Keeping the multiple dimensions of poverty at the heart of development

- Impressive gains in reducing extreme poverty have been made at the global level, but the world is still far from ending poverty.
- Many people who have escaped poverty as defined by Millennium Development Goal 1a are still poor according to different thresholds of income poverty, or when measuring poverty according to its many other dimensions. The MDGs’ focus on global progress also masks uneven progress across and within countries, localities and population groups.
- Uneven progress reflects a fundamental weakness in current approaches to measuring poverty, influencing the targets chosen and the policies adopted. The goals framework which replaces the MDGs should get these approaches right if it is to meet the urgent challenge of ending poverty in all its dimensions.
- A wide range of policies beyond those focused on growth will be essential to redistribute resources, devise and implement targeted approaches to reduce poverty and inequality and to increase resilience.
- The future goals framework should: promote inclusive and sustainable economies that improve well-being and enable all, including the poorest, to participate in and benefit from economic growth; include a goal of reducing income inequality; and a set of indicators of inequality across the various goals; include multidimensional measures of poverty; be global, but recognise national realities; and integrate poverty and environment objectives.
- The OECD is developing a range of measures and indices for measuring the multiple, non-income dimensions of poverty, from well-being, to gender and social cohesion. These could be considered in defining the new development goals beyond 2015.

Why focus on the many dimensions of poverty in the post-2015 agenda?

The global economic and poverty landscape has changed, and with it our understanding of what development and poverty are all about. As the United Nations and its partners shape a new global framework to take the place of the MDGs in 2015, they face the urgent challenge of keeping poverty at the heart of development.

The Organisation for Economic Co-operation and Development (OECD) is helping to explore what the shifting dynamics of poverty mean for the policies to be pursued by governments, international organisations and other actors in the post-2015 world. Its 2013 Global Forum on Development brought together institutions and stakeholders from all the world’s regions to discuss the challenge (www.oecd.org/site/oecdgfd, OECD, 2013).

“Eradicating extreme poverty is within reach over the next 15 years”

(Amina Mohammed, Special Advisor of the UN Secretary-General on Post-2015 Development Planning)
2013a). Key policy themes raised at the forum have been taken up by the UN High-Level Panel in its proposal for a post-2015 global development framework (HLP, 2013). The proposal places ending of extreme poverty as the central challenge, but addresses inequalities only tangentially. As the final post-2015 framework has not yet been agreed there is still much work to be done to chart a course for ending the multiple dimensions of poverty. The OECD’s latest Development Co-operation Report (DCR) on “Ending Poverty” also contributes to the debate on how poverty should be defined and measured (OECD, 2013 forthcoming). This brochure highlights some of the key points emerging from these debates and proposes some ways forward.

**Progress on poverty reduction under the MDGs**

Impressive gains in reducing extreme poverty have been made at the global level, but they have not been evenly distributed. Estimates of extreme poverty, as measured by the proportion of people living on less than USD 1.25 per day, were 21% in 2010, down from 43% in 1990 and 52% in 1981 (World Bank, 2013). According to this measure, the world met the Millennium Development Goal (MDG) target 1a to halve the rate of extreme poverty five years ahead of the 2015 deadline. Most of this overall poverty reduction is due to progress in the People’s Republic of China. Leaving China aside, only 5% of people have passed this USD 1.25 per day income threshold over the past 20 years (OECD, 2013 forthcoming). The concentration on global aggregates, in this way, obscures important differences within and across countries.

Furthermore, many people who have escaped poverty as defined by MDG 1a would still be counted as poor when using different thresholds of income poverty; or when poverty is measured according to its many other dimensions; or when using relative, rather than absolute, measures of poverty. Many people also remain vulnerable to a range of factors – such as unemployment, sickness, social exclusion and insufficient resources during old age – which threaten to re-impoverish them in the future (OECD, 2012a).

**Poverty is not only about income; neither is it static**

Both the 2013 Global Forum on Development and the *OECD Development Co-operation Report 2013* reaffirmed the importance of focusing on both income and non-income dimensions of poverty (OECD, 2001), as well as on a broader range of people than just those falling below a defined income threshold. The MDG to halve extreme income poverty overlooks many other deprivations. It is clear from the MDG experience and a growing body of evidence that those living in poverty value freedom from fear and violence, social inclusion and honest governance just as highly as income, education and health (MyWorld Survey, 2013; OECD, 2012a). Ending USD 1.25 per day poverty is unlikely to mean the end of the many overlapping deprivations faced by poor people, including malnutrition, poor sanitation, a lack of electricity or ramshackle schools (Alkire and Sumner, 2013). This is why economic growth is not sufficient to end poverty or to benefit all people. Risks at different stages of people’s life-cycle and in various situations can also move people in and out of poverty. Efforts to reduce poverty should therefore be judged to be ineffective when those emerging from poverty fall back into it and when those who have been above the selected income threshold become impoverished and/or experience deprivations in other (non-income) dimensions. In other words, tackling vulnerability and promoting resilience is paramount.
Poor people do not only live in poor countries

Today, a new “bottom billion” of extremely poor people live in middle-income countries, including India and China (Table 1). Poverty is rapidly becoming a matter of within-country inequality (Sumner 2013); the national USD 1.25 per day poverty line fails to capture these inequalities or to guide progress in eradicating them (Garroway and de Laiglesia, 2012; OECD, 2013 forthcoming). Yet poverty and inequality in middle-income countries are urgent issues. We need new approaches to measure and tackle relative poverty and inequality in all countries, not just in low-income ones.

Table 1: Where did the global poor live in 2010?

<table>
<thead>
<tr>
<th>Country category</th>
<th>% global poor (USD 1.25/day)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current LICs</td>
<td>29.5</td>
</tr>
<tr>
<td>Current lower middle income countries - LMICs</td>
<td>55.9</td>
</tr>
<tr>
<td>Current upper middle income countries - UMICs</td>
<td>14.6</td>
</tr>
<tr>
<td>All current MICs</td>
<td>70.5</td>
</tr>
<tr>
<td>Least developed countries</td>
<td>30.8</td>
</tr>
<tr>
<td>Emerging market economies</td>
<td>59.2</td>
</tr>
<tr>
<td>All non-fragile MICs</td>
<td>59.6</td>
</tr>
<tr>
<td>All fragile statesa</td>
<td>32.1</td>
</tr>
<tr>
<td>LIC fragile states</td>
<td>21.2</td>
</tr>
<tr>
<td>MIC fragile states</td>
<td>10.9</td>
</tr>
<tr>
<td>Conflict/post-conflict countriesb</td>
<td>11.8</td>
</tr>
</tbody>
</table>


Source: Adapted from Edward, P. and Sumner, A. (2013), The Future of Global Poverty in a Multi-Speed World, Center for Global Development, Washington, DC.

Global progress measures do not capture the efforts of individual countries

The focus on measuring global averages masks progress made by individual countries relative to their starting points (Klasen, 2012). For instance, MDG results by country reflect considerable variation depending on whether one compares absolute or relative progress. Relative measures reflect country progress in relation to initial starting positions, in other words the degree to which countries have “closed the gap” towards the MDG target, while absolute measures show change regardless of the starting point (ODI, 2010). Relative measures tend to favour high and middle-income countries with stronger initial conditions, while low-income countries, especially those in Africa, tend to rank higher on absolute progress (see Table 2, which shows progress against a range of MDGs, not just income poverty). This is why, according to the latest relative measures of progress, over half of the top ten countries are middle or high-income and almost no low-income countries feature (aside from Rwanda and Cambodia). In contrast there is a very different profile of countries making gains by absolute measures, with mainly low and some middle-income countries reaching the top ten places (apart from Angola). This suggests that new measures to track progress should look beyond global aggregates to reflect countries’ different starting points and challenges.
Table 2: Absolute and relative progress on the MDGs, top 10 achievers, 2000-2010

<table>
<thead>
<tr>
<th>Absolute progress</th>
<th>Relative progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rwanda (LIC)</td>
<td>Rwanda (LIC)</td>
</tr>
<tr>
<td>Angola (UMIC)</td>
<td>Bhutan (LMIC)</td>
</tr>
<tr>
<td>Burundi (LIC)</td>
<td>Cambodia (LIC)</td>
</tr>
<tr>
<td>Bhutan (LMIC)</td>
<td>Angola (UMIC)</td>
</tr>
<tr>
<td>Swaziland (LMIC)</td>
<td>Turkey (UMIC)</td>
</tr>
<tr>
<td>Ethiopia (LIC)</td>
<td>Oman (HIC)</td>
</tr>
<tr>
<td>Liberia (LIC)</td>
<td>China (People’s Republic of) (UMIC)</td>
</tr>
<tr>
<td>Sierra Leone (LIC)</td>
<td>Romania (UMIC)</td>
</tr>
<tr>
<td>Mozambique (LIC)</td>
<td>Belarus (UMIC)</td>
</tr>
<tr>
<td>Timor-Leste (LMIC)</td>
<td>Moldova (Republic of) (LMIC)</td>
</tr>
</tbody>
</table>

Notes: LICs: low-income countries; LMICs: lower middle-income countries; MICs: middle-income countries; UMIC: upper-middle income countries

Based on the following indicators: 1. Material well-being: poverty rate (MDG 1.1); 2. Employment: GDP per person employed (MDG 1.4); 3. Environment: population with access to sanitation (MDG 7.9); forest area (MDG 7.1); 4. Education: net enrolment in primary (MDG 2.1); 5. Political voice: share of women in parliament (MDG3.3), only for 2000s; polity index; 6. Health: U5MR (MDG 4.1) MMR (MDG 5.2); 7. Social cohesion (no MDG): intergroup cohesion; 8. Security (no MDG): rule of law or refugees and internally-displaced persons, only for 2000s; homicide rate.

Countries without data for over 10 of the indicators were excluded from this ranking.


It is important not to overlook the neediest

Countries requiring special attention – for example least developed countries (LDCs) and so-called “fragile states” – should also not be overlooked by a more global agenda. Although most of today’s extreme poor live in middle-income countries, by 2025 most absolute poverty will probably once again be concentrated in low-income countries, especially in fragile states. To reduce vulnerability, structural transformation and institutional development remain major challenges. The OECD’s Development Assistance Committee (DAC) monitors support to LDCs and “under-aided” countries and will continue doing so in order to help make sure they receive the sustained support they need (OECD, 2013b).

Progress at the national level is not enough

The focus of the MDGs on global and national progress also masks uneven progress within countries. At the sub-national level, many extremely poor people have been left behind during the MDG period because overall income gains are very unevenly distributed. This uneven distribution of gains is also seen in other MDG areas. For example, some countries report reaching the MDG target on child mortality at national level, despite having failed to reach the target among the poorest in rural areas and amongst ethnic minority groups (Save the Children, 2012).

Policies to reduce gender inequalities are also difficult to target and track because existing income measures are calculated at the household level (and therefore assume equal sharing within each household). Gender inequalities exacerbate the challenges faced by households, particularly in the poorest countries and among the most marginalised groups. These disparities are barriers to progress in a range of other areas, including the labour market, political participation and maternal health outcomes in both rural and urban areas (OECD, 2013c).
Uneven progress towards the MDGs across countries, sub-national regions and population groups reflects a fundamental weakness in the current framework. By only measuring progress at the global and national levels, the MDGs’ targets are not able to inform and guide targeted national policies and do not provide governments with the information, data and incentives they need to reach the poorest and most marginalised groups. Despite more than a decade of impressive progress towards meeting the MDGs globally, the most disadvantaged individuals and groups remain trapped in poverty. Ending poverty will require better targeted policies and better empowerment of local governments as well as disadvantaged and marginalised groups. For that we need disaggregated data.

**Issues to address in the post-2015 framework**

Back in 2001, the OECD DAC endorsed its Guidelines on Poverty Reduction that were developed in consultation with the World Bank, the International Monetary Fund and the United Nations Development Programme (OECD, 2001). Many of those early insights remain valid today. Similarly, the World Bank’s World Development Report “Attacking Poverty” defined a three-pronged approach for reducing poverty (World Bank, 2000):

1. Promoting opportunities (encouraging effective private investment; expanding into international markets; building the assets of poor people; addressing asset inequalities across gender, ethnic, racial and social divides; getting infrastructure and knowledge to poor areas – rural and urban).

2. Facilitating empowerment (laying the political and legal basis for inclusive development; creating public administrations that foster growth and equity; promoting inclusive decentralisation and community development; promoting gender equity; tackling social barriers; supporting people’s social capital).

3. Enhancing security (creating a modular approach to helping poor people manage risk; developing national programmes to prevent, prepare for and respond to macro-shocks – financial and natural; designing national systems of social risk management that are also pro-growth; addressing civil conflict; tackling the HIV/AIDS epidemic).

These three elements are complementary and remain valid today – they highlight how the many forms of poverty require a complex but co-ordinated policy response.

Building on the above understanding of the progress made and of the challenges which remain, discussions on the following themes should be part of any post-2015 framework aiming to end poverty for good.

- Link poverty, inequalities and social cohesion
- Strengthen multidimensional measures of poverty
- Integrate poverty and environment objectives
- Set global goals, but recognise national realities
- Strengthen statistical capacities
- Improve co-operation and finance for poverty reduction

**Link poverty, inequalities and social cohesion**

Concerns are mounting about the impact of greater inequalities (income inequality, gender inequality, and within-country regional inequalities, to name but a few) on social cohesion and political stability (OECD, 2011a; OECD, 2012a). Future goals should promote inclusive economies that improve well-being and
**The focus of development has been on quantity, not quality; this needs to change**

(Abdalla Hamdok, Deputy Executive Secretary, UNECA)

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**Strengthen multidimensional measures of poverty**

Broader measures and statistics are needed to assess disparities among all people. These measures need to capture the social and economic inequalities underpinning uneven progress and their implications for both current and future generations. A range of poverty measures can help build truer profiles of those in poverty and allow for better-targeted policies.

While the MDG’s absolute USD 1.25 per day measure of income poverty should continue to be measured for continuity and credibility, this should be complemented by other measures that consider relative income poverty (Garroway and de Laiglesia, 2012) and/or country-specific thresholds that go beyond household income and consumption to consider other dimensions as well. In the run-up to 2015 a range of potential measures and their inter-relationships are being discussed. These include:

- **The Multidimensional Poverty Index** – The MPI measures a range of deprivation factors, such as poor health, lack of education, inadequate living standards, lack of income, disempowerment, poor quality of work and threat of violence (Figure 1, Alkire and Santos, 2010). It is currently used in more than 100 countries.

- **Well-being measures** calculate well-being across or within countries based on topics identified as essential for material living conditions and quality of life. Such measures not only encompass a country’s entire population and multiple dimensions, they also aim to accommodate changes throughout a person’s life. A well-being approach helps us understand the implications of excessive inequality, and can encourage policies for more inclusive and sustainable economic growth in

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**Figure 1: Components of the Multidimensional Poverty Index**

both developed and developing countries. Clarifying the connection between poverty and well-being has the potential to move from too narrow, income-focused, top-down and technocratic to broader, multi-dimensional, bottom-up and qualitative policy approaches. Future policies might be better served by considering how to support the efforts of poor people to achieve well-being and by removing the obstacles that undermine their efforts. This will require closer examination of current concepts and constraints, such as data availability and reliability. It also calls for examining the impact of continued or worsening income and other inequalities on the prospects of future generations. A variety of similar indices on well-being have emerged worldwide, including the OECD’s Better Life Index, which prioritises 11 specific dimensions of well-being (Figure 2; and see OECD, 2011b).

“Poverty reduction is still a major challenge, but we need to look at poverty through a new lens beyond income”

(Angel Gurria Secretary General, OECD)

• Social cohesion – A range of measures have been proposed by various actors to focus on the political and sociocultural domains of life (OECD, 2012a; Figure 3).
• Social Institutions and Gender Index (SIGI) – The SIGI focuses on factors underlying discrimination against women, including a wide range of social institutions and practices (Figure 4; OECD, 2012b).

**Figure 4: The Social Institutions and Gender Index**

![Social Institutions and Gender Index](Source: OECD (2012b), Social Institutions and Gender Index (SIGI) - Understanding the drivers of gender inequality, OECD, Paris.)

**Integrate poverty and environment objectives**

Beyond focusing on the social and economic dimensions of poverty, the discussions at the Global Forum on Development 2013 highlighted how climate change and unsustainable consumption and production patterns stress the natural resource base on which all people depend for survival. Increases in economic and environmental pressures will make the poorest – who are already the most vulnerable to food, fuel and financial shocks – even more vulnerable to growing competition for natural resources and the associated risk of political turmoil.

Any future agreement needs to recognise that poverty and human well-being are inherently linked to sustainable environmental systems and natural resources (UNSDSN, 2013). Sustainability needs to become a core priority of all development endeavours. It should encompass both global public goods and country-specific assets.

**Set global goals, but recognise national realities**

The MDGs were useful drivers of global and national initiatives to reduce poverty, but were not always adapted to countries’ particular circumstances and did not take account of the fact that different countries were engaging in the MDG process from different starting points. In order to address this and to respond to the demand for more national policy space expressed at the MDG High-Level Meeting in 2010, a two-level approach is recommended. This would involve global goals alongside national level goals supplemented by

“MDGs are useful but national targets must be set by countries according to their own development priorities”

(Otaviano Canuto, former Vice President and Head of the Poverty Reduction Network, World Bank)
country-specific targets and indicators. As all countries will have a role to play in a post-2015 framework, it will be important that countries define how to incorporate global goals into national level goals and targets.

**Strengthen statistical capacities**

Limited capacity to generate and manage data is a major challenge in many developing countries as poor quality or absent data undermine the effectiveness of any development framework. Generating global and national momentum for change becomes harder when there is a weak empirical basis for saying who is poor and which pro-poor policies work. These gaps need to be addressed. The lessons learned from the MDG experience should now be given adequate attention. The statistical capacity challenges are more acute as new measures (e.g., well-being) and levels of disaggregation (e.g., gender and ethnicity) are now called for. The post-2015 framework should confront the challenge of how to generate more and better data on the multiple dimensions of poverty. Actions suggested include the following:

- **Adopt specific goals, targets and indicators on data quality, availability and usability:** These should be linked to strengthened investments in national statistical institutes as outlined in the Busan Action Plan for Statistics (endorsed by over 130 countries and organisations) and the multi-member Partnership in Statistics for Development in the 21st Century (PARIS21).

- **Engage developing country statisticians and other stakeholders up-front in the definition of targets and indicators to provide a “reality check” on their feasibility and relevance.**

- **Make use of new technologies and new sources supporting data collection:** Involve new actors including civil society and the private sector in data collection, monitoring and accountability to make best use of the data revolution that is taking place.

**Improve co-operation and finance for poverty reduction**

The MDGs have brought the world closer together, yet there is room for improvement. Agreement and achievement of global goals in a post-2015 world needs to take place in a climate of increasing co-operation between stakeholders. More inclusive platforms are needed, including governments, parliamentarians, multilateral and regional institutions civil society, NGOs, foundations, and private sectors working as equals. For example, stakeholders “partnering by theme” could emerge, as suggested in the UN Post 2015 HLP report (HLP, 2013). They could commit themselves to address and resolve complex issues in the areas of poverty reduction, trade, migration, and the environment. The OECD already hosts inclusive partnerships such as the Development Centre, PARIS21, the Multilateral Organisation Performance Assessment Network (MOPAN), where developing and emerging economies as well as international organisations work together and share their experiences to design better policies. The recently established Global Partnership for Effective Development Co-operation is another such inclusive platform. This broad political coalition of stakeholders aims to advocate for effective development partnerships and to drive progress in developing countries.7

By the same token, any post-2015 framework must address how to finance the achievement of new goals. The importance of putting in place supportive domestic policies and programmes, including those related to domestic resource mobilisation and the multiple roles of non-government actors, needs to be addressed. Likewise, ways to improve international development co-operation and finance will need to be found. A robust post-2015 agreement will depend on all actors building on their capabilities and fulfilling their commitments at the global, regional and national levels. Better ways of tracking the wide range of possible types of finance and resources are needed.
What can the OECD offer?

The OECD 2013 Global Forum on Development highlighted areas of agreement and areas where the world can do better. One of the greatest challenges in defining a post-2015 development framework will be developing clear messages and measures that build on a better understanding of poverty and that will sustain the global momentum to end poverty in all its forms. The challenge is even greater as the complex nature of poverty, and its links with factors such as inequalities and the environment, become increasingly clear. The OECD’s work on developing a range of sophisticated indices of the many facets of poverty described here can make a valuable contribution to this challenge.

Ending poverty and reducing inequality, within and among countries, will also require sustained and coherent support to fragile states; targeting of pockets of extreme poverty in middle-income countries; developing states’ own capacity for delivering public goods; and recognising that peace and stability are the foundations of poverty eradication. These are all key areas of work for the OECD, and especially its Development Center and its Development Co-operation Directorate, which for many years have been contributing to developing better policies for better lives through ensuring transparent data on development finance, undertaking analytical work on poverty, well-being, inequality and social cohesion, and supporting improved development policies and development co-operation practices as well as global networking.

As highlighted by the recently approved Strategy on Development (2012), the unique value-added of the OECD is its ability to support decision makers in policy design, implementation and evaluation through rigorous analysis and structured policy dialogue. The OECD will continue to serve the international community’s efforts towards a post-2015 framework for all. It will focus on those areas where it has the greatest expertise and adds the most value.

END NOTES

1. The forum was highly interactive. The quotes highlighted here in boxes are points made by speakers that participants then shared more widely.

2. This brochure is part of a series that covers 10 other areas. These 11 areas are all listed in the OECD brochure Beyond the Millennium Development Goals: Towards an OECD contribution to the post-2015 agenda (OECD, 2013).

3. A fragile region or state has weak capacity to carry out basic governance functions, and lacks the ability to develop mutually constructive relations with society. Fragile states are also more vulnerable to internal or external shocks such as economic crises or natural disasters.

4. Although today we would call it resilience rather than security.

5. This is the subject of another brochure in this OECD Post-2105 Reflections Series: “Integrating Sustainability into Development”, Element 4.

6. This is also the subject of another brochure in this OECD Post-2105 Reflections Series: “Strengthening National Statistical Systems to Monitor Global Goals”, Element 5.

7. This is also the subject of another brochure in this OECD Post-2105 Reflections Series: “Effective development and partnerships that work for the post-2015 agenda: an OECD perspective”, Element 10 (working title, brochure forthcoming 2013).
REFERENCES


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The United Nations (UN) Millennium Development Goals (MDGs) were established in 2000/1 and consist of eight development objectives to be achieved by 2015. It is widely agreed that the MDGs have been effective in mobilising worldwide awareness, leveraging resources, guiding global development efforts and increasing accountability. It is also impressive how close the world will get to most of the MDGs by 2015. There is need, however, for a successor framework once the MDGs expire in 2015 to keep the momentum built to date. The OECD played a pivotal role in defining the MDGs. With two years to go, the OECD is increasing its efforts to support the achievement of the MDGs, and at the same time thinking about how it can help the UN in developing a new agenda and framework post-2015. The OECD has a number of areas of expertise which could play an important role in shaping this post-2015 agenda and framework. In the overview brochure for this series, the OECD proposes eleven areas which would be of particular relevance (Beyond the MDGs: Towards an OECD contribution to the post-2015 agenda). This brochure focuses on keeping the multiple dimensions of poverty at the heart of development.

### Element 1: Measuring what you treasure and keeping poverty at the heart of development
- Element 2: Developing a universal measure of educational success
- Element 3: Achieving gender equality and women’s rights
- Element 4: Integrating sustainability into development
- Element 5: Strengthening national statistical systems
- Element 6: Building effective institutions and accountability mechanisms
- Element 7: Developing and promoting peacebuilding and statebuilding goals
- Element 8: Policy coherence for inclusive and sustainable development
- Element 9: Sharing knowledge and engaging in policy dialogue and mutual learning
- Element 10: Promoting the Global Partnership for Effective Development Co-operation
- Element 11: Measuring and monitoring development finance

For more information contact Hildegard Lingnau (hildegard.lingnau@oecd.org).