

Poverty Measurement Practices in Nepal

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Outline of Presentation

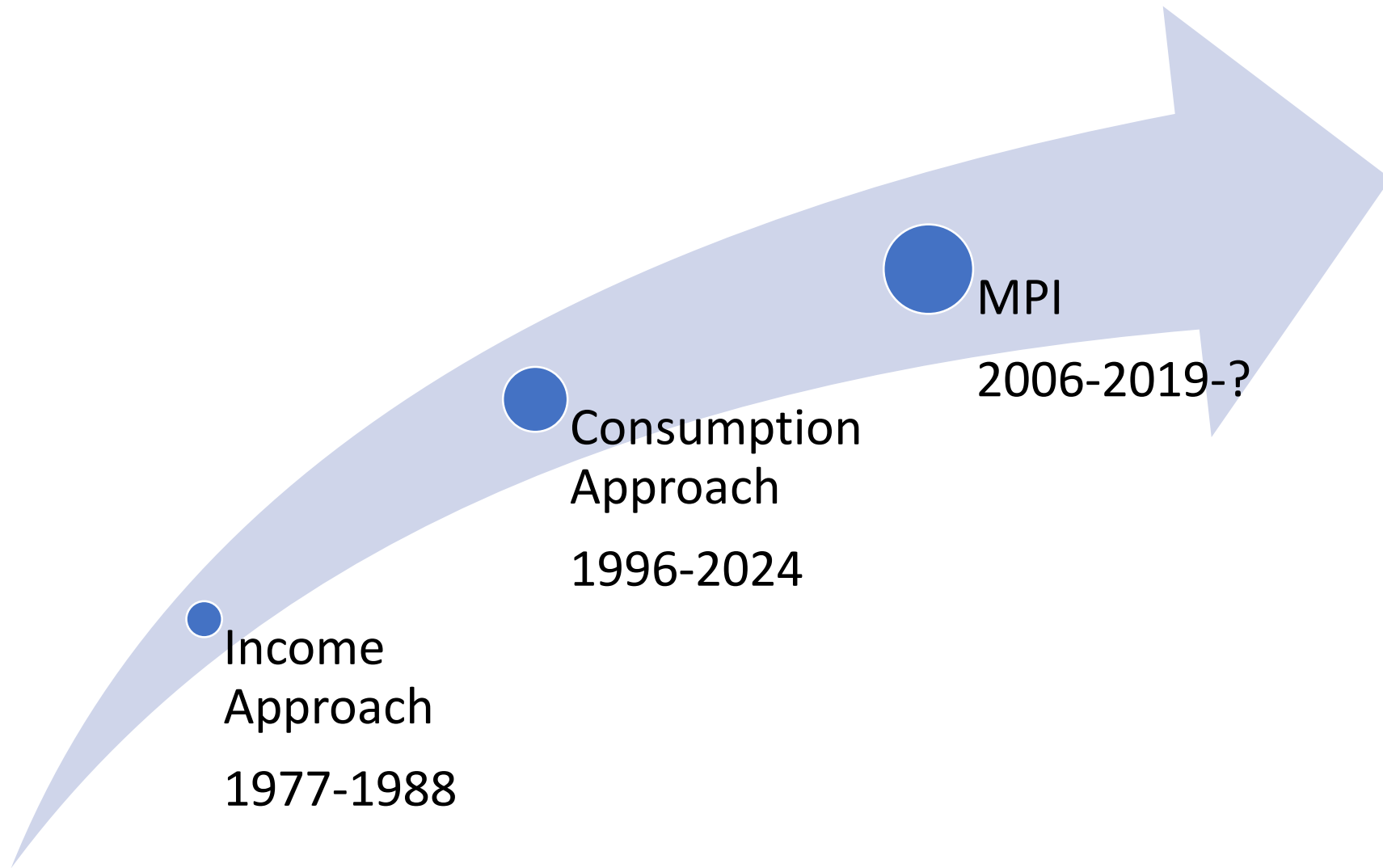
- Poverty measurement practices in Nepal
 - Income based poverty
 - Consumption based poverty
 - Multidimensional poverty
- Details on MPI
- Way Forward

Poverty

- In simple terms Poverty is not having enough material possessions or income for a person's needs.
- In other words poverty is the lack of resources to maintain the basic needs of the individuals. These basic needs are characterized as food, housing, non food, education, health, entertainment etc.
- Poverty is a multifaceted concept, which may include social, economic, and political elements.

Poverty Measurement Techniques

- Income Approach: this approach measures the poverty with the individual's income in a reference period generally in a day. The world Bank measure: threshold of \$1.9/2.15/person/day (this was \$1/person/day in 1990s)
- Consumption/Expenditure Approach: the first measure of poverty based on consumption approach was done by CBS in 1995/96 by Nepal Living Standard Survey (NLSS) which gave the prevalence of head count index as about 42%. The subsequent NLSS II, NLSS III and NLSS IV gave about 32%, 25% and 20% respectively.
- Multi Dimensional Approach:



Income
Approach
1977-1988

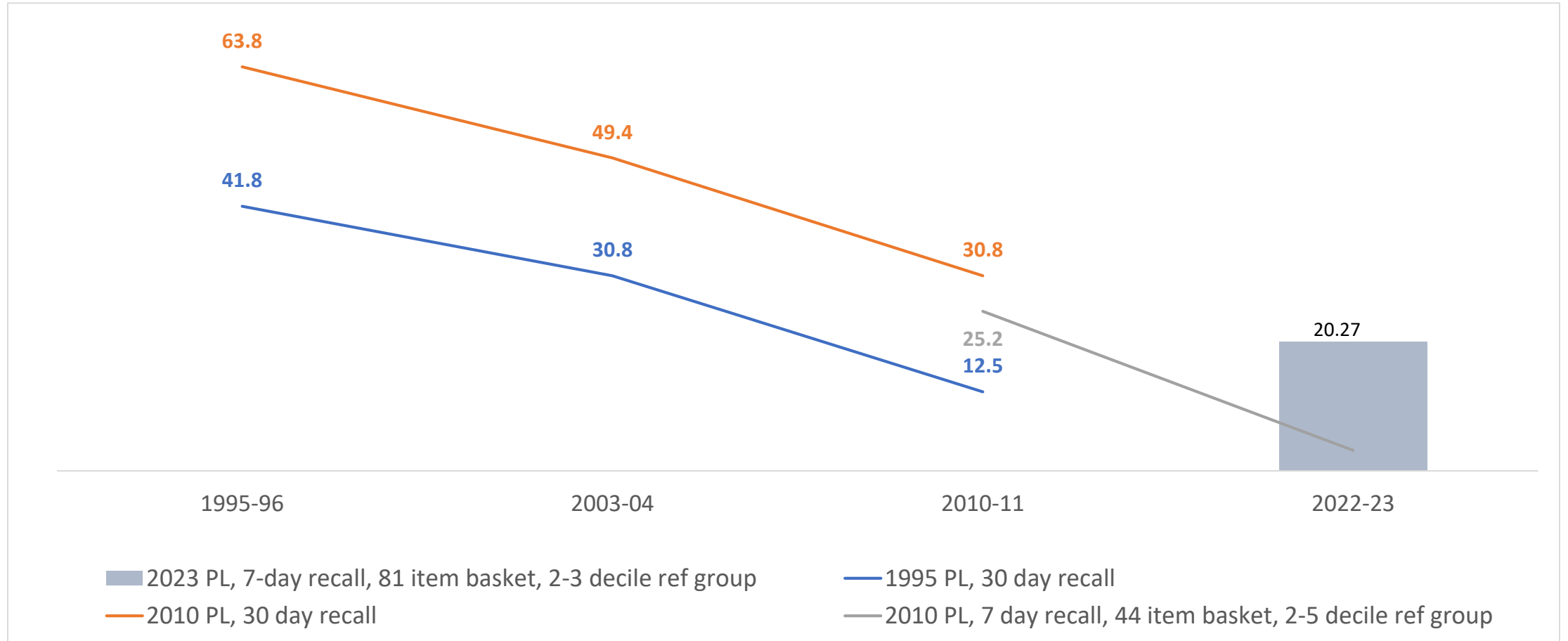
Consumption
Approach
1996-2024

MPI
2006-2019-?

History of poverty measurement in Nepal

- The first poverty measurement in Nepal was done in 1997 under the leadership of NPC using data from household budget survey using the income approach, which estimated the prevalence of poverty at around 36%. The income approach continued until the 1990s.
- GoN implemented the first living standard measurement survey in 1995/96 ,to estimate poverty by using the Cost of Basic Needs (CBN) approach,
- commonly understood as consumption approach which estimated the prevalence at around 42%. This technique is still ongoing and the fourth round of living standard survey just completed with the following poverty estimates

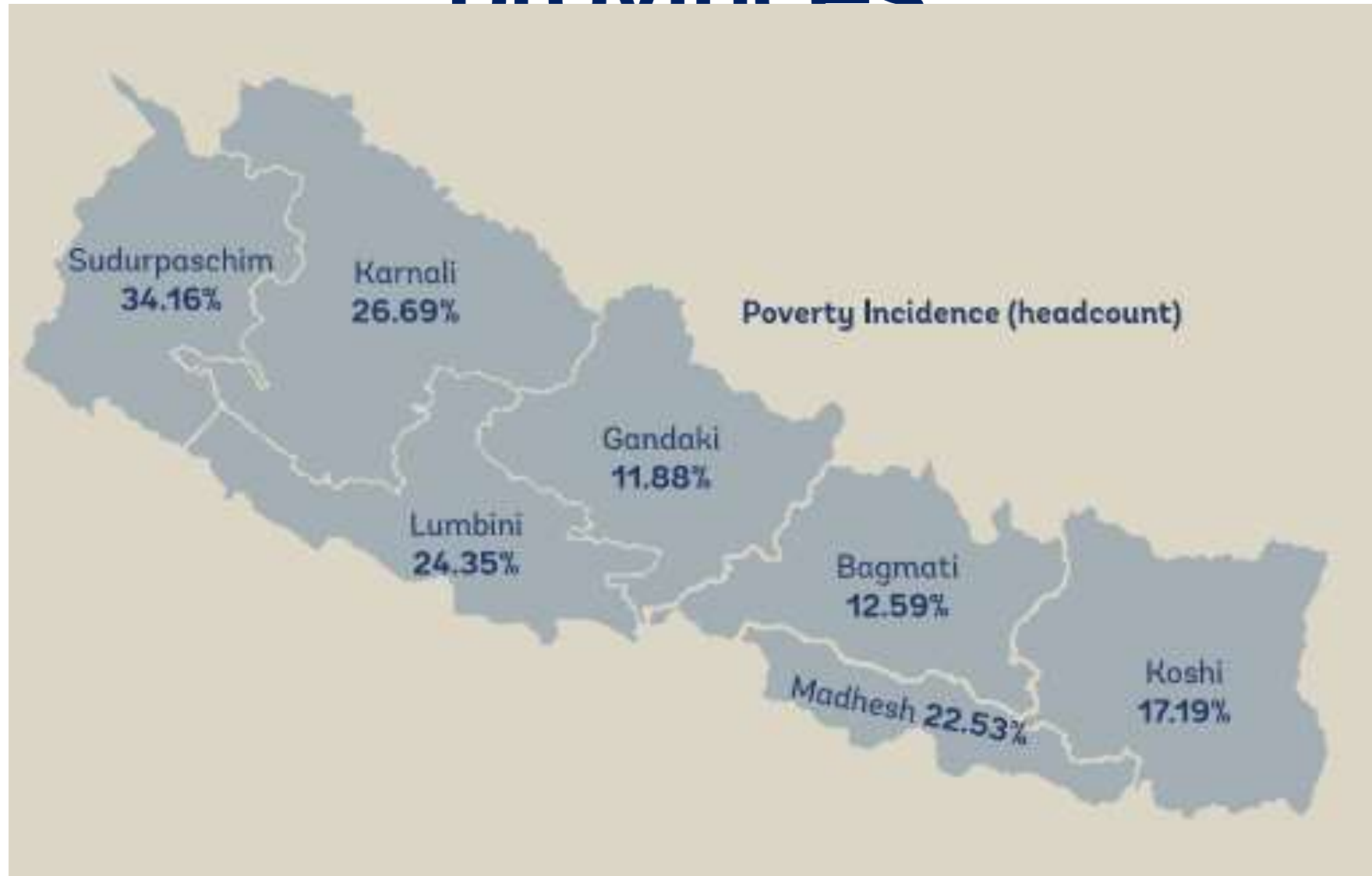
Consumption Poverty based on new poverty line (2022-23)



Poverty headcount, poverty gap and squared poverty gap

Region	Poverty Incidence			Gini Index	Distribution	
	Headcount rate	Poverty gap (percent)	Poverty gap squared (percent)		of the poor	of the population
Nepal	20.27	4.52	1.48	0.30		
Urban	18.34	4.03	1.29	0.303	62.86	69.48
Rural	24.66	5.64	1.91	0.287	37.14	30.52

Consumption poverty by provinces



Emergence of MPI

- With the methodologies developed from OPI, in 2014, we started estimating poverty by applying multidimensional approach
- using data from multiple indicator cluster surveys since 2006 to 2019 below upto development region/provincial level.





GOVERNMENT OF NEPAL
NATIONAL PLANNING COMMISSION

NEPAL

Multidimensional Poverty Index

ANALYSIS TOWARDS ACTION

2021



In partnership with



Nepal MPI 2021

Synopsis

Government of Nepal
National Planning Commission
September, 2021

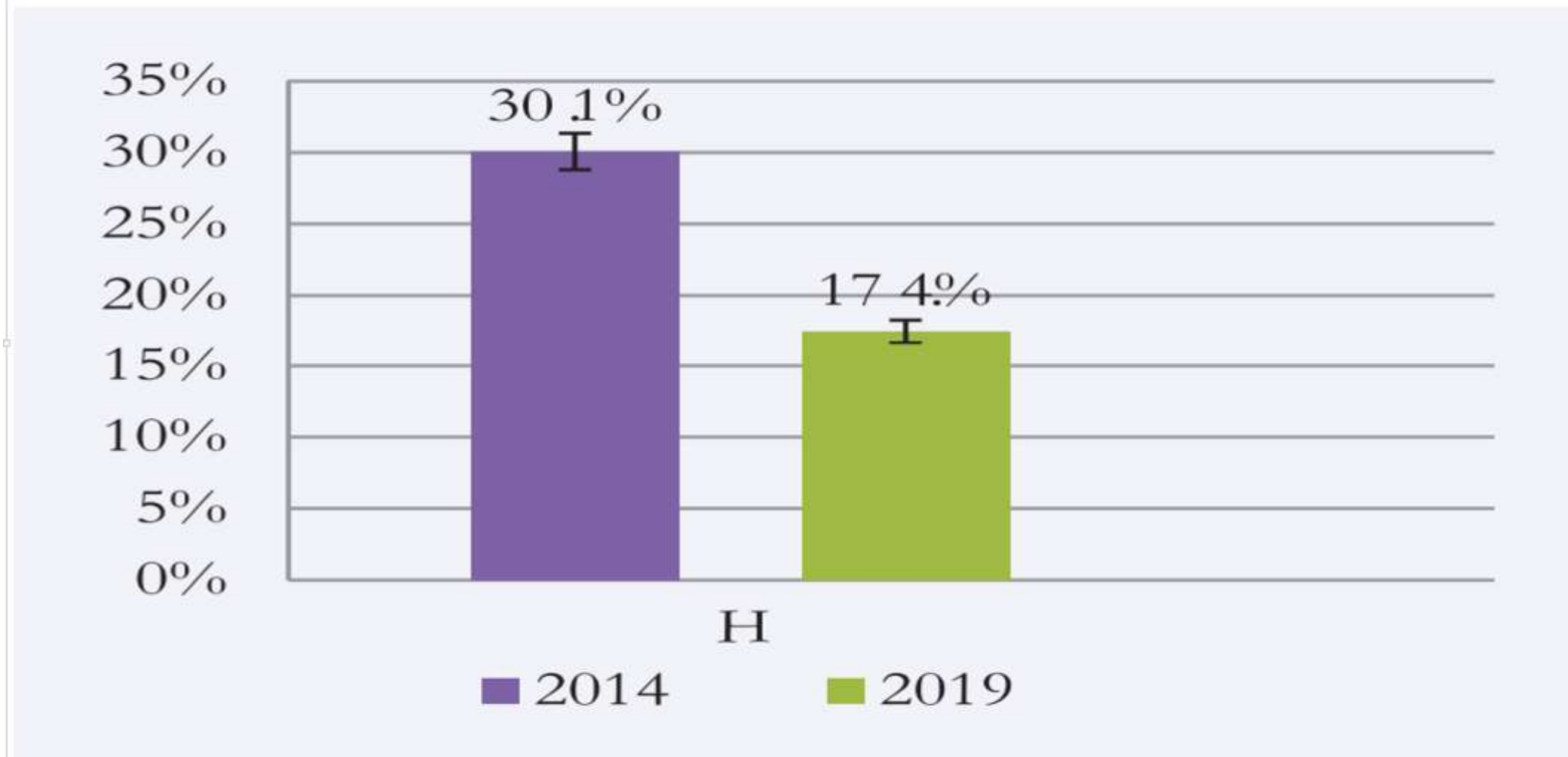
Data source

- Nepal Multiple Indicator Cluster Survey (NMICS), CBS/UNICEF 2019
- Two stage cluster sample design
- 53,815 people from 12,800 households
- Representative nationally as well as provincial and rural/urban areas
- All 10 indicators of MPI in one single data source

Key findings

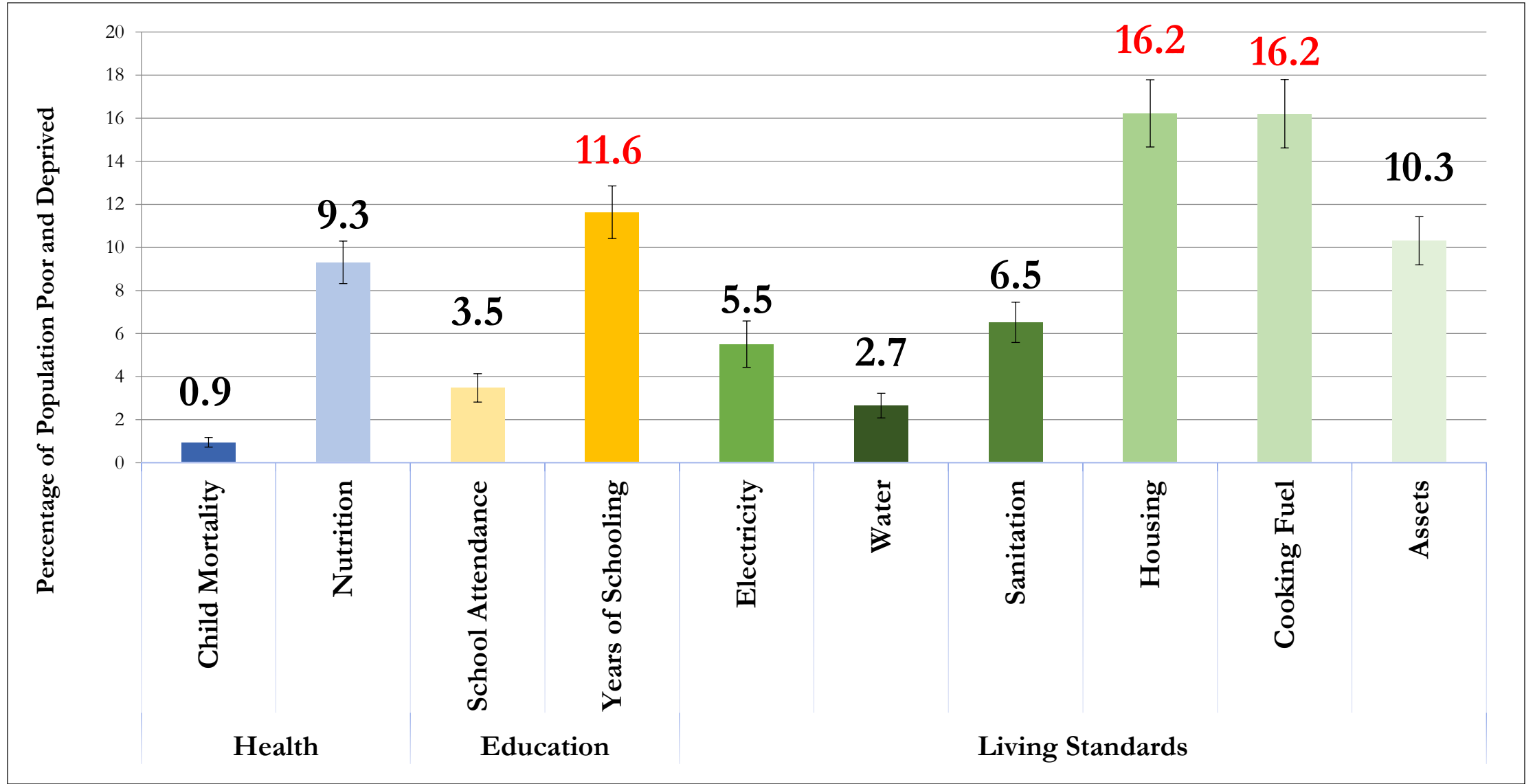
- 17.4% of people are multidimensionally poor (Headcount ratio)
Number of poor people: 4.98 million
- On average, each poor person suffers deprivations in 42.5% of dimensions (Intensity)
- The MPI for Nepal is 0.074

Multidimensional Poverty in Nepal, 2014-2019

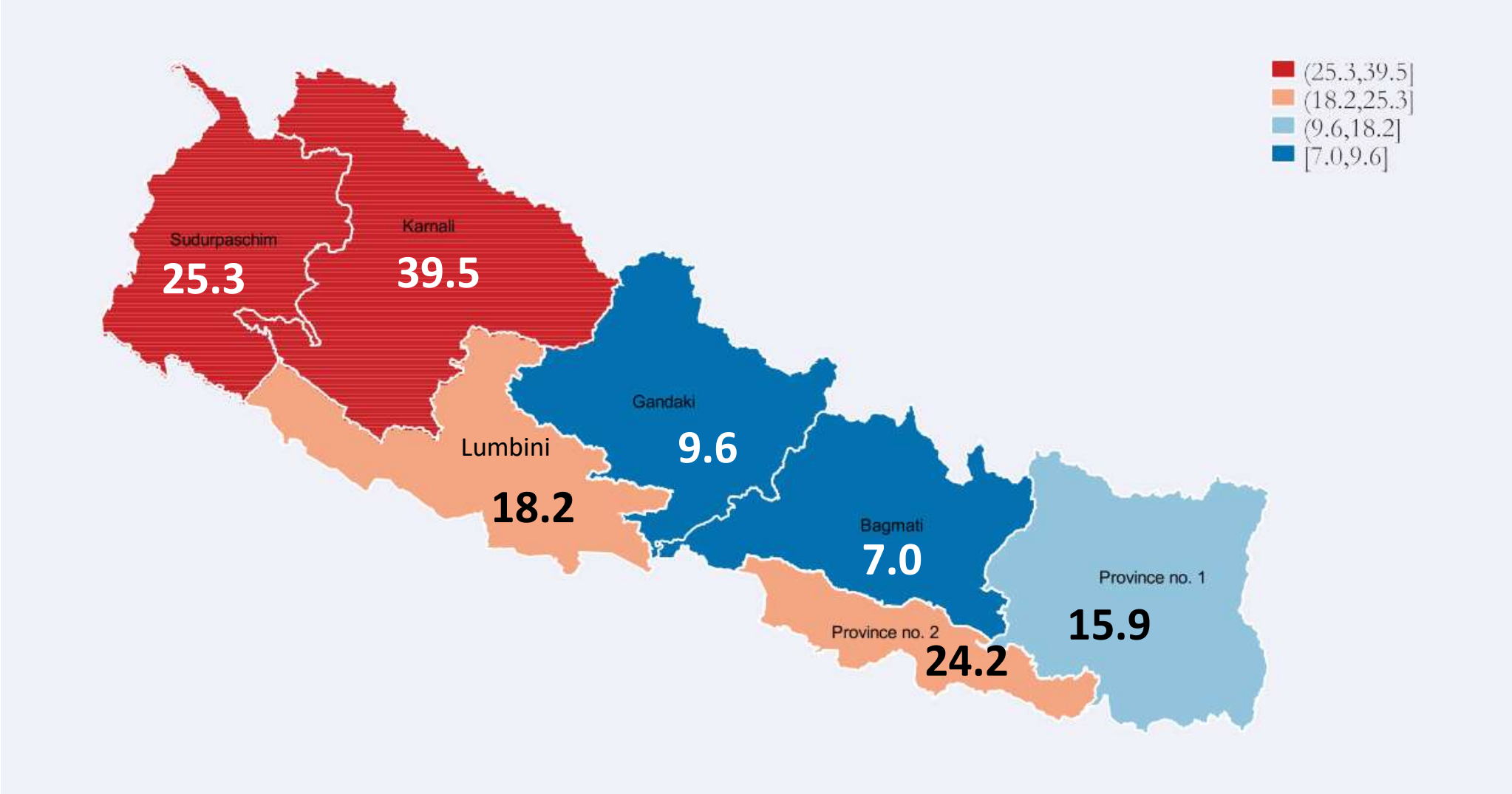


Source: Calculations using the NMICS 2014 and NMICS 2019.

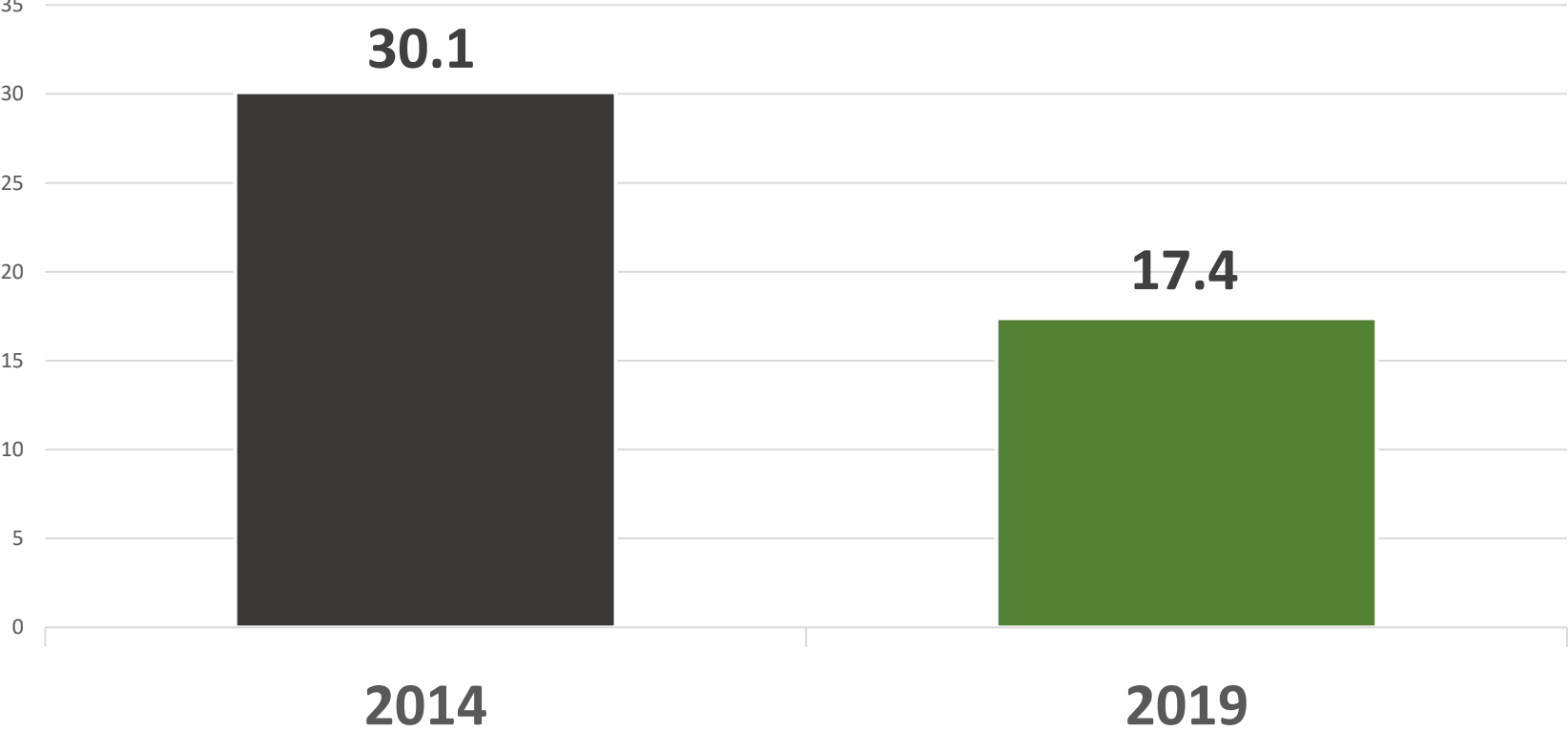
Deprivations in 10 indicators



Karnali has the highest poverty incidence followed by Sudurpaschim and Province 2 ...

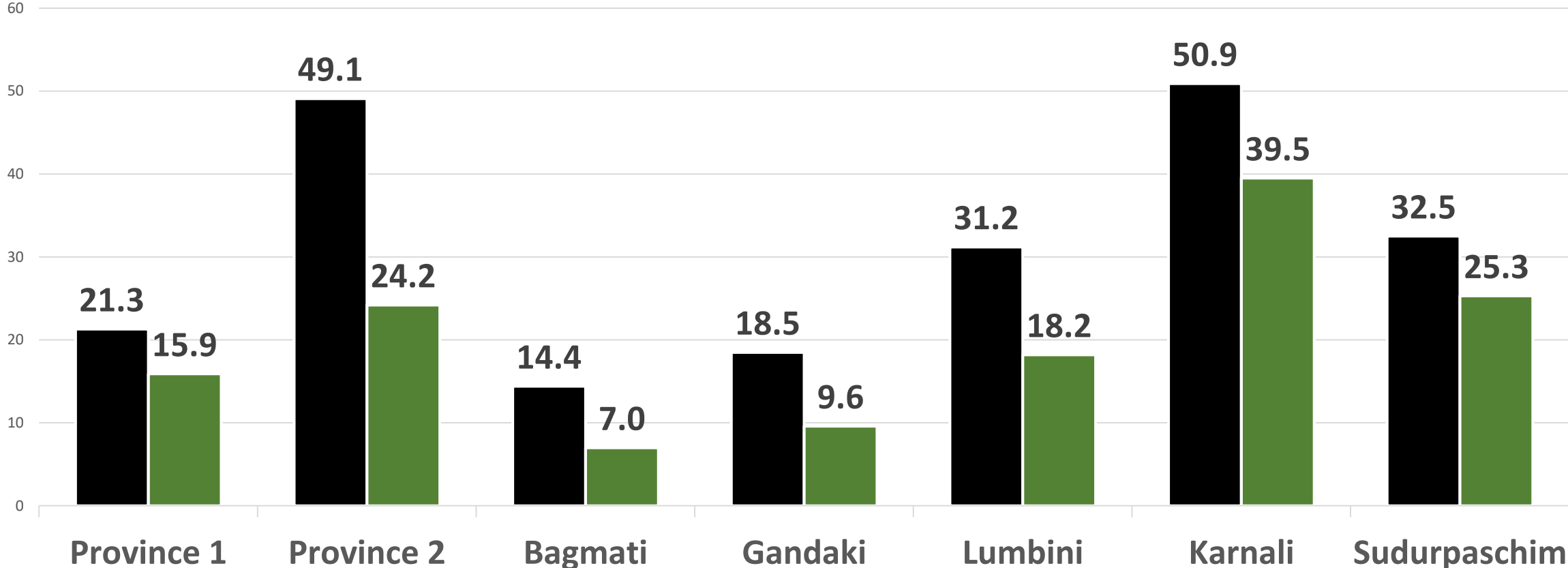


Significant reduction in poverty headcount over 5 years period, National (%)



3.1 million people left poverty in five years!

Significant reduction in poverty headcount over 5 years period (2014-2019), Provincial (%)



Finally

- This report uses a 2019 Nepal MICS dataset. The survey was completed just before the Covid-19 pandemic in Nepal. So, the rate might have been changed in the Covid-19 pandemic context.
- We plan to continue this approach upto municipality level (753 in numbers) and want to contribute new methodology by using recently completed population census data if feasible.

Thank you