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POLICIES FOR POVERTY ALLEVIATION
Statistical Demands

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I. INTRODUCTION

The political status of poverty alleviation, at present one of the main objectives of governments, has increased permanently during the eighties and the nineties. Depending on the regions analyzed, the moment when the objective acquired great importance was normally associated to economic crisis. In the case of Latin America, the crisis that started in 1981 and lasted in most countries for the complete decade was crucial. Probably, the Asian crisis of the nineties played a similar role at least in South East Asia. One extraordinary feature is that the topic has also gained momentum in developed countries. The fact that the European Union is giving at the end of the nineties such growing importance to poverty and social exclusion, demonstrates its rather universal importance. Poverty alleviation is at the same time a central objective of the United Nations Millenium Declaration, a confirmation of its universal scope.

For analytical purposes, it is possible to distinguish two stages in this evolution. In the first stage, the political system needs to arrive to a conclusion about the magnitude of the problem. Starting from indirect indicators such as unemployment, low incomes and shortages in basic needs, and social unrest, there is a conscious that important strata of the population are under conditions of poverty, defined as an aggregated concept. Furthermore, after economic crisis, there are normally signs that the problem has increased. Therefore, the demand for an indicator that helps to establish characteristics of poverty and the magnitude of the problem. Normally, the indicator used is of the count ration type able to give a percentage of households and population under poverty.

In the second stage, the political system establishes compromises to alleviate poverty. It is necessary to identify policies that are going to be used. This stage is conceptually and operatively much more complex than the first one. There is a need to prepare an interpretation of the origin of poverty. Normally, it is difficult to arrive to consensus on those origins. Not less difficult is to agree on which are the best policies to alleviate poverty.

The statistical system has therefore been under an increasing demand to produce information able to estimate indicators about the magnitude of poverty and to help designing, implementing and monitoring policies to alleviate poverty. In many occasions, the statistical offices have themselves worked in the analytical field and played a role in the definition of indicators useful for both purposes.

The Rio Group since its first meeting in 1997 has prepared operative classifications of synthetic indicators to measure global poverty to put together best practices in the definition and estimation of them. There is broad agreement in using classifications such as absolute and relative poverty, objective and subjective poverty, and approaching absolute poverty through poverty lines or basic needs.

In this document, an effort will be made to classify the policies or political instruments being proposed to alleviate poverty. Due to the growing political status of the topic, there is a profuse production of papers making proposals of policies to alleviate poverty. Many of them are originated in the academy, but increasingly the institutes associated to political parties and the national regional and international official institutions are participating actively in this field.

Two typologies will be used to classify the policies. The first one, a macro approach, covers very broad instruments such as growth, income distribution and public expenditures. The second one, a micro approach, covers more specific instruments associated to more concrete measures that governmental institutions can adopt. They can be grouped in areas of policies such as economic transformation, human capital, social capital, short-term transfers and specific sectors social policies. The aim is not to arrive to any rigid classification, but to order in a practical way policy proposals in this area available at present.

The second aim of the document is to derive from those policy proposals statistical demands and to evaluate the degree in which the statistical systems of different types of countries are able to cope with it. The international statistical community, in the framework of the Statistical Commission of the United Nations, has been working in social statistics areas such as income distribution (through the Canberra Group) to help coping with demands originated in public policies. The Rio Group also pursues coping with demands originated in poverty alleviation policies.

II. THE NATURE OF POVERTY AND INDICATORS CHARACTERISTICS

Poverty is a human and social phenomenon of a multi-dimensional and inter-temporal nature. It is broadly accepted that any synthetic indicator used by the political system to measure the magnitude of the problem necessarily has an operative nature and it would be senseless to pretend that it captures alone the broad nature of the phenomenon. When the studies and measurements of poverty move ahead from a synthetic indicator, it is possible to establish groups of indicators that help to illustrate better the nature of the problem. In practical terms, when in many countries the synthetic indicator gives a figure that covers an important percentage of the population, it becomes obvious that with great probability the poor constitute a heterogeneous group. The nature of poverty for different groups of poor will probably differ from one to another. In order to describe and differentiate their condition, a set of indicators is needed. Even more important, what this situation makes clear is that countries need different combination of policies for different groups of poor. It is not, therefore surprising, that in many countries, from an operative perspective, the work started with a synthetic indicator and moved towards a system of statistics for poverty alleviation.

One practical application of this working system is that in many countries it is today possible to calculate two or three global indicators of poverty, such as one on absolute level of poverty, another on relative poverty and a third one on subjective poverty. Normally, the three figures are different and the populations under poverty with these three criteria have partial and different coincidences. This makes the analysis richer and should help the political system to fight against different characteristics of the poverty phenomenon. Under these circumstances, the different indicators become complementary and not necessarily competitive. Therefore, it is practical not to work towards the selection of a preferred indicator, but to accept different indicators describing the available practices for their definition and calculation.¹

Last but not least, when moving to the field of policies it becomes evident that when alleviating poverty a close correlation appears with other social policies that have formally different objectives, such as reducing social exclusion or improving education, dwellings and health. Operatively, this is also normally associated to the institutional structure of the public sector. In fact, in occasions, more than measuring globally poverty, other characteristics closely related to poverty are measured, such as access to water, food, education, employment or health. For this purpose, when describing policies, we will include some of these indirect policies as important proposals for poverty alleviation. One of the roles of synthetic measurement of poverty may be to give a result of many social policies.

¹ See D. Verger, *Three forms of approach: monetary, living conditions and subjective*, Seminar on international comparison of poverty. Slovakia, Bratislava, June. 2001

III. PROTOTYPES OF POLICIES FOR POVERTY ALLEVIATION

As mentioned in the introduction, an effort has been made to classify the profuse quantity of policy proposals oriented towards poverty alleviation. Especially in the nineties and at the beginning of the first decade of the XXI century, proposals to alleviate poverty are central in the political agenda at the national, regional and international level.

At the international level, for example, the objective of poverty alleviation is today a central objective for the World Bank, which constitutes a signal of change of perspective in relation to the eighties and beginning of the nineties. In those periods there was a great confidence that economic and institutional reforms would derive in an improvement of social conditions. The evaluation of the nineties demonstrated that, in global terms, the social situation and poverty in particular had not improved significantly and that in many countries, on the contrary, it has deteriorated. It is highly significant that in the Millenium Declaration of the United Nations the goal to halve poverty towards 2015 is one fundamental objective.

A review of objectives at the regional and national levels shows that poverty is also central in programs of regional institutions such as development banks, regional commissions and governmental programs.

In close relation to this change in priorities the topic of policies needed to alleviate poverty has become extremely popular in the academic field, in public and private institutions and in regional and international organizations. It is perhaps early to introduce any solid classification of these policies. Nonetheless, it seems operative to introduce some classifications both in the substantive and in the poverty statistics fields.

Here two policy typologies will be introduced. The first corresponds to a macro approach and the second to a micro approach.

A. The Macro Approach

This first approach is based on global and very broad "strategies" or "instruments" offered as a solution to poverty. It includes four items: economic growth, income distribution, public expenditure, and the introduction of new "development modalities". In fact, these strategies or instruments do not constitute per se specific policies. They depend on an extensive quantity of specific policies. They constitute general orientations for policy design.

For statisticians, one important feature of this broad approach is that the analysis normally uses aggregated indicators such as the rate of growth, of GDP, the Gini coefficient, the rate of public expenditure in GDP, or limited desaggregations of them.

A general feature of this type of studies is that when a combination of policies as the ones enumerated is proposed for poverty alleviation, they encountered the difficulty of their lack of independence. Economic growth and income distribution are in many theoretical approaches interdependent variables. The Kuznets curve, for example, is an attempt to explain the evolution of income distribution with per capita income levels. Similarly, in many occasions the expansion of public expenditures is believed to be competitive or contrary to the rate of economic growth.

Having in mind these difficulties, it is possible to identify proposals that use one instrument at the time or combinations of them.

1. Economic Growth

Economic growth has been traditionally presented as one of the most important requirements for development. It has also been traditional, especially for economists to try to establish econometric relations between the level of income or its rate of growth with many disaggregated indicators that represent secondary objectives or characteristics of the economy or the society.

In the eighties and the nineties, it is well known that macroeconomic equilibrium became a central target of economic policy. Therefore, it is not surprising that many of those defending the central role of these equilibriums tried to demonstrate that they helped sustainable economic growth and that these conditions were the most important tools to reduce poverty. Just to exemplify, in the year 2000, an article by Dollar and Kraay called "Growth is good for the poor" became very popular in some political and academic circles because it claimed having demonstrated that economic growth was a or the central instrument to reduce poverty. It has become also a very disseminated technique to try to establish relations between the rate of reduction of poverty (using a synthetic indicator) and the rate of growth of per capita income. This last relation is normally used to estimate the necessary rate of growth to reduce poverty according to a given objective. In occasions, arguments for growth as fundamental for poverty alleviation are followed by proposals of reforms that would accelerate the rate of growth and benefit specially the income of the poor.

Closely related to the effect of economic growth on the poor is the topic of how crisis, so typical of developing countries, affect them. Economic cycles highly influenced by the external sector, that in the eighties and nineties are related not only to trade but to finance, have alternate expansion and recessions. The characteristics of vulnerability and lack of security that are proper of poor groups raise the question of how policies could avoid at least partially the negative effects for poor.

During recent years, many objections have been raised to the hypothesis that growth is a central instrument for the reduction of poverty. One important argument has been that the new type of growth derived from economic reforms does not distribute the benefits of growth in terms functional for equity. This critic has been formalized in different analytical frameworks. A popular analysis covering different groups of countries

has shown that there is no clear relation between growth and income distribution (contrary to content of the Kuznets curve). Many critics of the process of reforms have stated that, in the eighties and nineties, income distribution deteriorated with economic growth. As a consequence, the effect of growth on poverty alleviation has diminished. To illustrate the effect some have prepared simulations of what would have been the effect on poverty of a different income distribution with the same rate of growth.

In a recent document the Asian Development Bank "Fighting Poverty in Asia and the Pacific: the Poverty Reduction Strategy (1999)", uses the concept of pro-poor growth. Qualitatively, it meant growth that is labor absorbing and accompanied by policies and programs that mitigate inequalities and facilitate income and employment generation for the poor, particularly women and other traditionally excluded groups. An econometric approach of this concept for Lao People's Democratic Republic, Thailand and Korea has judged the growth in the nineties to determine if growth was or not pro-poor². It is based on a calculation of what would have been the effect of growth on poverty if income distribution had not changed.

2. Income distribution

There is also an old debate related to the possible competitiveness between growth and income distribution. The most popular arguments towards optimums or second bests are that growth should, at the end, benefit everybody in similar terms and not especially the rich, or that redistribution used effectively should not slow down growth at the same time³.

When independence between growth and income distribution is implicitly or explicitly accepted, econometric relations between poverty alleviation and these two variables have been estimated, sharing the origin of the descent of poverty between the two variables. In the formal aspects, it is rather obvious that if the same rate of growth could be obtained with a better income distribution, the results on poverty alleviation will be better.

At an aggregated level, some analysts have tried to identify factors that could have simultaneously positive effects on growth and income distribution. For example, an important effort in the educational field could have positive effects on both variables. Therefore, indirectly education could be seen as a very efficient instrument for poverty alleviation in the long term.

Some proposals are based on studies that try to explain the origin of income distribution in a more classical feature. The distribution of physical and human capital plays an important role in the distribution of primary income. Therefore, policies

² *What is pro-poor growth?*. Nanak Kakwani and Ernesto M. Pernia. Asian Development Review, Volume 18, Number 1, 2000.

³ See Albert Berry, *Policy Response to Poverty and Inequalities in the Developing World.: Where Should the Priorities Lie?* ECLAC, Santiago, Chile, August 2001.

associated to a better distribution within households of both types of capital could help the poor. Special mention should be given to the distribution of land in the rural sector. There is an old debate on the effect that more equality in this sense could have on growth. Some believe it could reduce rates of growth, while others believe that reducing poverty is good for growth.

An important approach presented at the eighties by Sen⁴ articulated the concept of well being in terms of functioning and capabilities. Capability is the ability to achieve and therefore, connected with the freedom people has in their choice of life or functionings. Naturally, the access to physical, human and social capital will favor capability.

If under the chapeau of income distribution we include the broader category of equality of opportunities, there are today studies that try to relate to public expenditure the achievement of objectives related to basic needs or to access to goods and services. If the indicator of income includes the value of free governmental services, these types of policies derive in an improvement of income distribution. It could also be analyzed as an improvement in expenditure distribution. It is not easy to maintain this type of analysis in the field of aggregated indicators, unless we use first desaggregations of public expenditures and relate them to poverty indicators.

3. Public expenditure

The fourth and last approach is also related to a third instrument utilized in papers to alleviate poverty: public expenditure. The level of public expenditure has also been contested in its independence from economic growth, in similar grounds of that of income distribution. It is also obvious that fast economic growth allows increasing public expenditures without changing its percentage of gross national product.

The level and distribution of public expenditure has always been considered as one important instrument of income distribution. In the eighties and the nineties, a variation to this type of analysis was introduced. It consisted in a proposal to concentrate public economic action in social policy leaving aside productive activities in other fields. Additionally, focalization should permit to concentrate social policies in the poor. Therefore, without changing significantly public income and expenditure, it was possible to have a more important effect on poverty alleviation.

This approach gave rise to many documents that explore which public expenditures were more efficient to reduce poverty. For example, education of woman was considered extremely important and productive in terms of poverty reduction because of its many indirect positive effects. Expenditure on education has also occupied the attention of an important percentage of papers that study its relation with income distribution and poverty.

⁴ Sen, A., 1987. *The Standard of Living*. Cambridge: Cambridge University Press.

Public expenditure on small and micro enterprises has also been proposed as an extremely efficient policy towards poverty alleviation. The lack of data in this area makes it more difficult to find quantitative relations that support the qualitative analysis.

Those that contest the independence of public expenditure and economic growth have tried to establish econometric relationships between them. In most occasions, they have tried to prove that increases in the percentage of public expenditure do not favor economic growth nor poverty alleviation. Nonetheless, the quantitative support is normally quite weak. Others have tried to prove that well focalized public expenditures is significantly re-distributive and therefore, even if it slows growth will have a positive effect on poverty alleviation.

4. New development challenges

The last approach we will mention in this first typology is related to the introduction of new development modalities. The papers associated to this approach are related in most cases to the introduction of macroeconomic and institutional reforms during the eighties and the nineties. The general argument was that the reforms would introduce a type of economic growth that would be more beneficial for the poor than the previous. A popular argument was that economic openness would favor the production of agricultural goods vis-à-vis industrial goods, and that this would favor the agricultural and rural sector where important percentages of the poor lived.

The reforms covered most areas of economic activities and, therefore, this approach includes studies of the effect of new trade, fiscal, labor market, financial, policies on growth and poverty. In aggregate terms, the global instrument is the introduction of the new development modality but in operative terms that modality must be represented by its aggregated components in different areas of the economy. As an example, there are papers on the effect of trade reform on household welfare.⁵

Within the proposals for reforms, in the nineties the need for institutional organization that include the participation of poor have gained momentum. Some are related to the most classical political representation, while others are more operative in terms of participation in policies associated to public expenditure. Decentralization of decisions and of the implementation of policies could favor the participation of the poor. World Bank has used the term empowerment meaning making institutions work better for poor people⁶.

These four macro approaches to poverty admit certain desaggregations of the variables being used. For example the analysis can be made for different regions of a country or at least divided for the urban and the rural. On occasions instead of using the rate of growth as the instrument, the components of different production functions that

⁵ See, for example, *Trade Reform and Household Welfare: The Case of Mexico* by Elena Ianchovichina, Alessandro Nicita, and Isidro Soloaga. Working paper 2667, World Bank, August 30, 2001. The paper states that "data suggest that trade liberalization benefits people in the poorest design more than those in the richer ones".

⁶ See *World Bank World Development Report 2000/2001 Attacking Poverty*, September, 2000, Washington D.C.

give origin to growth are used; for example physical capital, labor input and technology could try to explain the evolution of poverty or income distribution.

Due to the aggregate characteristic of the analysis, normally, a synthetic indicator represents poverty evolution, on occasions disaggregated by geography or political divisions. Until recently it was difficult to obtain time series of this type of indicators and up to now they continue being limited. Nonetheless at least they make it possible to discover if poverty, so measured, increased, decreased or was unchanged.

In studies or proposals where poverty is associated to basic needs, indicators of variables that are related to poverty are used as proxies. For instance, in the UN Millenium Declaration after the goal to halve the indicator of poverty associated to income, other goals such as reducing people that suffer hunger, and ensuring children to complete primary school are included. Therefore, policies oriented to these last goals can be related to the four mentioned macro approaches.

On the side of the global instruments most of the statistical demand derived from these studies concentrates on synthetic indicators of income distribution, economic growth, public expenditure and its principal components, or macroeconomic variables that represent the effect of reforms. For example the evolution of exports and imports represent the effect of external trade openness.

The important difficulties associated to these demands are the difficulties to find time series of some of these variables, especially those that measure poverty and income distribution. There are also well known difficulties to construct series of public expenditure and its components that are comparable within countries. In this context, it is common to find cross-countries studies with the well-known analytical and operative difficulties.

Nonetheless the situation has improved significantly during the nineties. National, regional and international organizations are now publishing on permanent basis estimates of poverty, income distribution, and aggregated components of public expenditure. There is also an increasing effort to make figures within countries and in time more comparable.

B. The Micro Approach

The second typology of policies that we will introduce in this document is based on a microanalysis. The units of analysis are households or individuals under poverty. The consequence is a more detailed analysis, at that level, of the origin of their access to goods and services. It is related to their possibilities of obtaining income, or free or not market related goods and services.

Each household has as a starting point assets of different types, such as physical and financial capital, persons in working age, levels of education, dwellings, access to free public goods, social relations, and infrastructure of the place were they live.

As mentioned before, any synthetic indicator of poverty implies putting together heterogeneous households that share a common characteristic, such as a low income. But policies to improve income, for example, can be as multiple as are the origins of such low income. Therefore at this level of analysis, the classification of policies for operative aims, should follow great fields of action of the countries institutional structures.

Here we will use as criteria those that pursue increasing the access to goods and services of the poor through four improvements: in the economic and institutional structures, the human capital, the social capital, and in other public policies.

1. Economic and Institutional Structures.

Economic growth is normally simultaneous to certain degree of economic transformation. The effects of growth on the poor depend on the characteristics of that economic transformation and on its intensity. Therefore a certain rate of growth may have different effects on poverty alleviation depending on the type of economic transformation. Part of the debate at present is related to the effects that the growth derived from the reforms of the eighties and nineties had on the poor, compared to expectations or previous growth in the framework of other economic structures.

The economic transformation has important effects on the labor market. It is in the labor market where private employment and primary incomes are determined. Therefore the policies associated to economic transformation play an important role on the evolution of poverty, both in nature and magnitude. On an extreme a political strategy could be to leave the market forces operate freely under the belief they will generate a strong economic growth that will spontaneously create jobs and income that will significantly alleviate poverty. In practice governments are constantly influencing economic transformation under social and political considerations. Agricultural policies are an old example of intervention against market spontaneous forces. Today all around the world governments realize that a high percentage of employment is generated in small and micro enterprises and there is a multitude of policies oriented towards their defense⁷.

Therefore, it is necessary to include within the policies to alleviate poverty those associated, in general terms, to economic transformation and, in particular, to the labor market. Macro level labor legislation can be considered through the establishment of aggregated relations to global employment or poverty. Nonetheless, global effects could hide quite contradictory effects on different social groups, that could be captured if geography, size of enterprises, and gender are examined. It can be argued, on the negative side that it would be a mistake to implement policies of economic transformation believing they are neutral or little influential to poverty.

⁷ Michel Glaude. Conclusions in the *Report of the Seminar on International Comparisons of Poverty*, Slovaquie, Bratislava, June 2000

The institutional transformations may also play a role on poverty. Political reforms could increase or limit the bargaining power of the poor. They can influence their participation on decisions. Legal reforms of the labor market influence employment and income; and therefore affect poverty. Decentralization of public income and expenditure is frequently mentioned as a tool for reinforcing the participation of the poor in the solution of their problems. Reforms of tariffs and the financial system are also of great significance not only for the economic transformation but also for the poor by multiple mechanisms. The importance of reforms had been mentioned in the macro approach. The difference is that the effect can be quite different for different social groups and the micro approach should help to handle the differences. Openness to trade could benefit a region and create problems in another, and therefore in occasions demand public intervention.

The magnitude and distribution of assets within a society influence greatly poverty and income distribution. Public policy for poverty alleviation is normally oriented towards increasing those assets. Although physical and financial capital are extremely important for income, the developments of the eighties and nineties have shown little engagement of governments on the distribution of that type of assets. They have been situated under the rules of market operation. Furthermore, the concentration of capital of these types in huge enterprises is one of the characteristics of the development of capitalism at the end of the twentieth century. Nonetheless, there are still areas where public policy plays a role. Probably the two most important are dwellings and access to land.

Dwellings and its characteristics play a very important role in the satisfaction of basic needs. Households that own the dwellings where they live receive the corresponding service that is estimated in the imputed income. When those dwellings have access to clean water, electricity, sewage, and of quality and size sufficient to avoid crowding and inadequate shelter are a great tool for poverty alleviation. Many public policies are oriented towards part or the total of these characteristics of the dwellings and are a fundamental component of its strategies to reduce poverty. The effect of policies related to dwellings on the efficiency of educational policies has been also analyzed. Again, the micro approach is fundamental to distinguish between needs of regions or sectors of cities⁸.

Access to land has always been considered as the fundamental tool for the reduction of poverty in the rural sector. Nonetheless, agrarian reforms and other type of similar policies have lost momentum in the eighties and the nineties. Access to water continues being a great tool for poverty alleviation in places where small owners of land do not have access to this production factor.

Another type of physical capital that plays an important role in welfare is the infrastructure of the neighborhoods where people live. It is typical of poor households to be situated in neighborhoods with very poor infrastructure. The dimensions of the problem are multiple and cover physical aspects as waste collection and drainage

⁸ See *Measuring Poverty in South Africa*, Statistics South Africa, 2000

system, other services as transport, health and education centers, and general conditions such as security. It is well known that the poor give great value to policies in this area while at the same time they are normally very expensive. These conditions are in many cities closely associated to migrations from the rural to urban areas and therefore, in a very broad sense, policies able to create productive jobs or not to destroy jobs in the rural area can indirectly play a role in poverty alleviation.

2. Human capital

On the contrary of what happens with physical and financial capital, the need to improve human capital has gained great technical and political recognition in the eighties and the nineties. Fundamental elements of human capital are education, health and in particular nutrition. Policies in this area produce results in the long term. Both the diagnosis and the monitoring of results are extremely demanding in terms of statistics. Nonetheless, discovering the groups that will be the object of policies is an easier task.

The value of education for the effective exercise of citizenship is universally accepted and constitutes a value that goes beyond poverty alleviation. The influence of education on the labor market has always been in the center of analysis of primary income distribution. In the analysis of household income, the type of occupation and its income has been extensively and intensively studied in relation to education. Education is normally accepted as a fundamental tool to improve income distribution. Therefore, public policies give great importance to the expansion and better distribution of education. Access of every person to a similar education is considered fundamental for equal opportunities.

The micro approach plays an important role in education policies. There is an accepted objective to focalize these policies in places where poverty is high. This means that it is necessary to have information that allows a distribution of resources that is directly related at least to geographical distribution of poverty.

Health and nutrition insufficiencies constitute a fundamental component of poverty in the countries of low income and in many disadvantaged regions of countries with a medium income. It is not surprising that in the UN Millenium Declaration most of the specific quantitative goals of welfare refer to these topics. The fact that information in this area is not inexpensive and that it is as mentioned a long term process makes that proposals in this field do not have many quantitative relations with poverty indicators as in the case of education.

In the case of human capital there is a clear conscious that poverty and lack of human capital normally are closely related, especially when it is the case of extreme poverty. For this reason it is generally accepted that policies that improve this capital for the deprived are efficient to alleviate poverty. Due to fiscal restrictions the debate is normally organized around what components of investment in human capital are more efficient.

3. Social capital

More recently the concept of social capital has been introduced on poverty policies debate. Although papers relating to poverty that use the concept do not always put enough attention in its definition there is a general agreement that poor groups, as many others in the society, maintain certain relations that promote confidence, reciprocity, and cooperation. These relations could contribute to three types of benefits: reduce the costs of transactions, production of public goods, and facilitate building healthy social actors, civil associations, and base groups for the execution of policies⁹.

During periods of crisis, so usual in developing countries, vulnerable groups associate in different solidarity actions to defend themselves from adverse conditions. The role of public policy in this area is being discussed more systematically at present but specific policy proposals are scarce.

4. Short Term Social Expenditure

The fourth group of policies covers the rest of social expenditure. Most of it is related to transfers that alleviate poverty in the short term. Pensions and related benefits constitute a high percentage of income for many households. During crisis and when inflation is significant, pensions loose purchasing power and origin poor households. In many countries many elder have no pension, especially in the rural area. Some countries have been extremely successful in reducing income poverty increasing and establishing pensions for these groups. Access of poor elder to health services may significantly increase welfare of many households.

In many countries special funds or programs specifically created to fight poverty are today in operation. The effect of these policies at least in the short-term should be increasing income or access to public goods and services. Normally, their insertion in the public administration is difficult and therefore the execution of programs may be complicated. Some of them have created special operative systems that have proved successful. The fact that normally they transfer money to poor families can be more effective if it establishes as a condition other actions that are beneficial for the households, such as the attendance of children to school. Therefore, at least some of its effects will mature in the long-term.

In some countries public policy has created programs to facilitate the access to employment of groups that encounter difficulties due to lack of education or skills. Special attention has been given to young people and to workers that lost their jobs in the reform processes. In fact, these are policies that try to re-establish equal opportunities in socioeconomic context where the human capital acquired is not adequate or loses value. As well known, access to employment can be decisive in taking out of poverty a household.

⁹ John Durston. *Qué es el Capital Social Comunitario*, Serie Políticas Sociales, Cepal, Julio, 2000

There is a broad spectrum of other monetary transfers directed to households that face special conditions. For example, those with many children or where nobody is employed. Although, normally these transfers represent very low percentages of household incomes, they can play a role for particular cases.

IV. STATISTICAL DEMANDS DERIVED FROM POLICY PROPOSALS

Policies associated to poverty alleviation constitute a broad spectrum. Macro and micro approaches play different roles. While the first are strategic and aggregated, the second are more specific and are oriented towards groups of householders or individuals. The proposals associated to the first are more related to macro economists or sociologists. While the second are proper of economists, sociologists, statisticians related or working on policies of the public sector with well defined target groups.

One important substantive feature that relate micro and macro efforts for poverty alleviation is that policy challenges originate in inherited long-term problems plus the effect of important demographic, social and economic transformations. Within them global economic policies and the reforms oriented towards new development modalities have played an important role in the eighties and nineties. The economic transformation and especially that of the labor market, together with the rate of growth, have generated great influence in the magnitude and nature of the challenges of social policy. Although difficult, paying ex-ante attention to social consequences of this type of policies would add to the efficiency of governmental policy to alleviate poverty. The challenges of the social policy are therefore not independent of the effects of the macro orientation of policies, and it is difficult to judge and monitor the effects of micro oriented policies in the absence of an analysis of those effects.

1. Demands of the macro approach

The statistical demands of the macro approach policy proposals generally combine some synthetic type indicator of poverty with macro economic or social indicators. As mentioned, the macro policies refer to economic growth, income distribution, public expenditure, and reforms or broad long-term economic policies. Indicators of these policies, with the partial exception of income distribution, have their origin in economic statistics.

Their most important sources are National Accounts, Public Sector, and Balance of Payments Statistics. Up to now, these types of statistics in their operative development has concentrated on serving economic policies. In many applications they are not able to satisfy adequately demands derived from policies oriented towards poverty alleviation.

In the area of national accounts one first and important demand is economic growth. Relations between the evolution of poverty and economic growth are generally established at the country level. This is done, in circumstances that in many countries poverty estimates can be disaggregated at the regional and at the urban-rural level. For most countries, this disaggregation is not available for the GDP. Another shortcoming of national accounts occurs when poverty estimates are originated in income. They normally use as a source, surveys that correspond to a month or a quarter. In many occasions, although quarterly national accounts have started to be available in developing countries, is not possible to find figures able to match the time element and geographic coverage of poverty indicators.

Statistics of income distribution of households are, for these purposes, also weak in national accounts. Primary income distribution is extremely aggregated and income distribution after transfers is even weaker for poverty statistics demands. Institutional accounts are being started in most developing countries, and in particular, households' accounts are estimated with scarce disaggregation and in many occasions not regularly published.

The statistics of Public Finance of the IMF, within the framework of the 1993 SNA, inspire the most important efforts to arrive to accounts that contain public incomes and expenditures. Macro economists have been interested in public deficit and global figures of taxes. For macro economic and social policy analysis a division among direct and indirect taxes is utilized. A demand exists for figures of types of expenditure by social functions and more recently by regional or geographical destinies. It has been partially satisfied, but numerous shortcomings persist. It is well known that it is not easy to capture the central, regional and local expenditures without duplications and vacuums, and under the same classifications. The problem is more acute when international comparisons are needed. It is common practice for macro economists to introduce econometric studies using crosscuts with figures of different countries.

Balance of Payments figures of global trade and finance are needed in studies that try to estimate effects of reforms associated to the external sector on poverty or income distribution. It is well known that these reforms produce very uneven effects on sectors and regions. Balance of Payment figures of trade allow studies by sectors and products. It is much more difficult to open finance figures in a way that is useful to distinguish effects similar to those of trade. In general terms, figures in this area respond to most of present requirements of those introducing external effects on poverty at the macro level.

The macro approach uses intensively synthetic indicators produced by specialists in micro approach for their figures of poverty and income distribution. The time series of poverty (absolute or relative) they need to study the effect of growth, are normally provided by figures originated in surveys income measurements. The indicators of household income distribution are frequently Gini or of the kind coefficients, that are derived from the same sources as the ones of poverty just mentioned. Figures of poverty related to basic needs originate in population and housing census or house of

surveys. We will comment on the information sources of these measurements when dealing with the micro approach statistics.

We can conclude that there is an important gap in the traditional sources of economic statistics, in terms of sources of statistics for the macro approach. To illustrate this gap we can use the analysis of the effects of growth on poverty. The exercises capture gross effects, such as the one that high economic growth reduces absolute poverty. Furthermore it can discover different "elasticities" among countries and periods. Nonetheless, it does not have information to distinguish effects on regions and it is not precise enough to match the same periods. It is necessary to develop that type of traditional sources of economic statistics, having in mind the influence that macro policies have on poverty, and the need to monitor the net effects of micro policy

2. Demands of the Micro Approach

The micro approach statistical demands originate institutions of the public sector working on policies, research institutes, and in the same statistical office. These last demands are associated in many occasions to the calculation of synthetic indicators of poverty. These last institutions are those normally working in policy. According to the classification being used here, they refer to the economic transformation and the labor market, the human and social capital, and to the access of the poor to assets, goods and services associated to other public policies.

The most important statistical source for demands derived from policies related to this approach is household surveys. Population and housing census also play an important role, but they lack continuity in time. Economic sectors census and surveys can also play a role, especially in relation to economic transformations and the labor market. Last not least administrative registers are potentially an important source, but in practice they are intensively used only in a small group of countries. Within the public sector expenditure statistics can play an important role.

One crucial aspect of the statistical demand refers to the aim of establishing a direct or indirect relation between the instrument and poverty. It is less demanding if the relation is established with an objective or a goal in an area related to poverty but not directly with a poverty indicator. For example; we may be satisfied with an increase in employment in a group that has difficulties with the access to the labor market, absolutely convinced that it will have a positive impact in poverty. In that case our job will be easier that if we try to follow the income of the households where the individuals of the group belong, trying to determine their qualification in terms of poverty.

The relation among economic transformation, the labor market and poverty is central in the governmental policies. Poverty is a characteristic of households or individuals, and the challenge is to establish their relations with the labor market. Household surveys are the most used source of information to study these relations. In fact, in most countries the surveys were originally established as employment surveys. With time they became multipurpose surveys and in particular in many countries they

included the measurement of income at least once a year. It is not therefore surprising that the survey that inquires about employment, education, characteristics of the dwelling, and income became a fundamental source of information for poverty statistics.

The demand for income measurements is one of the most important. It is vital for many of the policies and, at the same time, one of the most difficult. Fortunately the work of the Canberra Group on household statistics has helped to move as a community of interests towards best practices.

The increasing use of these surveys in poverty studies influenced their questionnaire and topics such as the size of the enterprise where individuals are employed was included, allowing to obtain a picture of the structure of the economy in terms of the size of its enterprises. Naturally, in itself this last feature of the economy is normally studied through economic surveys that are collected with monthly or quarterly frequency for sectors such as manufacturing. These surveys provide normally information about the economic transformation, employment and income but it is not easy to establish a relation with households. Nonetheless, in countries of low income where the rural sector and agriculture are very important, one of the principal sources of information is agricultural census or surveys. Households are considered as a unit of production. These statistical operations play a similar role than that of the multi sectors survey of the urban areas.

The importance acquired by the informal sector in many developing countries has influenced the establishment of special surveys for this sector. The number of countries with this type of surveys is still limited and its frequency is rather low. Nonetheless, these surveys can play an important role in establishing characteristics of the production function of this sector. Therefore, they can play an important role in the study of the income distribution allowing relations with factors of production.

Income and expenditure surveys are extremely important as an auxiliary source of information to establish poverty lines. Their frequency is low, being collected in many developing countries once every ten years. In the nineties this frequency has been increase and in at least one developing country this survey is being collected every two or three years. Therefore, it has replaced in some case the multi purpose survey as source of information for poverty studies. The efforts to study poverty in relation to expenditure instead of income are founded in efforts as the one described. On occasions special multipurpose surveys oriented towards living conditions include questions on expenditure based on procedures of collection that are less expensive but may be more imprecise than those of the traditional income and expenditure surveys.

Some developing countries have established special surveys for poverty alleviation objectives. These surveys pay special attention both to economic transformation and labor market and to access to public services. They are geographically more disaggregated and they may become representative at local levels. The great importance of this type of surveys is that they allow building a good spatial

picture of economic transformation and of the effect of public services on the evolution of household income and on the satisfaction of basic needs.

Administrative records are also an auxiliary source of information for the establishment of poverty lines and to introduce corrections in income measurements. In certain countries, such as the Scandinavian, they play a central role in household and individual information. On the contrary, they are one of the weakest sources of information in developing countries. Gradually, they are being used both in national accounts and in social policy. For instance, the access to tax registers may improve significantly the income figures of national accounts, its household account and therefore, help improving the editing of income surveys.

It is desirable that countries that have developed many sources of information in relation to economic transformations and labor market, at a certain moment prepare a global view of the efficiency of all these sources. In the Rio Group, the concept of a system of household surveys has been discussed and it has become central in some important regional projects of cooperation in Latin America. The role that administrative registers can play in policies oriented towards the local level should also be considered when establishing this global view.

The measurement of human capital has become increasingly important, Numerous efforts have been carried out to establish the importance of education, health and nutrition in the alleviation of poverty and in reducing social exclusion,

In the educational area the increasing difficulties that are arising to incorporate individuals, especially young people with more education that its parents to the labor force have inspired much work. The unemployment rate has risen, and for young people incomes in real terms are in many occasions not higher than that of their parents. The evolution of income distribution of households has shown concentration on the eighties and nineties in most countries. Probably the most long-term recurrent policy proposal to simultaneously alleviate poverty and improve income distribution is education of poor children. Improvement is presented in absolute and relative terms. Absolute in terms of goals that pursue finishing a primary or secondary level and relative in terms of equality of opportunities both in years of study and quality of education. Many other indicators and studies have been prepared specially by UNESCO, UNICEF and other national and regional agencies.

Similar considerations could be raised in relation to health and nutrition. As stated in the UN Millenium Declaration, hunger continues being a symbol of poverty in many countries of the world. Access to health, and particularly to some of its basic elements as clean water, continues being a problem even in developed countries, especially for deprived groups. Many policy goals are oriented towards giving access to health to children, pregnant women and the elder.

The statistical sources necessary for policies in the area of human capital are population and housing census, household surveys and administrative data. Housing

census have been used to produce poverty maps. Within those maps the level of education has been considered as an important variable. On occasions, education and level of children has been combined with other basic needs to produce a synthetic poverty indicator. The fact that population census also include employment has transformed these census in one of the most important sources that relate economic and educational structures. Other studies using the same source have tried to establish relations, such as the ones existing between school performance and the quality of dwellings.

Household surveys have been used to prepare practically the same type of studies. Their disadvantage is the size of the sample that does not permit always to consider the spatial components of policies. On the contrary, their frequency allows at national or regional levels a follow-up in the period between census of consequences of policies. Among the components of human capital the measurement of years of education is probably the easiest. Quality of education, health components and nutrition are more difficult to measure. For example, special surveys or special modules in permanent surveys are needed to measure nutrition of children. Recently, questions about the access of households and individuals to health, nutritional or educational services have been included in surveys. These questions may prove especially useful to monitor public policies in those fields.

Administrative registers are potentially a very strong source of information in the area of human capital. The fact that administration of public services has increasingly introduced electronic information constitutes a great possibility to obtain updated and detailed information. It is surprising that international and regional cooperation programs in statistics continue concentrating in census and surveys and pay little attention to this type of administrative registers.

Public sector expenditure information has been available up to now at an aggregated level. The effort to introduce efficiency and accountability in public expenditures is being translated in demands of indicators of success in policies and programs. This trend has developed a new statistical effort to publish amounts of expenditure by type of programs and to monitor its success. Although, this effort also corresponds to the last type of policy included in our classification, it also applies to programs in the field of human capital.¹⁰

As mentioned before, social capital is a conceptual category less developed than the one of human capital. Initial efforts are underway to collect information for analysis purposes in this area. Special surveys or questions in surveys concentrate on participation of the poor in social and political activities. Up to now, few statistical offices have well organized data banks on this topic. The fact that international organizations like the World Bank are using categories such as empowerment will soon have as a consequence an increasing demand in this area.

¹⁰ See: *Opportunity for all: Making progress*, presented to Parliament by the Secretary of State for Work and Pensions by Command of Her Majesty, September 2001.

Access of the poor to assets, goods and services associated to other public policies constitute a broad field of statistical demands. Among them, short term transfers can play a significant role especially in situations of crisis where vulnerable groups are greatly affected. We mentioned as one of the most important item payments of pensions or subsidies to the elderly. Population census and household surveys play an important role in the identification of the nature and magnitude of the problem. For policy purposes, normally this information is insufficient. Budgetary information and other administrative information are fundamental for the design and monitoring of policies in this area.

Household surveys that include questions about pensions and access to services may constitute an important test for public policies. They can play an important role in judging the efficiency of focalization and the related administrative procedures.

Short-term subsidies are very numerous in many countries and there are great doubts about their efficiency and complementary nature with other policies. It is difficult to include questions about these policies in surveys without the danger of surcharging them. Therefore, administrative registers and local organization statistics may play a more important role in this area.

3. Rethinking the Statistical Response

The fact that poverty alleviation has today an important political status has two operative consequences we will comment here. The first is that the category is being used to capture a broad spectrum of social phenomena. The second is the multiple and extensive demand for statistics that derive from the broad use of the concept of poverty.

The broadness of the concept has an advantage and a danger. The advantage is that it forces to look simultaneously at concepts that are used both in classifications of social policies such as equality of opportunities, social exclusion, and deprivation. At the macro level at the strategic objectives of economic policies previously mentioned: economic growth, income distribution, public expenditure, and new development modalities.

The danger is to try to create a definition of poverty able to articulate all the areas associated to policies for poverty alleviation. The aim to construct such concept and a synthetic indicator associated to it will inevitably conduct to a degree of reductionism. It seems efficient to accept that poverty alleviation is simultaneously a challenge for macro and micro policies, for economic and social policies. For policy and evaluation purposes of heterogeneous phenomena a body of statistics or a set of indicators will be needed. Nonetheless, as mentioned before, for operative reasons a synthetic indicator can play a role for the official system, in the comprehension that for judging the full set of public policies it is absolutely insufficient.

The multiple and extensive demand challenges the statistical system in various dimensions. The macro and micro, the international, regional, and national, the regional

and local inside the country, the institutional within the public sector, and the short and long term, among others.

The statistical system has reacted coping with part of those demands. In some countries and regions an effort is underway to create a more systematic answer. In the case of the European Union where social goals are more explicit it is understandable that actions to move towards standards in poverty measurement are underway. It has also been possible to create an instrument such as the longitudinal panel that is common to all countries and that has been planned to answer systematically questions derived from the Union political objectives. It is also important that in the conceptual field poverty has been examined in conjunction with social exclusion. This case shows the advantage for the statistical system to stop in a certain stage of work and reorganize it in a more systematic way.

As recommended for efficiency reasons in most activities it is important to place demand evaluation in first stages of activities. The special characteristic of this case is that the topic has increased its relative importance in a relative short period, in most cases without an effort to give a certain degree of conceptual or operative unity to the effort. The aim to put together policy proposals under some classifications is precisely to help in this effort.

Some provisional conclusions can be derived from the previous pages. The first is that macro statistics are in most cases underdeveloped for poverty demands. The demands derived from the economic policy have played a major role in their operative development. The macro strategic approaches are very important for poverty alleviation. The example of the role that was attributed to reforms and growth in the eighties and nineties demonstrates that operative information was not available to test statements. In many occasions they were justified at a level of aggregation insufficient to foresee heterogeneous results of the policies that have importance in poverty evolution. Therefore, this is an important gap of the system.

The second is that the important effort done at the micro level needs in many countries a rethinking. The extensive use of population and housing census and traditional employment or multipurpose surveys has been extremely positive. Special surveys or modules have been introduced to answer specific demands of the social policy, for instance in the area of human capital. The introduction of special surveys for poverty or living conditions has upgraded the system. Nevertheless, the implicit household surveys system being created needs to be submitted to scrutiny, because in many cases results may show contradictions and in others, duplications of efforts. In the case of Latin America and in some international cooperation programs, the concept of an explicit system of household surveys has been introduced. But there is still much to do to transform this concept in an operative tool.

The third is that, in developing countries, there is a broad field to introduce administrative registers. They are being used in small scale. Some progress has occurred, but it runs far behind the introduction of information techniques in public

administrations. The fact that public expenditure is under close scrutiny introduces the possibility of having access to the administrative registers being constructed to monitor those policies. Parliaments are increasingly demanding evaluation of public expenditure, not only at the functional and global level, but also at the program and local ones.

According to the country characteristics and demands this exercise should help to introduce more consistency in the conceptual field, more unity in the policy and operative area and the establishment of priorities and efficiency in the statistical systems