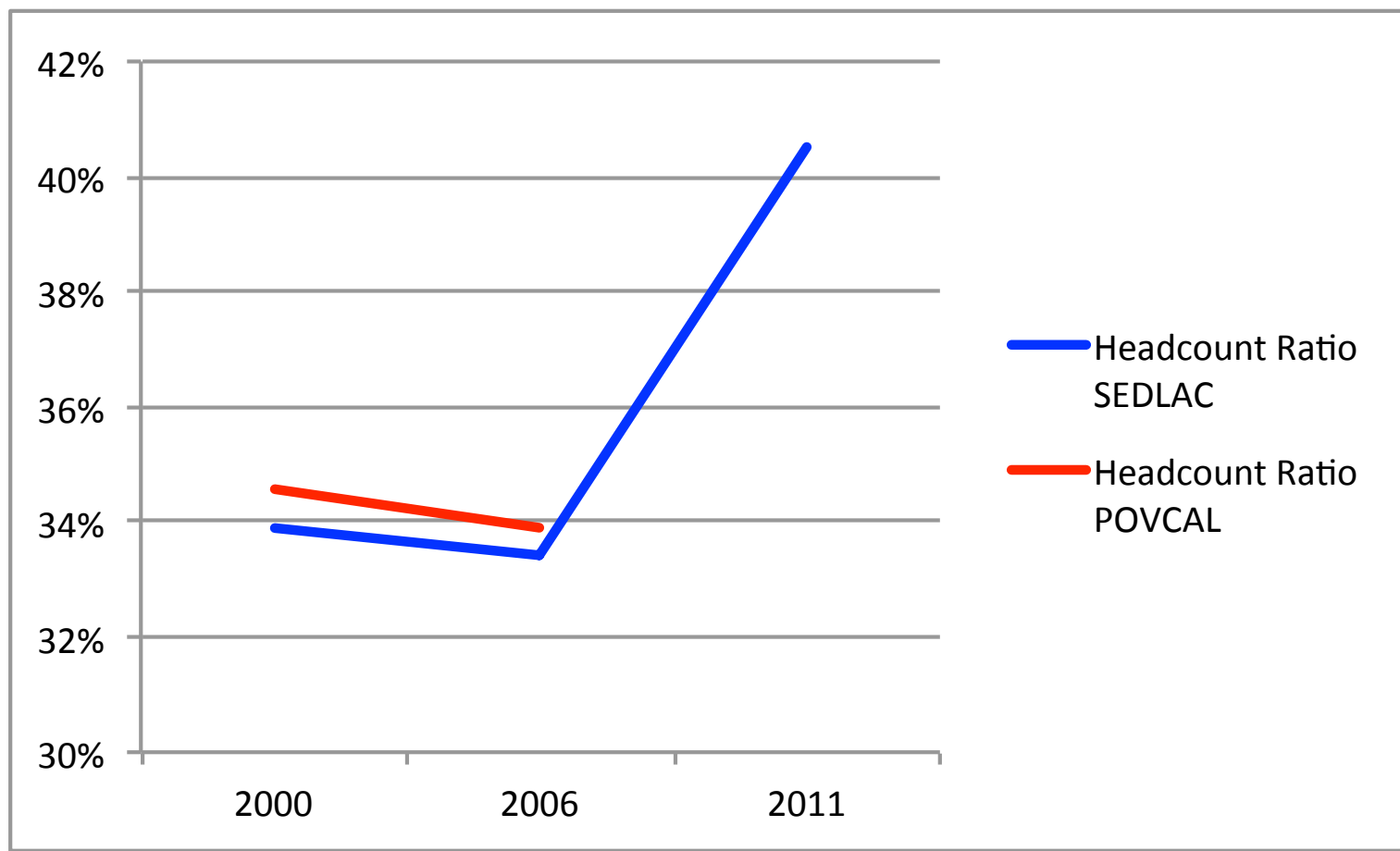
➢ Random checks?

➢ Advisory

III. Troublesome Discrepancies

➢ Within the same institution:

 ➢ World Bank's POVCAL and SEDLAC (Latin America and the Caribbean) great progress but still…

➢ Between institutions:

 ➢ World Bank's POVCAL (microdata-based) and IMF's Fiscal Monitor (based on data generated through multiple-imputation methods, SWIID)
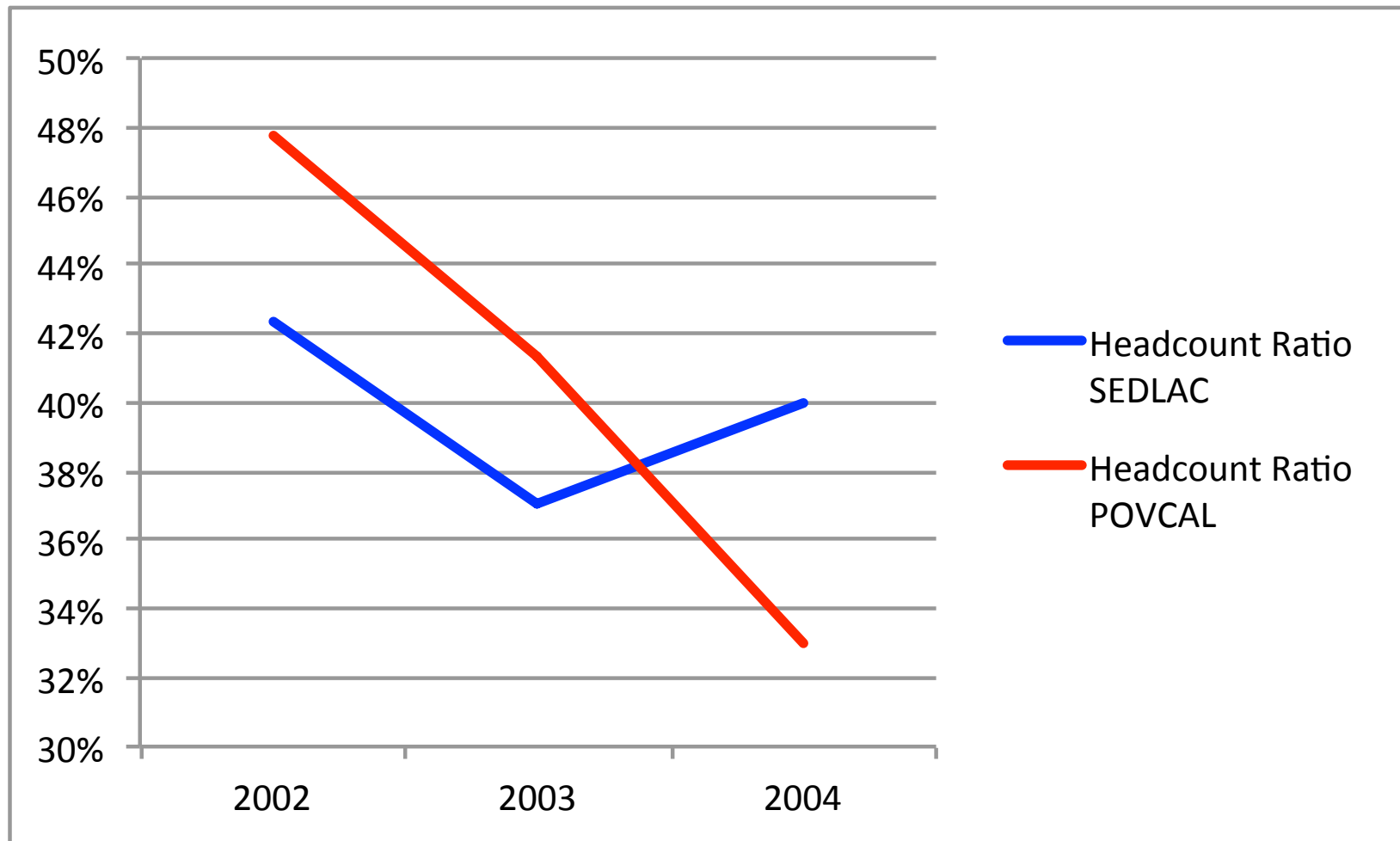
Guatemala Headcount Ratio: discrepancies in levels and trends

Guatemala Headcount Ratio: on closer inspection, two years coincide (same survey)

Guatemala Headcount Ratio: but discrepancies for the other three years are striking

Gini Coefficient in Selected African Countries

➢ In 4 out of 9 countries POVCAL and IMF yield opposite results

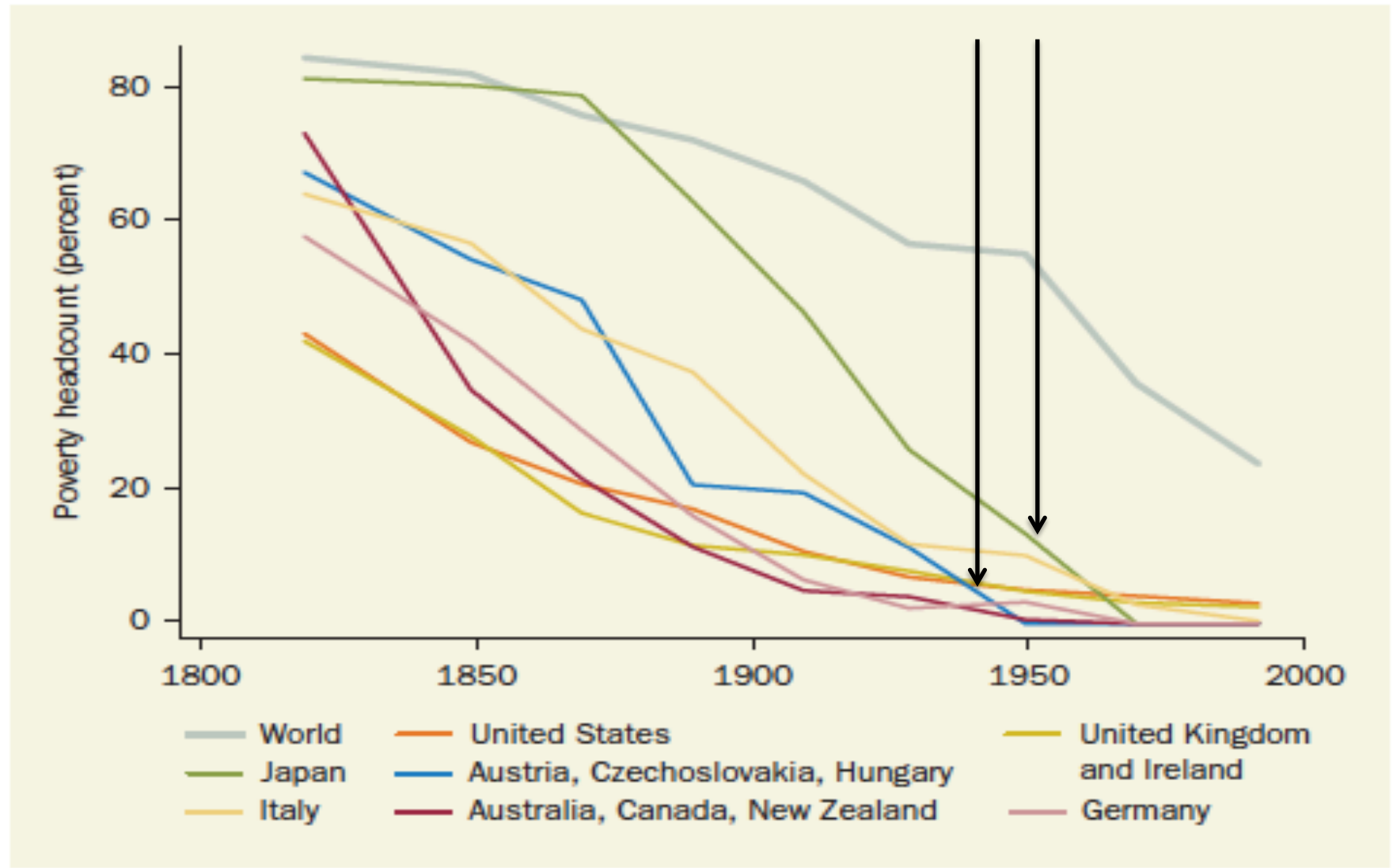| Country	Year	POVCAL	IMF Fiscal Monitor based on SWIID
Côte d'Ivoire	2008	41.5	45.3
Côte d'Ivoire	1993	36.9	40.3
Ghana	2005.5	42.8	40.1
Ghana	1991.5	38.1	37.7
Kenya	2005.4	47.7	46.1
Kenya	1994	42.1	52.3
Madagascar	2010	44.1	44.2
Madagascar	1993	46.1	45.2
Niger	2007.5	34.6	43.3
Niger	1992	36.1	44.8
Nigeria	2009.8	48.8	44.7
Nigeria	1992.3	45.0	49.5
Senegal	2005	39.2	37.2
Senegal	1991	54.1	45.1
Tanzania	2007	37.6	34.5
Tanzania	1991.9	33.8	37.6
Zambia	2006	54.6	49.5
Zambia	1993	52.6	63.1

Solution

➢ Advisory on method and data reconciliation

➢ Peer reviewing of datasets using scholarly criteria (example JEI's special issue on "Appraising Cross-National Income Inequality Databases" by Francisco Ferreira and Nora Lustig, forthcoming)

➢ Systematic auditing of posted results by external entities (Universities/graduate students?)

➢ Making available the data and do-files to ensure replicability

➢ Inter-institutional "Clearing House" to establish conventions and corrections

IV. Other issues that need to be addressed:

➢ National Accounts vs. Household Surveys: Major discrepancies not only in levels but trends of consumption/income per capita

➢ Tracking top incomes: the rich are absent from household surveys; tax returns-based data

➢ Incorporating nonincome dimensions

Tracking Inequality Too

Figure 1.8   Poverty reduction in countries that have already achieved zero extreme poverty, 1820–2000
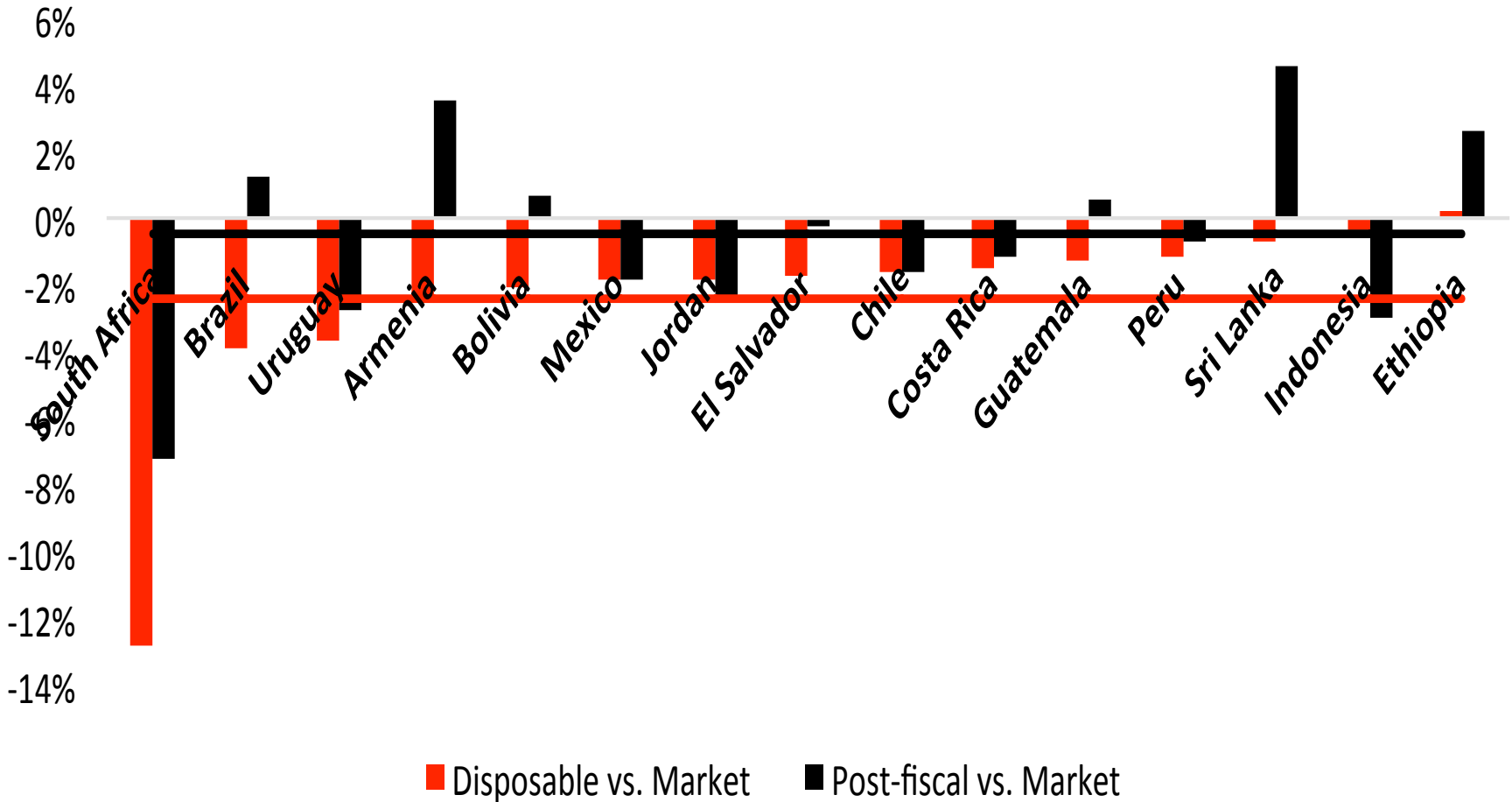

Source: Based on data from Ravallion (2014) and Ravallion (forthcoming).
Note: Based on estimates using parameterized Lorenz curves calibrated to the data set developed by Bourguignon and Morrisson (2002). See Ravallion 2014 for a more detailed explanation

Tracking Fiscal Policy's Impact on Poverty and Shared Prosperity

Change in Headcount Ratio ($2.5 PPP/Day)
(in percentage points)

Legend: ■ Disposable vs. Market   ■ Post-fiscal vs. Market

Countries (left to right): South Africa, Brazil, Uruguay, Armenia, Bolivia, Mexico, Jordan, El Salvador, Chile, Costa Rica, Guatemala, Peru, Sri Lanka, Indonesia, Ethiopia

Fiscal Incidence References

CEQ Teams (Sources for G2, G3, G4,G5, G6 Gini, G6 Headcount, G7, G8, G9, G20)

(Year of Survey; C=consumption & I=income)(MWB Version)

1. Armenia (2011; I) CEQ-WB: Stephen Younger and Artsvi Khachatryan (May 31, 2014; paper)
2. Bolivia (2009; I): Veronica Paz Arauco, George Gray-Molina, Wilson Jimenez and Ernesto Yañez (CEQ Web Dec 2013) Public Finance Review, May 2014, Volume 42, Issue 3
3. Brazil (2009; I): Sean Higgins and Claudiney Pereira (CEQ Web Dec 2013) Public Finance Review, May 2014, Volume 42, Issue 3
4. Chile (2009; I): Jaime Ruiz Tagle- Dante Contreras (October, 25, 2014)
5. Costa Rica (2010; I): Pablo Sauma and Juan Diego Trejos (February 2014; paper)
6. El Salvador (2011; I): Margarita Beneke, Nora Lustig and Jose Andres Oliva (March 11, 2014)
7. Ethiopia (2010/11; C) CEQ-WB: Ruth Hill, EyasuTsehaye, Tassew Woldehanna (April 30, 2014)
8. Guatemala (2011; I): Maynor Cabrera, Nora Lustig and Hilcias E. Moran (August 27, 2014)
9. Indonesia (2012; C) CEQ-WB: Jon Jellema and Matthew Wai-Poi (February 18, 2014)
10. Jordan (2010; C) CEQ-WB : Morad Abdel-Halim, Shamma Adeeb Alam, Yusuf Mansur, Umar Serajuddin, Paolo Verme (May 16, 2014)
11. Mexico (2010; I): John Scott (CEQ Web Dec 2013) Public Finance Review, May 2014, Volume 42, Issue 3
12. Peru (2009; I): Miguel Jaramillo (CEQ Web Dec 2013) Public Finance Review, May 2014, Volume 42, Issue 3
13. South Africa (2010; I) CEQ-WB: Gabriela Inchauste, Nora Lustig, Mashekwa Maboshe, Catriona Purfield, Ingrid Woolard and Precious Zikhali,(based on MWB submitted Aug 25, 2014)
14. Sri Lanka (2009/10; C) CEQ-WB: Nisha Arunatilake, Gabriela Inchauste and Nora Lustig (April 8, 2014; paper)
15. United States (2011; I): Sean Higgins, Nora Lustig, Whitney Ruble and Timothy Smeeding
16. Uruguay (2009; I): Marisa Bucheli, Nora Lustig, Maximo Rossi and Florencia Amabile (CEQ Web Dec 2013) Public Finance Review, May 2014, Volume 42, Issue 3

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Thank you! ¡Gracias! Merci!