

*Empowered lives.
Resilient nations.*

Vulnerability to poverty in the region of Europe and Central Asia

Elena Danilova-Cross, Poverty and Inequality Specialist
Istanbul Regional Hub for Europe and the CIS

UNECE workshop on
measuring poverty
and vulnerability

Geneva,
4 May 2015



Photo credit (left):
UNICEF -IRC



The vulnerable: The poor and the near poor



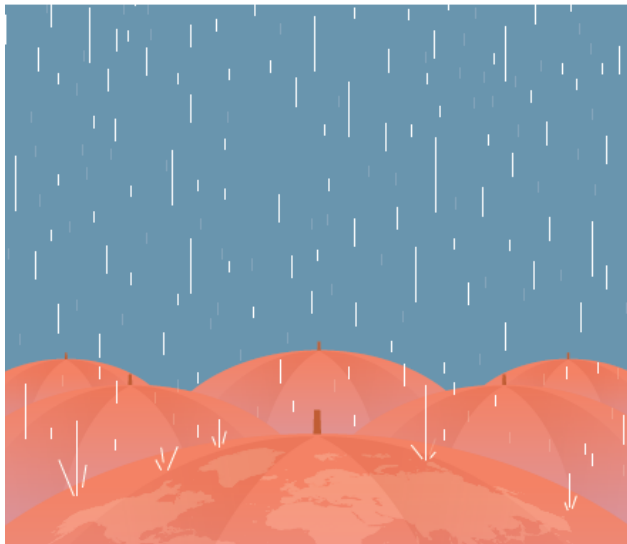
“The challenge of development includes not only the elimination of **persistent and endemic deprivation**, but also the removal of **vulnerability to sudden and severe destitution**.”

Amartya Sen (1999)



Human Development
Report 2014

Sustaining Human Progress:
Reducing Vulnerabilities and Building Resilience



“Whereas poverty can be directly observed, vulnerability cannot: it is essentially a measure of what might happen in the future. **Measuring vulnerability to poverty is generally aimed at the likely sources of vulnerability and who, to what and why is vulnerable**

Global Human Development Report 2014 “Addressing Vulnerabilities and Building Resilience

Poverty and vulnerability are linked, multidimensional and, at times, mutually reinforcing. ...

...But they are not synonymous!!!

Poverty	Vulnerability to poverty
Can be directly observed	Hidden
static	Dynamic (what may happen in the future)
Persistent and endemic deprivations	Sudden and severe destitutions (risk leading to deprivations)
Poor are already below minimally accepted poverty threshold	Vulnerable face the risk of falling below the threshold of critical choices across dimensions (can vary according to the level of development)
some of the poor may not remain poor all the time.	The rich may not be vulnerable all the time or throughout their lives
the poor are inherently vulnerable	the need to think about vulnerabilities in terms of life cycles . People's vulnerabilities and strengths are cumulative and path dependent.
difference between truly living and merely surviving	The poor are more vulnerable than any other group to health hazards, economic down-turns, natural catastrophies and even man-made violence

Approaches to understanding vulnerabilities

Structural:

Vulnerabilities that are rooted in the **'structure of being'** – evolve and persist over long periods.



Vulnerable groups:

Group-based social exclusion – debilitating and persistent, for example race or religion

Life-cycle framework:

Helps understand the different nature of vulnerabilities faced **by individuals at different age levels.**

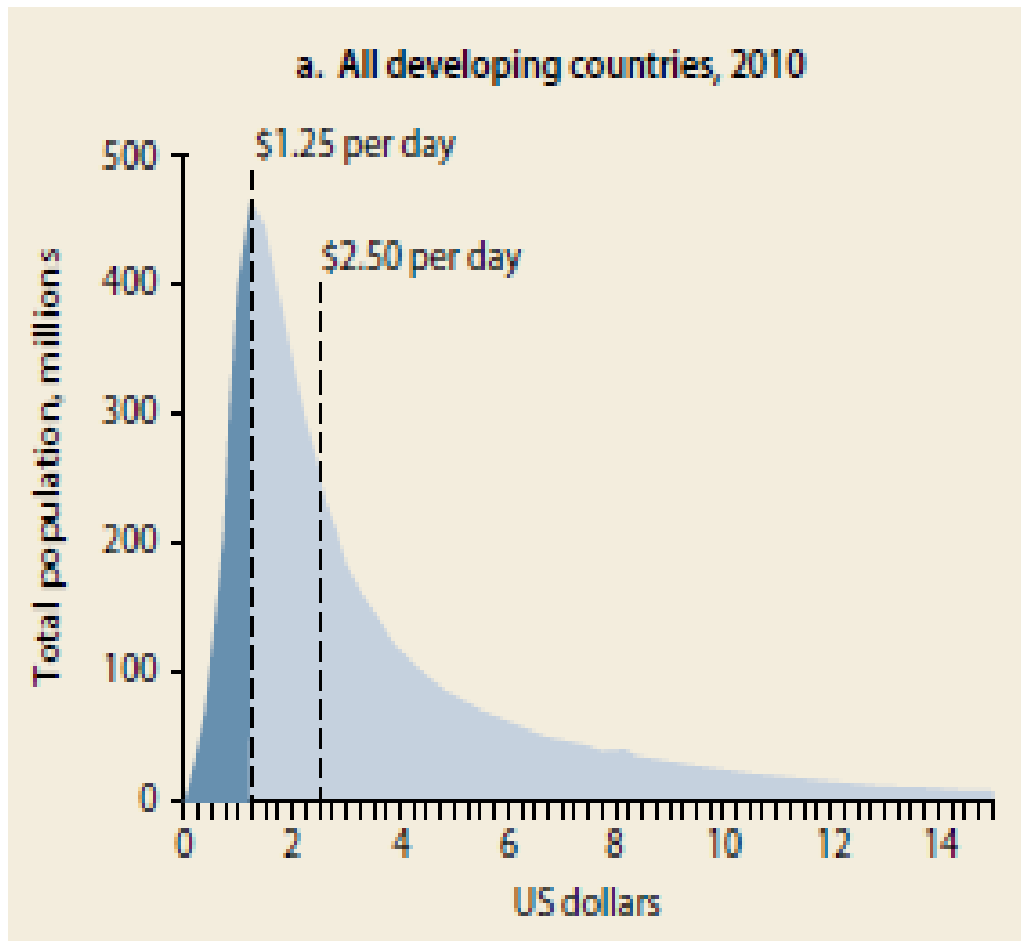


Uni-dimensional approach:

- Just focusing on reducing population living on under extreme poverty risks neglecting population perilously close to threshold!!!



*Empowered lives.
Resilient nations.*



20% on under \$1.25 a day

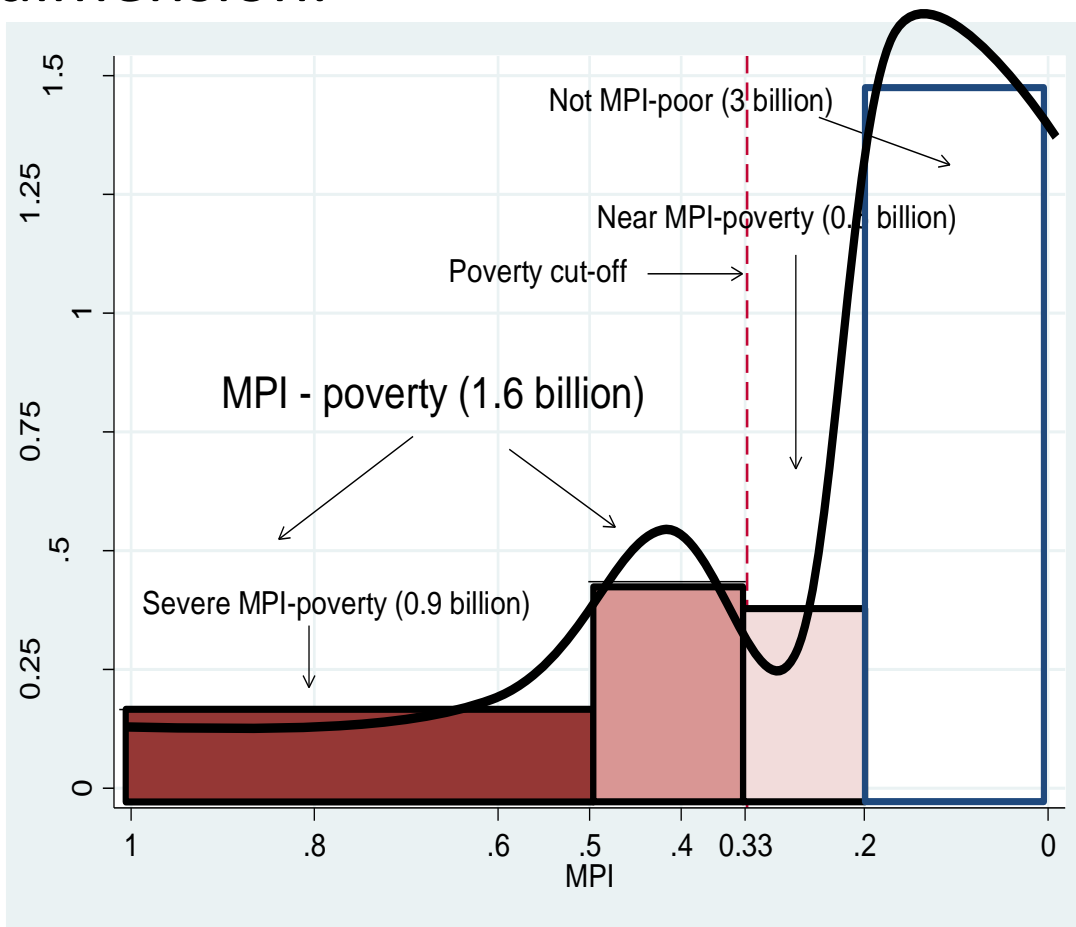
50% on under \$2.50 a day

75% on under \$4.00 a day

Many who recently joined the middle class could easily fall back into poverty with a sudden change in circumstances

Multidimensional approach

Reveals that more people are deprived in overlapping indicators than if we look at a single dimension.



- 30.5% is MPI poor of which 16% is in severe MPI-poverty
- 11.2% is near MPI-poverty

based on 104 countries
representing over 90% of
population in developing
countries

Poor and Vulnerable: observed trends

Income and multidimensionally poor:

- the proportion of the income and multidimensionally poor is declining;
- sizeable portions are close to the poverty threshold (the “near poor”);
- - generalized shocks could easily push a large number of people back into poverty.

Vulnerable to poverty:

- vulnerability extends further:
 - Ill health;
 - job losses;
 - limited access to material resources;
 - economic downturns;
 - unstable climate.



Overview: measures of vulnerability

- 40 years of intensive research predominantly on:
natural disasters , food security , income poverty, economic or other shocks

... but little on building resilience to vulnerabilities

- World Risk Report
- The Economist Intelligence Unit's **Global Food Security Index**
- The Institute for Economics and Peace's **Global Peace Index**
- The Secretariat of the Pacific Community's **Environmental Vulnerability Index**
- Experimental work by the **Organisation for Economic Co-operation and Development** - vulnerability to future loss of well-being when **people lack “assets which are crucial for resilience to risks.”**
- The United Nations' **structural economic vulnerability index**

Commonalities in approaches to measurements:



*Empowered lives.
Resilient nations.*

1/ Overall **risk** is defined by the interaction of **the chance of something happening (exposure) and its likely impact if it does (vulnerability)**.

2/ The analysis and measurement of vulnerability are **more tractable** when **looking separately at exposure to risk and ability to cope or adapt**.

3/ **Vulnerability is itself a multidimensional** concept that can include measures of **people's capacity both to cope (in terms of skills, assets or capabilities) and to adapt over the longer term**.

What about Europe and Central Asia?



Uni-dimensional approach: Poverty indicators thresholds

Empowered lives.
Resilient nations.

<i>Country</i>	<i>Indicator, threshold</i>
Albania	<i>Cost of basic needs</i>
Armenia	<i>\$4.30/day</i>
Azerbaijan	<i>Cost of basic needs</i>
Belarus	<i>Cost of basic needs</i>
Bosnia and Herzegovina	<i>Cost of basic needs</i>
Kazakhstan	<i>Cost of basic needs</i>
Kyrgyzstan	<i>Cost of basic needs</i>
Macedonia, Former Yugoslav Republic	<i>70% of median income</i>
Moldova	<i>Cost of basic needs</i>
Montenegro	<i>Cost of basic needs</i>
Serbia	<i>Cost of basic needs</i>
Tajikistan	<i>Cost of basic needs</i>
Turkey	<i>Cost of basic needs</i>
Turkmenistan	<i>50% of median income</i>
Ukraine	<i>60% of median income</i>
Uzbekistan	<i>Cost of food basket</i>

Source: **UNDP regional study on poverty, inequality and vulnerability**, 2014

Computed by UNDP from various sources

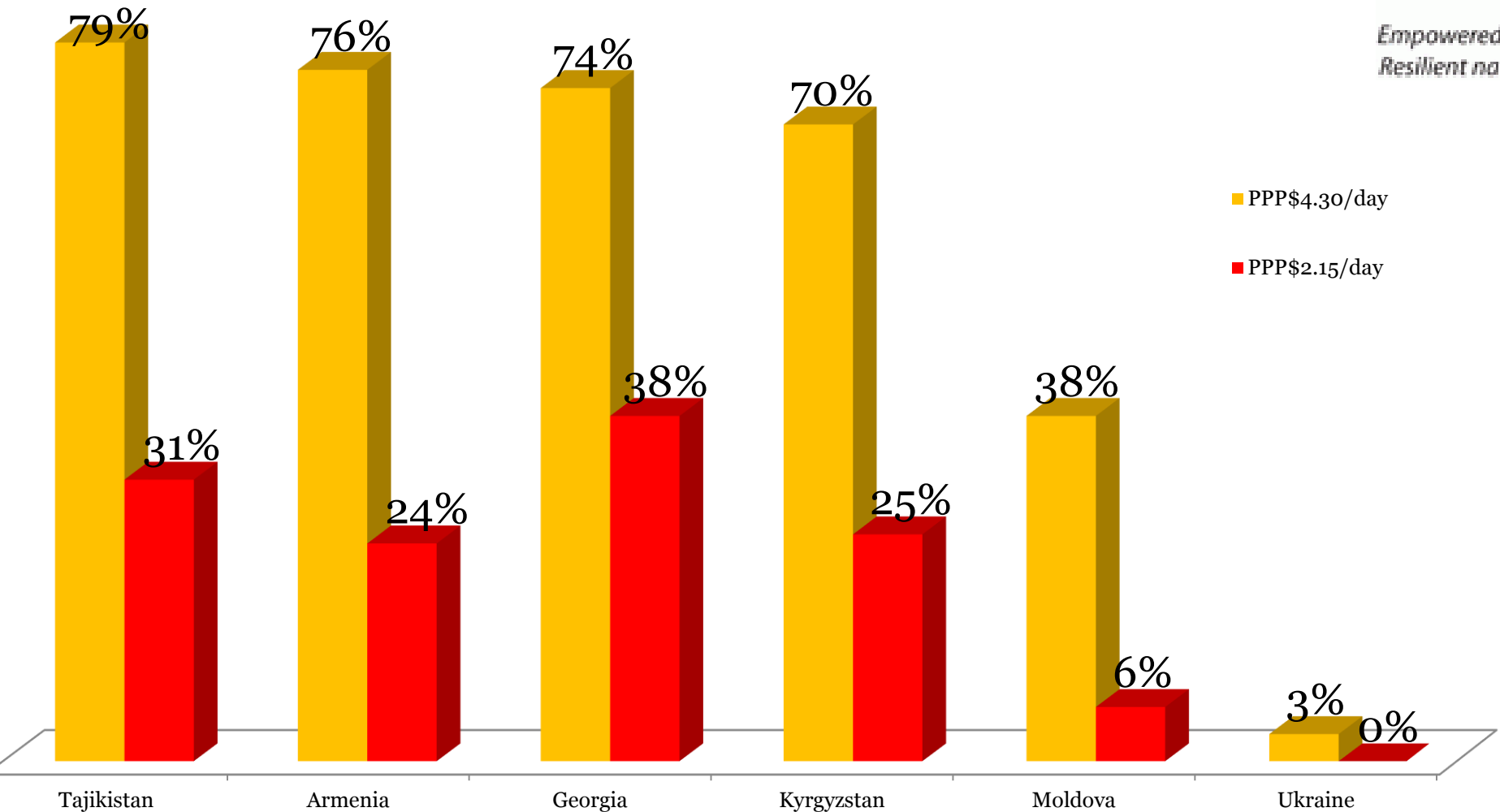
Applied method to measuring vulnerability to income poverty



*Empowered lives.
Resilient nations.*

- the **PPP\$2.15/day** applied as a regional threshold for **extreme income poverty**
- the **PPP\$4.30/day** is treated as a **regional income poverty threshold**
- **PPP\$ 5.40/day** and **PPP\$10/day** used as **thresholds to measure vulnerability**
- **Reason:**
 - (i) This approach often used to measure poverty in:
 - Middle-income countries
 - Where:
 - Extreme poverty is not the issue
 - Significant shares of household budgets are spent on winter heating, clothes
 - (ii) possession of a POVCALNET data set extending back to 1981

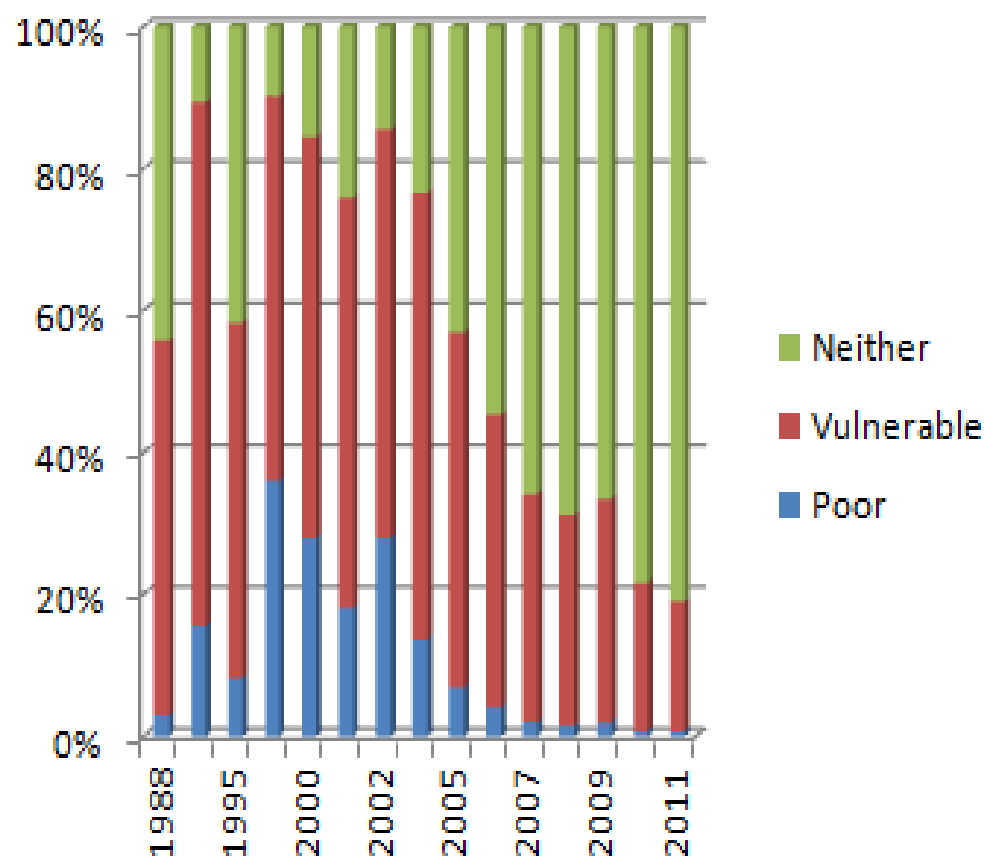
Income poverty rates in low- and lower middle-income countries in Europe and CA



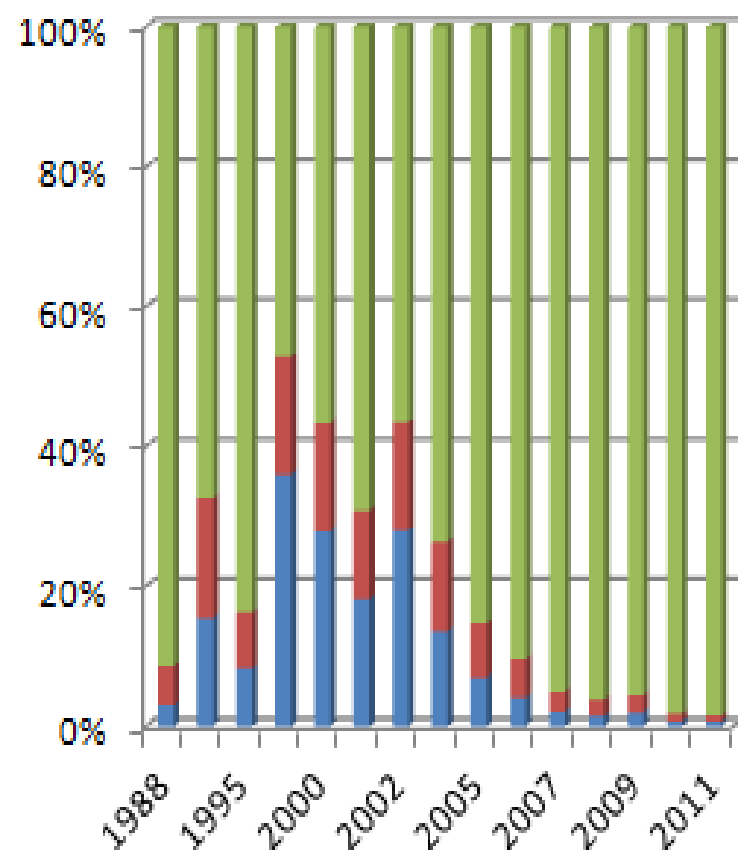
For last available year

Poverty, vulnerability in Belarus

PPP\$10/day vulnerability threshold

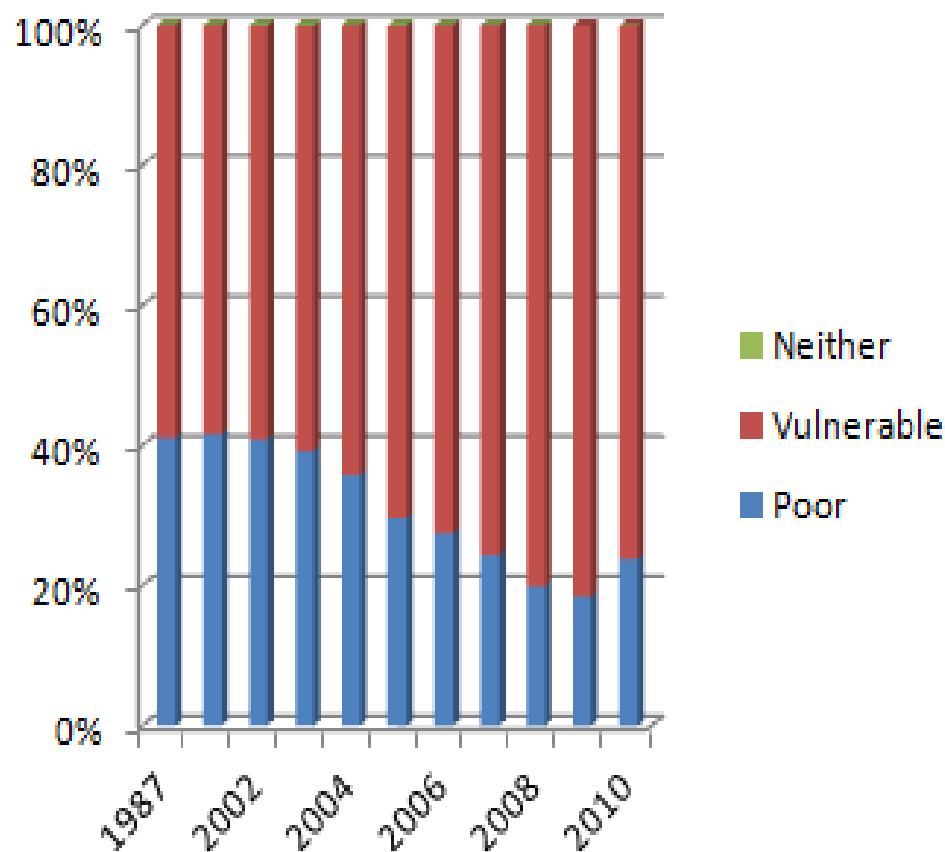


PPP\$5.40/day vulnerability threshold

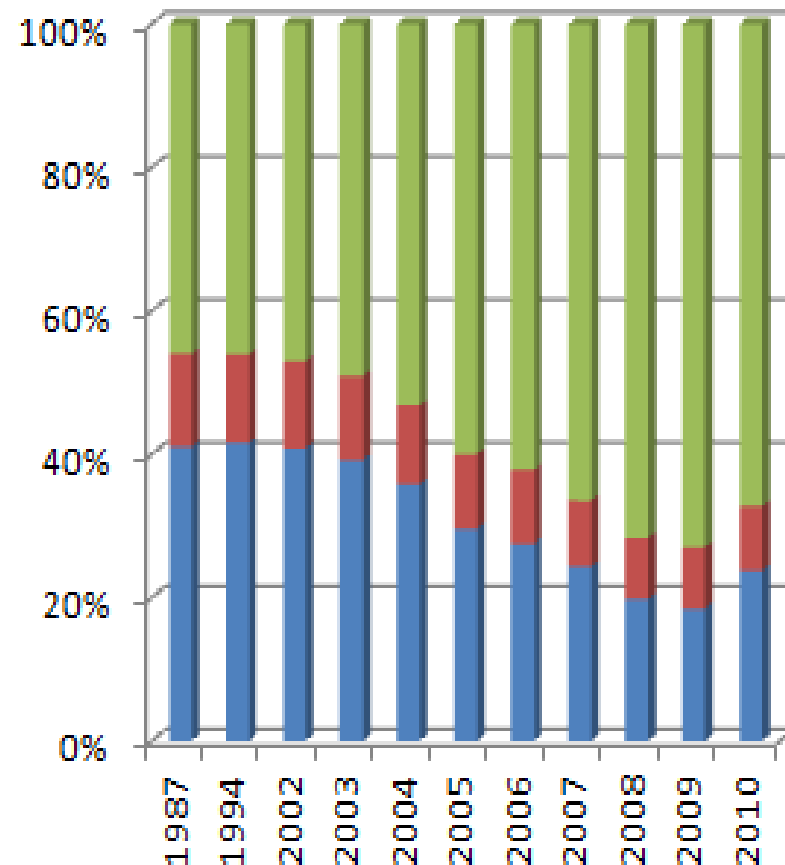


Poverty, vulnerability in Turkey

PPP\$10/day vulnerability threshold



the PPP\$5.40/day vulnerability threshold



UNDP calculations, based on POVCALNET data.

Multi-dimensional versus income poverty



Empowered lives.
Resilient nations.

Country	MPI (HDRO)*		Income poverty** (POVCALNET)	
	Headcount rate	Year	Headcount rate	Year
Serbia	0%	2010	9%	2010
Belarus	0%	2005	1%	2011
Armenia	1%	2010	76%	2010
Ukraine	1%	2007	3%	2010
Kazakhstan	1%	2011-2012	30%	2010
FYRoM	2%	2011	27%	2008
Georgia	2%	2005	74%	2010
Albania	1%	2008-2009	46%	2008
Moldova	1%	2005	40%	2010
BiH	2%	2011-2012	5%	2007
Azerbaijan	2%	2006	34%	2008
Kyrgyzstan	3%	2005-2006	70%	2011
Turkey	7%^	2003	24%	2010
Tajikistan	8%	2012	79%	2009

* As reported in the 2014 Human Development Report.

** Measured at the PPP\$4.30/day threshold.

^ Taken from the OPHI website

Multi-dimensional approach

The Social Exclusion Index *– Regional HD Report 2011 for Southeast Europe and Central Asia

- ***Business climates matter more than education***
- ***Location matters for social inclusion.***
- ***Corruption and social exclusion go together.***
- ***Large shares of respondents in seven countries (Serbia, Kazakhstan, Ukraine, BiH, Tajikistan) reported that **being well connected politically**, in order to get ahead in life, is more important than it was 25 years ago***
- ***Language limits access to education and employment opportunities***

**** based on Alkire-Foster method***



Share of socially excluded and the social exclusion index (SEI)



	Kazakhstan	Moldova	FYR Macedonia	Serbia	Tajikistan	Ukraine
<i>Magnitude of social exclusion at cut-off 9</i>						
(A) Social exclusion headcount	32%	40%	12%	19%	72%	20%
(B) Average number of deprivations experienced by the socially excluded	10.5	11.0	10.8	10.8	11.1	10.4
(C) Intensity – average number of deprivations experienced by the socially excluded as percentage of total (24) in 3 dimensions	44%	46%	45%	45%	46%	43%
Multidimensional Exclusion Index (MEI) = (A) *(C)	14	18	5	8	33	9

Source: Regional Human Development Report for ECIS, 2011

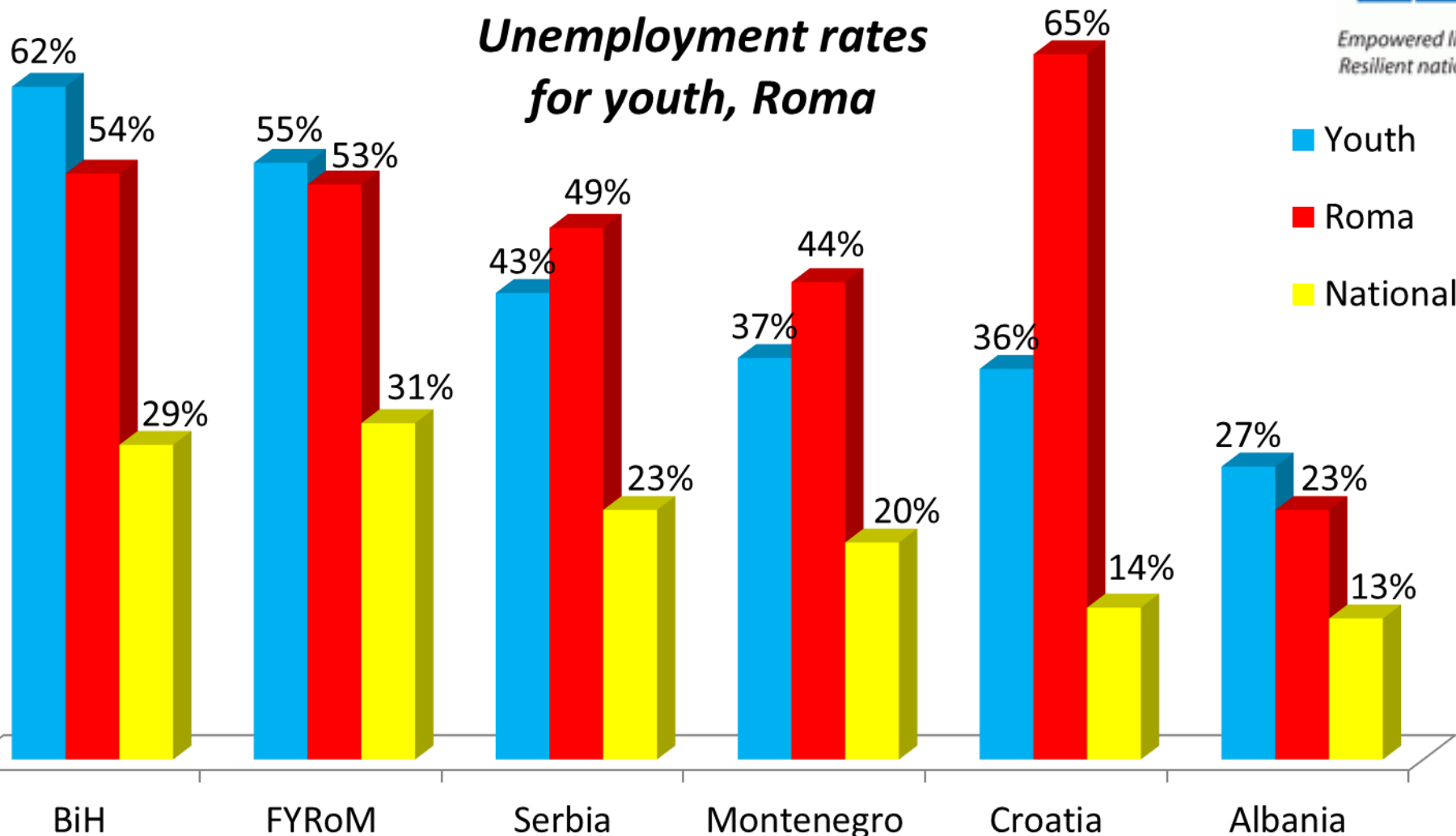
Disaggregated by vulnerability criteria (groups)



Empowered lives.
Resilient nations.

Unemployment rates for youth, Roma

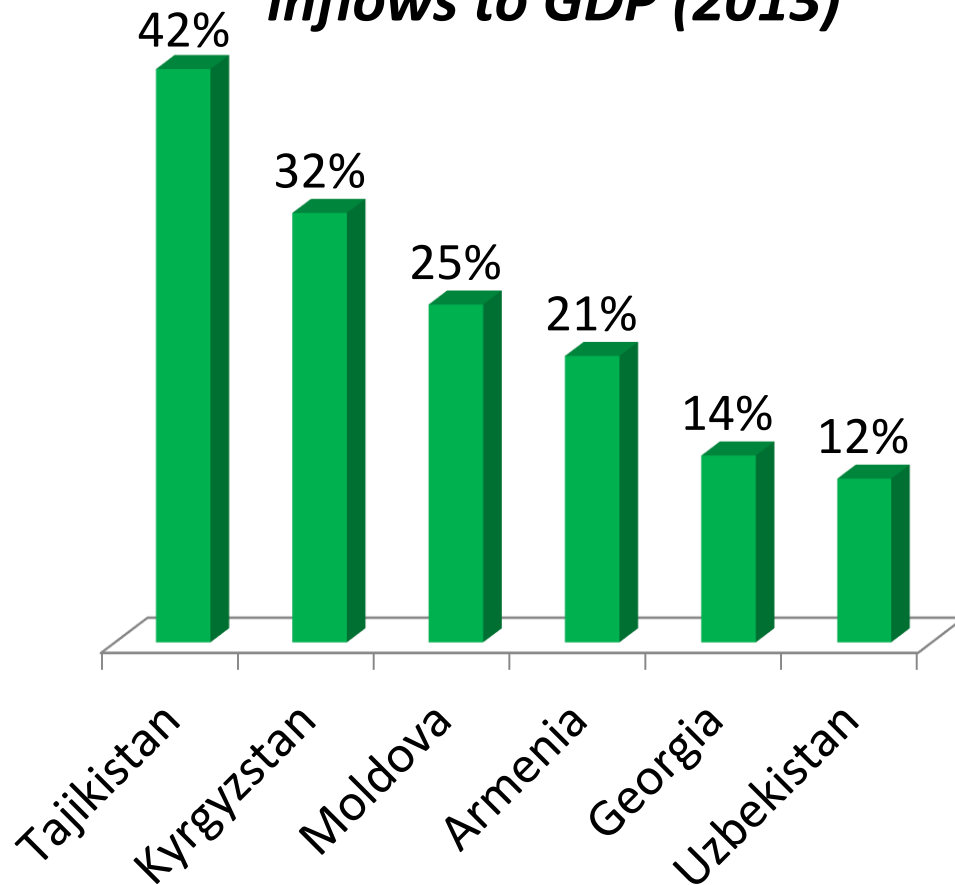
■ Youth
■ Roma
■ National



Sources: ILO, national statistical offices, UNDP/EU/World Bank Roma vulnerability database. 2011 data

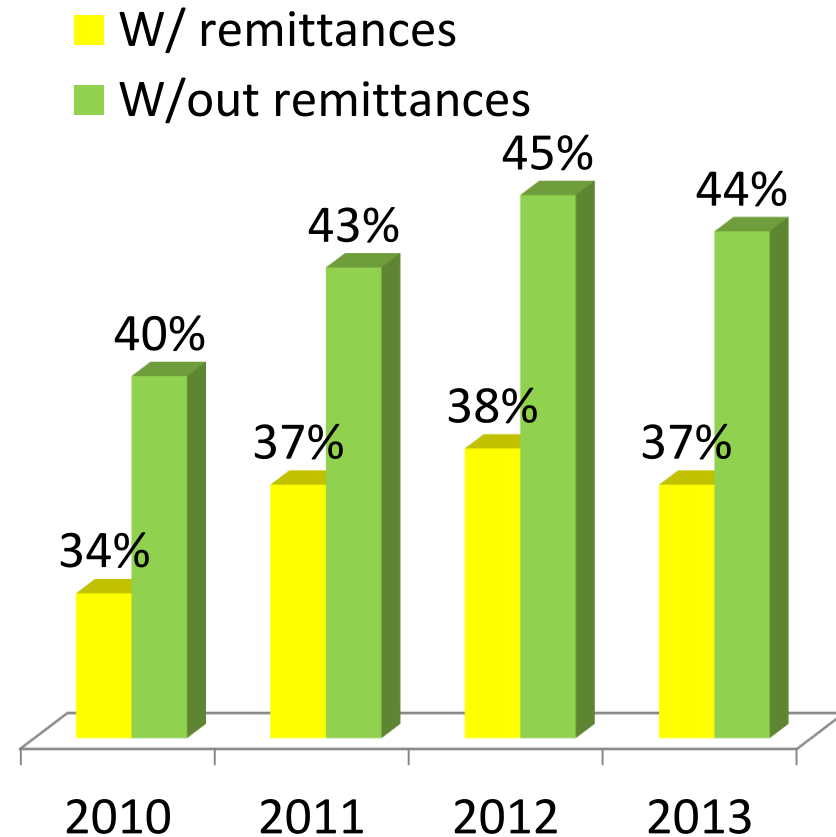
Other “new poor” (“newly vulnerable”): Migrant households

Ratios of remittance inflows to GDP (2013)



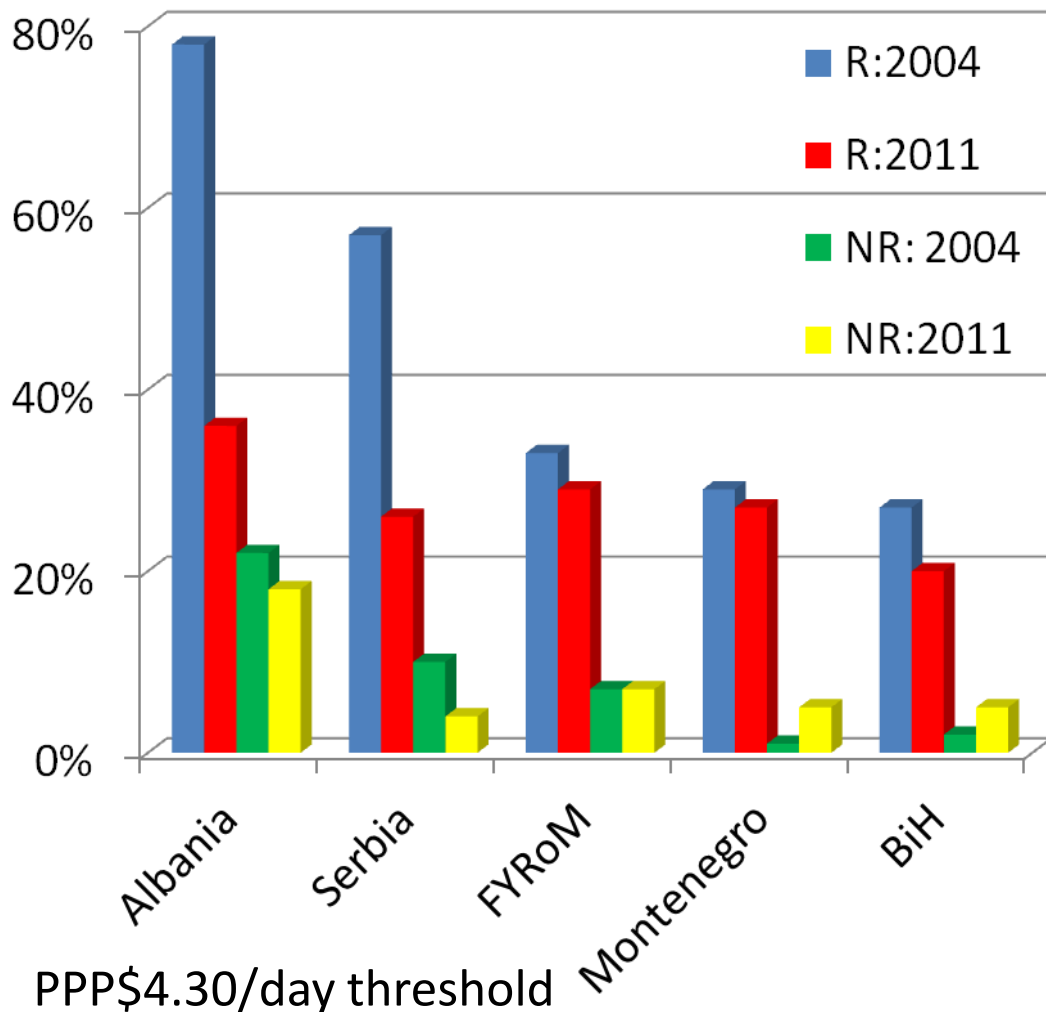
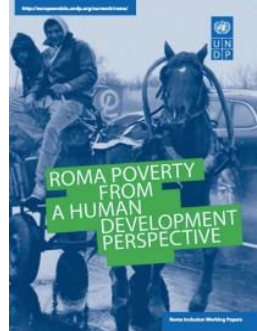
Kyrgyzstan: Income poverty rates

Empowered lives.
Resilient nations.



Sources: National statistical offices, World Bank, IMF, CBR data; UNDP estimates.

Measuring poverty for Roma group: Monetary poverty



- Monetary poverty rates during 2004-2011 fell for:
 - Roma
 - Non-Roma
- Greater declines in poverty for Roma than for:
 - Non-Roma living in close proximity
 - Countries as a whole
- Particularly large declines for:
 - Albania
 - Serbia
- Declines in Roma poverty due in part to high initial levels?

Measuring poverty for Roma group: Multi-dimensional



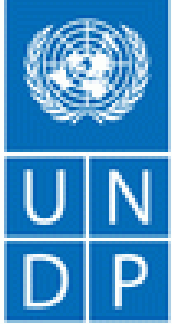
Empowered lives.
Resilient nations.

MPI aggregates different indicators of current, future welfare

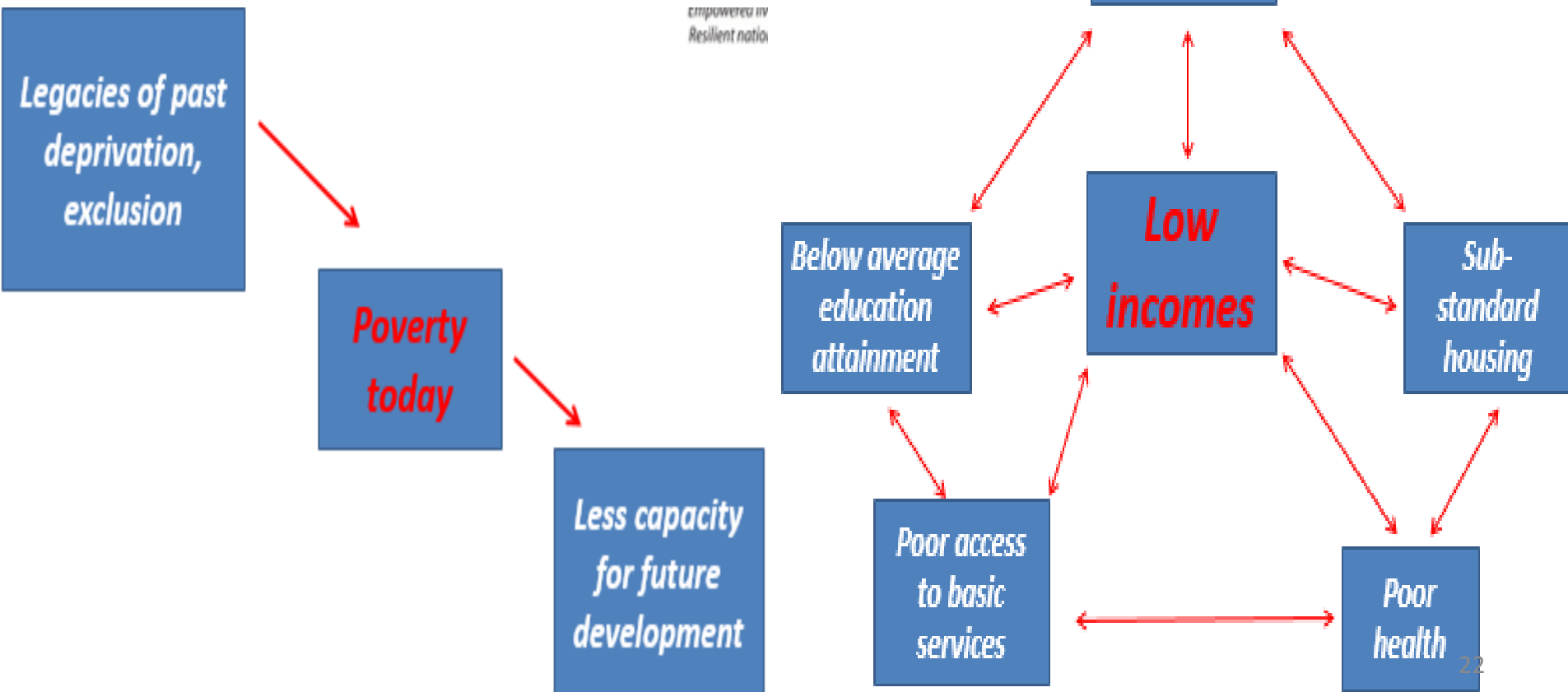
Area	Dimension	Indicator
Material well-being (current welfare)	Housing	Access to basic services
		Living in “slums”
	Living standards	Extreme poverty
		Access to household amenities
	Labour market	Unemployment
		Lack of work experience
Human capabilities (future welfare)	Basic rights	Civil status (IDs)
		Discrimination
	Health	Disabilities
		Limited access to health care
	Education	Education attainment
		Literacy

Roma poverty is also
multi-generational
(life cycle)

Roma poverty is
multidimensional
(not only about low
incomes)



Empowered lives.
Resilient nations.
MDG



National MDG reports address vulnerability to poverty



*Empowered lives.
Resilient nations.*

The Millennium Development Goals in Europe and Central Asia

Lessons on Monitoring and Implementation of the MDGs
for the Post-2015 Development Agenda,
based upon Five Illustrative Case Studies



UNITED NATIONS

- a country can – on average – be meeting an MDG, while **still leaving behind pockets of many vulnerable people.**
- **desire or need to disaggregate the MDGs—** adapting their targets and indicators to sub-national regions or administrative jurisdictions (i.e., localization) or **for specific vulnerable groups**
- need to go beyond the ‘tyranny of averages’, and ensure that **the SDGs can reflect the needs of the least fortunate”**

The poor and the vulnerable in SDGs



Empowered lives.
Resilient nations.

Proposed Sustainable Development Goals

Targets addressing poor and in vulnerable situations

SDG1: *End poverty in all its forms*

1.3. Social protection schemes
1.4 equal rights to economic resources
1.5 resilience to human-made and natural disasters

SDG2: *End hunger, improve nutrition*

2.1 end hunger and ensure access to food

SDG4: *Inclusive, equitable, quality education*

4.5 Vocational training for the vulnerable

SDG6: *Water and sanitation for all*

6.2. access to adequate anion and hygiene

SDG 11: *Make . . . human settlements inclusive, safe, resilient, sustainable*

11.2. access to safe, affordable, accessible and sustainable transport systems
11.5. protect and reduce number of deaths caused by disasters

Some key reflections



*Empowered lives.
Resilient nations.*

- Better data are needed for many indicators
 - Especially for non-income measures
 - But long lags affect even internationally comparable income data
- Multidimensional approach can produce alternative results than monetary measures of vulnerability to poverty
 - but need to be adopted for national context since international MPI doesn't tell the story in our region
- This matters for policies in key sectors where higher incomes may not automatically translate into better living conditions
- Post-2015 indicators to underpin the SDGs





Photo credit: UNICEF -IRC



*Empowered lives.
Resilient nations.*

Vulnerability to Poverty

UNECE workshop on
measuring poverty and vulnerability
Geneva, 4 May 2014

elena.danilova-cross@undp.org