



2.7 Poverty

	National poverty line								International poverty line				
	Survey year	Population below the poverty line			Survey year	Population below the poverty line			Survey year	Population below \$1 a day	Poverty gap at \$1 a day	Population below \$2 a day	Poverty gap at \$2 a day
		Rural %	Urban %	National %		Rural %	Urban %	National %		%	%	%	%
Albania		..	..	..		..	..	..		..	..	..	..
Algeria	1988	16.6	7.3	12.2	1995	30.3	14.7	22.6	1995	<2	<0.5	15.1	3.6
Angola		..	..	..		..	..	..		..	..	..	..
Argentina	1991	..	..	25.5	1993	..	..	17.6		..	..	..	..
Armenia		..	..	..		..	..	..		..	..	..	..
Australia		..	..	..		..	..	..		..	..	..	..
Austria		..	..	..		..	..	..		..	..	..	..
Azerbaijan	1995	..	..	68.1		..	..	..		..	..	..	..
Bangladesh	1991–92	46.0	23.3	42.7	1995–96	39.8	14.3	35.6	1996	29.1	5.9	77.8	31.8
Belarus	1995	..	..	22.5		..	..	..	1998	<2	<0.5	<2	0.1
Belgium		..	..	..		..	..	..		..	..	..	..
Benin	1995	..	..	33.0		..	..	..		..	..	..	..
Bolivia	1993	..	29.3	..	1995	79.1	..	..	1990	11.3	2.2	38.6	13.5
Bosnia and Herzegovina		..	..	..		..	..	..		..	..	..	..
Botswana		..	..	..		..	..	..	1985–86	33.3	12.5	61.4	30.7
Brazil	1990	32.6	13.1	17.4		..	..	..	1997	5.1	1.3	17.4	6.3
Bulgaria		..	..	..		..	..	..	1995	<2	<0.5	7.8	1.6
Burkina Faso		..	..	..		..	..	..	1994	61.2	25.5	85.8	50.9
Burundi	1990	..	..	36.2		..	..	..		..	..	..	..
Cambodia	1993–94	43.1	24.8	39.0	1997	40.1	21.1	36.1		..	..	..	..
Cameroon	1984	32.4	44.4	40.0		..	..	..		..	..	..	..
Canada		..	..	..		..	..	..		..	..	..	..
Central African Republic		..	..	..		..	..	..	1993	66.6	38.1	84.0	58.4
Chad	1995–96	67.0	63.0	64.0		..	..	..		..	..	..	..
Chile	1992	..	..	21.6	1994	..	..	20.5	1994	4.2	0.7	20.3	5.9
China	1996	7.9	<2	6.0	1998	4.6	<2	4.6	1998	18.5	4.2	53.7	21.0
Hong Kong, China		..	..	..		..	..	..		..	..	..	..
Colombia	1991	29.0	7.8	16.9	1992	31.2	8.0	17.7	1996	11.0	3.2	28.7	11.6
Congo, Dem. Rep.		..	..	..		..	..	..		..	..	..	..
Congo, Rep.		..	..	..		..	..	..		..	..	..	..
Costa Rica		..	..	..		..	..	..	1996	9.6	3.2	26.3	10.1
Côte d'Ivoire		..	..	..		..	..	..	1995	12.3	2.4	49.4	16.8
Croatia		..	..	..		..	..	..		..	..	..	..
Cuba		..	..	..		..	..	..		..	..	..	..
Czech Republic		..	..	..		..	..	..	1993	<2	<0.5	<2	<0.5
Denmark		..	..	..		..	..	..		..	..	..	..
Dominican Republic	1989	27.4	23.3	24.5	1992	29.8	10.9	20.6	1996	3.2	0.7	16.0	5.0
Ecuador	1994	47.0	25.0	35.0		..	..	..	1995	20.2	5.8	52.3	21.2
Egypt, Arab Rep.	1995–96	23.3	22.5	22.9		..	..	..	1995	3.1	0.3	52.7	11.4
El Salvador	1992	55.7	43.1	48.3		..	..	..	1996	25.3	10.4	51.9	24.7
Eritrea		..	..	..		..	..	..		..	..	..	..
Estonia	1995	14.7	6.8	8.9		..	..	..	1995	4.9	1.2	17.7	6.0
Ethiopia		..	..	..		..	..	..	1995	31.3	8.0	76.4	32.9
Finland		..	..	..		..	..	..		..	..	..	..
France		..	..	..		..	..	..		..	..	..	..
Gabon		..	..	..		..	..	..		..	..	..	..
Gambia, The	1992	..	..	64.0		..	..	..	1992	53.7	23.3	84.0	47.5
Georgia	1997	9.9	12.1	11.1		..	..	..		..	..	..	..
Germany		..	..	..		..	..	..		..	..	..	..
Ghana	1992	34.3	26.7	31.4		..	..	..		..	..	..	..
Greece		..	..	..		..	..	..		..	..	..	..
Guatemala	1989	71.9	33.7	57.9		..	..	..	1989	39.8	19.8	64.3	36.6
Guinea	1994	..	..	40.0		..	..	..		..	..	..	..
Guinea-Bissau		..	..	..		..	..	..		..	..	..	..
Haiti	1987	65.0	1995	66.0
Honduras	1992	46.0	56.0	50.0	1993	51.0	57.0	53.0	1996	40.5	17.5	68.8	36.9



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		Rural %	Urban %	National %		Rural %	Urban %	National %		%	%	%	%
Hungary	1989	1.6	1993	8.6	1993	<2	<0.5	4.0	0.9
India	1992	43.5	33.7	40.9	1994	36.7	30.5	35.0	1997	44.2	12.0	86.2	41.4
Indonesia	1996	12.3	9.7	11.3	1998	22.0	17.8	20.3	1999	15.2	2.5	66.1	22.6
Iran, Islamic Rep.		..	..	..		..	..	..		..	..	..	..
Iraq		..	..	..		..	..	..		..	..	..	..
Ireland		..	..	..		..	..	..		..	..	..	..
Israel		..	..	..		..	..	..		..	..	..	..
Italy		..	..	..		..	..	..		..	..	..	..
Jamaica	1992	..	..	34.2		..	..	..	1996	3.2	0.7	25.2	6.9
Japan		..	..	..		..	..	..		..	..	..	..
Jordan	1991	..	..	15.0	1997	..	..	11.7	1997	<2	<0.5	7.4	1.4
Kazakhstan	1996	39.0	30.0	34.6		..	..	..	1996	1.5	0.3	15.3	3.9
Kenya	1992	46.4	29.3	42.0		..	..	..	1994	26.5	9.0	62.3	27.5
Korea, Dem. Rep.		..	..	..		..	..	..		..	..	..	..
Korea, Rep.		..	..	..		..	..	..	1993	<2	<0.5	<2	<0.5
Kuwait		..	..	..		..	..	..		..	..	..	..
Kyrgyz Republic	1993	48.1	28.7	40.0	1997	64.5	28.5	51.0		..	..	..	..
Lao PDR	1993	53.0	24.0	46.1		..	..	..		..	..	..	..
Latvia		..	..	..		..	..	..	1998	<2	<0.5	8.3	2.0
Lebanon		..	..	..		..	..	..		..	..	..	..
Lesotho	1993	53.9	27.8	49.2		..	..	..	1993	43.1	20.3	65.7	38.1
Libya		..	..	..		..	..	..		..	..	..	..
Lithuania		..	..	..		..	..	..	1996	<2	<0.5	7.8	2.0
Macedonia, FYR		..	..	..		..	..	..		..	..	..	..
Madagascar	1993-94	77.0	47.0	70.0		..	..	..	1993	60.2	24.5	88.8	51.3
Malawi	1990-91	..	..	54.0		..	..	..		..	..	..	..
Malaysia	1989	..	..	15.5		..	..	..		..	..	..	..
Mali		..	..	..		..	..	..	1994	72.8	37.4	90.6	60.5
Mauritania	1989-90	..	..	57.0		..	..	..	1995	3.8	1.0	22.1	6.6
Mauritius	1992	..	..	10.6		..	..	..		..	..	..	..
Mexico	1988	..	..	10.1		..	..	..	1995	17.9	6.1	42.5	18.1
Moldova	1997	26.7	..	23.3		..	..	..	1992	7.3	1.3	31.9	10.2
Mongolia	1995	33.1	38.5	36.3		..	..	..	1995	13.9	3.1	50.0	17.5
Morocco	1990-91	18.0	7.6	13.1	1998-99	27.2	12.0	19.0	1990-91	<2	<0.5	7.5	1.3
Mozambique		..	..	..		..	..	..	1996	37.9	12.0	78.4	36.8
Myanmar		..	..	..		..	..	..		..	..	..	..
Namibia		..	..	..		..	..	..	1993	34.9	14.0	55.8	30.4
Nepal	1995-96	44.0	23.0	42.0		..	..	..	1995	37.7	9.7	82.5	37.5
Netherlands		..	..	..		..	..	..		..	..	..	..
New Zealand		..	..	..		..	..	..		..	..	..	..
Nicaragua	1993	76.1	31.9	50.3		..	..	..	1993	3.0	0.5	18.1	5.4
Niger	1989-93	66.0	52.0	63.0		..	..	..	1995	61.4	33.9	85.3	54.8
Nigeria	1985	49.5	31.7	43.0	1992-93	36.4	30.4	34.1	1997	70.2	34.9	90.8	59.0
Norway		..	..	..		..	..	..		..	..	..	..
Oman		..	..	..		..	..	..		..	..	..	..
Pakistan	1991	36.9	28.0	34.0		..	..	..	1996	31.0	6.2	84.7	35.0
Panama	1997	64.9	15.3	37.3		..	..	..	1997	10.3	3.2	25.1	10.2
Papua New Guinea		..	..	..		..	..	..		..	..	..	..
Paraguay	1991	28.5	19.7	21.8		..	..	..	1995	19.4	8.3	38.5	18.8
Peru	1994	67.0	46.1	53.5	1997	64.7	40.4	49.0	1996	15.5	5.4	41.4	17.1
Philippines	1994	53.1	28.0	40.6	1997	51.2	22.5	40.6		..	..	..	..
Poland	1993	..	..	23.8		..	..	..	1993	5.4	4.3	10.5	6.0
Portugal		..	..	..		..	..	..	1994	<2	<0.5	<2	<0.5
Puerto Rico		..	..	..		..	..	..		..	..	..	..
Romania	1994	27.9	20.4	21.5		1994	2.8	0.8	27.5	6.9
Russian Federation	1994	30.9		1998	7.1	1.4	25.1	8.7



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		Rural %	Urban %	National %		Rural %	Urban %	National %		%	%	%	%
Rwanda	1993	51.2	1983-85	35.7	7.7	84.6	36.7
Saudi Arabia	..	..	..	..	..	..	..	..	..	..	..	..	..
Senegal	..	..	..	..	..	..	..	..	1995	26.3	7.0	67.8	28.2
Sierra Leone	1989	76.0	53.0	68.0	..	..	..	..	1989	57.0	39.5	74.5	51.8
Singapore	..	..	..	..	..	..	..	..	..	..	..	..	..
Slovak Republic	..	..	..	..	..	..	..	..	1992	<2	<0.5	<2	<0.5
Slovenia	..	..	..	..	..	..	..	..	1993	<2	<0.5	<2	<0.5
South Africa	..	..	..	..	..	..	..	..	1993	11.5	1.8	35.8	13.4
Spain	..	..	..	..	..	..	..	..	..	..	..	..	..
Sri Lanka	1985-86	45.5	26.8	40.6	1990-91	38.1	28.4	35.3	1995	6.6	1.0	45.4	13.5
Sudan	..	..	..	..	..	..	..	..	..	..	..	..	..
Sweden	..	..	..	..	..	..	..	..	..	..	..	..	..
Switzerland	..	..	..	..	..	..	..	..	..	..	..	..	..
Syrian Arab Republic	..	..	..	..	..	..	..	..	..	..	..	..	..
Tajikistan	..	..	..	..	..	..	..	..	..	..	..	..	..
Tanzania	1991	..	..	51.1	..	..	..	..	1993	19.9	4.8	59.7	23.0
Thailand	1990	..	..	18.0	1992	15.5	10.2	13.1	1998	<2	<0.5	28.2	7.1
Togo	1987-89	..	..	32.3	..	..	..	..	..	..	..	..	..
Trinidad and Tobago	1992	20.0	24.0	21.0	..	..	..	..	1992	12.4	3.5	39.0	14.6
Tunisia	1985	29.2	12.0	19.9	1990	21.6	8.9	14.1	1990	<2	<0.5	11.6	2.9
Turkey	..	..	..	..	..	..	..	..	1994	2.4	0.5	18.0	5.0
Turkmenistan	..	..	..	..	..	..	..	..	1993	20.9	5.7	59.0	23.3
Uganda	1993	..	..	55.0	..	..	..	..	1992	36.7	11.4	77.2	35.8
Ukraine	1995	..	..	31.7	..	..	..	..	1996	<2	<0.5	23.7	4.4
United Arab Emirates	..	..	..	..	..	..	..	..	..	..	..	..	..
United Kingdom	..	..	..	..	..	..	..	..	..	..	..	..	..
United States	..	..	..	..	..	..	..	..	..	..	..	..	..
Uruguay	..	..	..	..	..	..	..	..	1989	<2	<0.5	6.6	1.9
Uzbekistan	..	..	..	..	..	..	..	..	1993	3.3	0.5	26.5	7.3
Venezuela, RB	1989	..	..	31.3	..	..	..	..	1996	14.7	5.6	36.4	15.7
Vietnam	1993	57.2	25.9	50.9	..	..	..	..	..	..	..	..	..
West Bank and Gaza	..	..	..	..	..	..	..	..	..	..	..	..	..
Yemen, Rep.	1992	19.2	18.6	19.1	..	..	..	..	1998	5.1	0.9	35.5	10.1
Yugoslavia, FR (Serb./Mont.)	..	..	..	..	..	..	..	..	..	..	..	..	..
Zambia	1991	88.0	46.0	68.0	1993	..	..	86.0	1996	72.6	37.7	91.7	61.2
Zimbabwe	1990-91	31.0	10.0	25.5	..	..	..	..	1990-91	36.0	9.6	64.2	29.4



Poverty 2.7

About the data

International comparisons of poverty data entail both conceptual and practical problems. Different countries have different definitions of poverty, and consistent comparisons between countries can be difficult. Local poverty lines tend to have higher purchasing power in rich countries, where more generous standards are used than in poor countries.

Is it reasonable to treat two people with the same standard of living—in terms of their command over commodities—differently because one happens to live in a better-off country? Can we hold the real value of the poverty line constant between countries, just as we do when making comparisons over time?

Poverty measures based on an international poverty line attempt to do this. The commonly used \$1 a day standard, measured in 1985 international prices and adjusted to local currency using purchasing power parities (PPPs), was chosen for the World Bank's *World Development Report 1990: Poverty* because it is typical of the poverty lines in low-income countries. PPP exchange rates, such as those from the Penn World Tables or the World Bank, are used because they take into account the local prices of goods and services not traded internationally. But PPP rates were designed not for making international poverty comparisons but for comparing aggregates from national accounts. As a result there is no certainty that an international poverty line measures the same degree of need or deprivation across countries.

Past editions of the *World Development Indicators* used PPPs from the Penn World Tables. Because the Penn World Tables updated to 1993 are not yet available, this year's edition uses 1993 consumption PPP estimates produced by the World Bank. The international poverty line, set at \$1 a day in 1985 PPP terms, has been recalculated in 1993 PPP terms at about \$1.08 a day.

Problems also exist in comparing poverty measures within countries. For example, the cost of living is typically higher in urban than in rural areas. (Food staples, for example, tend to be more expensive in urban areas.) So the urban monetary poverty line should be higher than the rural poverty line. But it is not always clear that the difference between urban and rural poverty lines found in practice properly reflects the difference in the cost of living. For some countries the urban poverty line in common use has a higher real value—meaning that it allows poor people to buy more commodities for consumption—than does the rural poverty line. Sometimes the difference has been so large as to imply that the incidence of poverty is greater in urban than in rural areas, even though the reverse is found when adjustments are made only for differences in the cost of living. As with international comparisons, when the real value of the poverty line varies, it is not clear how meaningful such urban-rural comparisons are.

The problems of making poverty comparisons do not end there. Further issues arise in measuring household living standards. The choice between income and consumption as a welfare indicator is one issue. Income is generally more difficult to measure accurately, and consumption accords better with the idea of the standard of living than does income, which can vary over time even if the standard of living does not. But consumption data are not always available, and when they are not there is little choice but to use income. There are still other problems. Household survey questionnaires can differ widely, for example, in the number of distinct categories of consumer goods they identify. Survey quality varies, and even similar surveys may not be strictly comparable.

Comparisons across countries at different levels of development also pose a potential problem, because of differences in the relative importance of consumption of nonmarket goods. The local market value of all consumption in kind (including consumption from own production, particularly important in underdeveloped rural economies) should be included in the measure of total consumption expenditure. Similarly, the imputed profit from production of nonmarket goods should be included in income. This is not always done, though such omissions were a far bigger problem in surveys before the 1980s. Most survey data now include valuations for consumption or income from own production. Nonetheless, valuation methods vary—for example, some surveys use the price at the nearest market, while others use the average farm gate selling price.

The international poverty measures shown here are based on the most recent consumption PPP estimates in 1993 prices from the World Bank. Any revisions in the PPP of a country to incorporate better price indexes can produce dramatically different poverty lines in local currency.

Whenever possible, consumption has been used as the welfare indicator for deciding who is poor. When only household income is available, average income has been adjusted to accord with either a survey-based estimate of mean consumption (when available) or an estimate based on consumption data from national accounts. This procedure adjusts only the mean, however; nothing can be done to correct for the difference in Lorenz (income distribution) curves between consumption and income.

Empirical Lorenz curves were weighted by household size, so they are based on percentiles of population, not households. In all cases the measures of poverty have been calculated from primary data sources (tabulations or household data) rather than existing estimates. Estimation from tabulations requires an interpolation method; the method chosen was Lorenz curves with flexible functional forms, which have proved reliable in past work.

Definitions

- **Survey year** is the year in which the underlying data were collected.
- **Rural poverty rate** is the percentage of the rural population living below the national rural poverty line.
- **Urban poverty rate** is the percentage of the urban population living below the national urban poverty line.
- **National poverty rate** is the percentage of the population living below the national poverty line. National estimates are based on population-weighted subgroup estimates from household surveys.
- **Population below \$1 a day and \$2 a day** are the percentages of the population living on less than \$1.08 a day and \$2.15 a day at 1993 international prices (equivalent to \$1 and \$2 in 1985 prices, adjusted for purchasing power parity using rates from the Penn World Tables). Poverty rates are comparable across countries, but as a result of revisions in PPP exchange rates, they cannot be compared with poverty rates reported in previous editions for individual countries.
- **Poverty gap** is the mean shortfall below the poverty line (counting the nonpoor as having zero shortfall), expressed as a percentage of the poverty line. This measure reflects the depth of poverty as well as its incidence.

Data sources

Poverty measures are prepared by the World Bank's Development Research Group. National poverty lines are based on the Bank's country poverty assessments. International poverty lines are based on nationally representative primary household surveys conducted by national statistical offices or by private agencies under government or international agency supervision and obtained from government statistical offices and World Bank country departments. The World Bank has prepared an annual review of poverty work in the Bank since 1993. The most recent is *Poverty Reduction and the World Bank: Progress in Fiscal 1999* (forthcoming a).