



**Estimation of Purchasing Power Parities
for Global and Regional Poverty
Measurement**

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Outline

- F **International Poverty Lines and poverty measurement**
- F **PPPs for poverty measurement**
- F **World Bank approach**
- F **New methodology**
- F **Poverty-specific PPPs for 2005 ICP Asia-Pacific**
- F **Int. poverty Line for the Asia-Pacific Region**
- F **Estimates of poverty**
- F **Conclusions**



International Poverty Lines

- ⊞ **International poverty lines are used by the World Bank for poverty assessment**
- ⊞ **\$1/day and \$2/day international poverty lines have been in use since 1990**
- ⊞ **The first MDG states that absolute poverty measured using \$1/day international poverty line should be halved by 2015.**
- ⊞ **Purchasing power parities are extensively used in the estimation of poverty incidence.**



Purchasing Power Parities (PPPs)

PPPs are amounts of currencies, of different countries, that have the same purchasing power as one unit of a reference currency (e.g. US\$) with respect to a selected basket of goods and services.



PPPs - some celebrated examples

- F **Big Mac Index**
- F **PPPs for Gross Domestic Product Comparisons**
- F **PPPs for Consumption, Investment and Government**
- F **Agricultural Sector PPPs**
- F **Manufacturing Sector PPPs**
- F **Specially focused PPPs**
 - **Tourism PPPs**
 - **PPPs for IT Equipment**

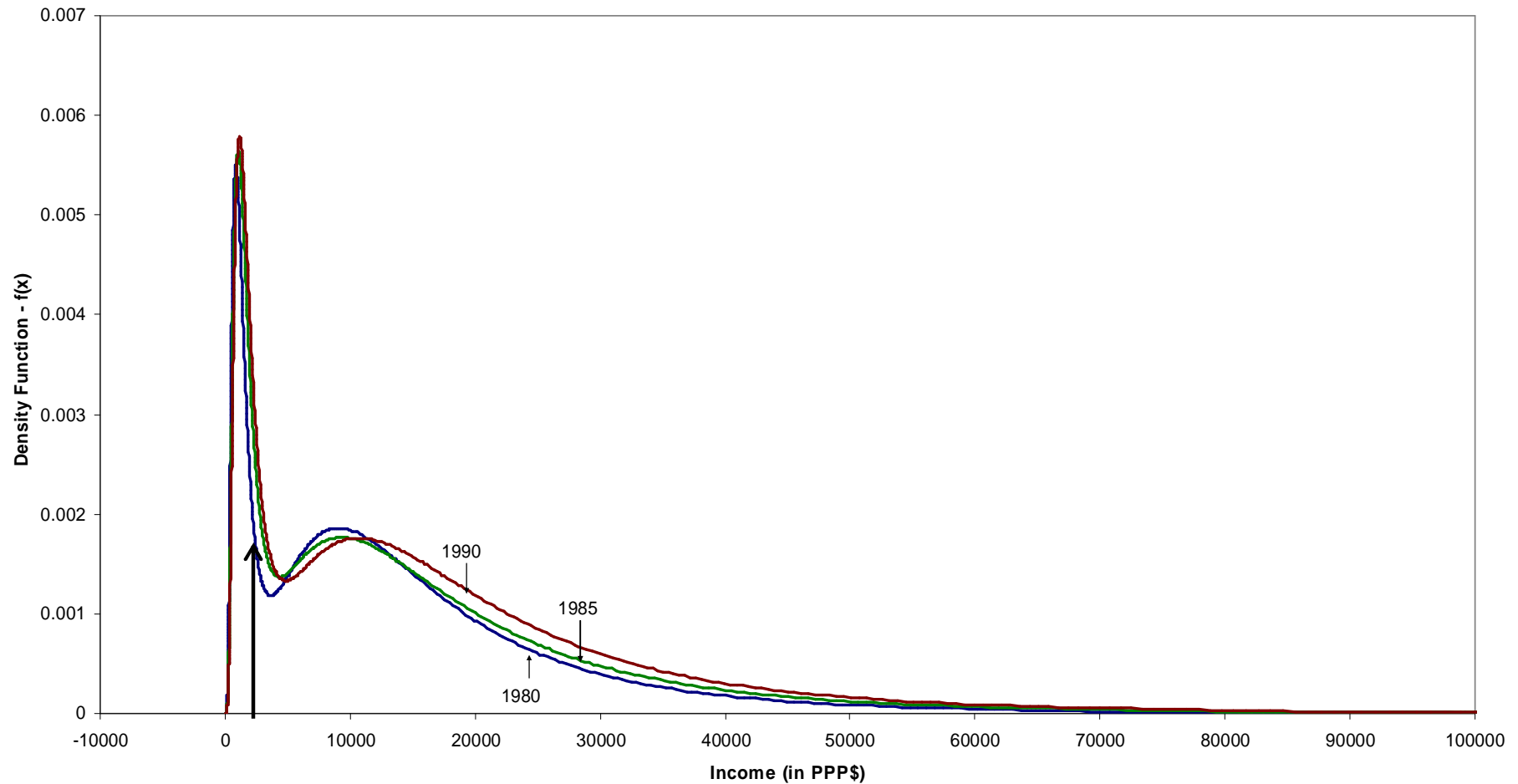


PPPs from ICP 2005

| Country | Exch. Rate | PPP | PLI% (US=100) |
|-------------|------------|--------|------------------|
| P.R. China | 8.19 | 3.56 | 43 |
| Hong Kong | 7.78 | 5.86 | 75 |
| India | 44.10 | 15.15 | 34 |
| Australia | 1.31 | 1.39 | 106 |
| Japan | 110.22 | 129.55 | 118 |
| Switzerland | 1.25 | 1.75 | 140 |
| Ethiopia | 8.67 | 2.33 | 27 |

Source: World Bank, 2005 ICP Report

Global Distribution of Income Using PPPs



Estimated No. of poor \$1/day poverty line

| (b) Number of people | | | | | | | | | |
|----------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|---------------|
| Region | 1981 | 1984 | 1987 | 1990 | 1993 | 1996 | 1999 | 2002 | 2004 |
| EAP | 796.40 | 564.30 | 428.76 | 476.22 | 420.22 | 279.09 | 276.54 | 226.77 | 169.13 |
| China | 633.66 | 425.27 | 310.43 | 374.33 | 334.21 | 211.44 | 222.78 | 176.61 | 128.36 |
| ECA | 3.00 | 2.27 | 1.61 | 2.16 | 16.94 | 20.87 | 17.90 | 6.01 | 4.42 |
| LAC | 39.35 | 50.90 | 50.00 | 44.60 | 38.83 | 42.96 | 49.03 | 48.13 | 47.02 |
| MNA | 8.81 | 7.26 | 6.41 | 5.26 | 4.53 | 4.38 | 5.67 | 4.88 | 4.40 |
| SAS | 455.18 | 445.05 | 471.14 | 479.10 | 436.74 | 452.91 | 463.40 | 469.55 | 446.20 |
| India | 363.72 | 359.41 | 368.60 | 376.44 | 376.14 | 378.91 | 376.25 | 377.84 | 370.67 |
| SSA | 167.53 | 199.78 | 222.80 | 240.34 | 252.26 | 286.21 | 296.07 | 296.11 | 298.30 |
| Total | 1470.28 | 1269.56 | 1180.73 | 1247.68 | 1170.17 | 1087.81 | 1108.61 | 1051.46 | 969.48 |
| Total excl. China | 836.62 | 844.29 | 870.30 | 873.35 | 835.96 | 876.37 | 885.83 | 874.85 | 841.12 |

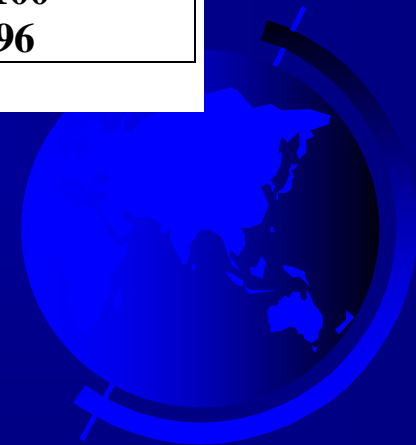
Source: Chen and Ravallion (2007)

These estimates are based on extrapolated PPPs for Consumption from the 1993 benchmark comparisons.

Global and regional poverty estimates

| | 1990 | 2000 |
|---------------------------------------|--------------|--------------|
| Developing Country Groups | | |
| East Asia & Pacific | 470 | 261 |
| Excluding China | 110 | 57 |
| Europe & Central Asia | 6 | 20 |
| Latin America & Caribbean | 48 | 56 |
| Middle East & North Africa | 5 | 8 |
| South Asia | 466 | 432 |
| Sub-Saharan Africa | 241 | 323 |
| TOTAL | 1,237 | 1,100 |
| Excluding China | 877 | 896 |

Source: World Bank website



Global and regional poverty estimates

| Region | Poverty line in 2005 prices | | | | |
|--------------------------------------|-----------------------------|---------------|---------------|---------------|---------------|
| | \$1.00 | \$1.25 | \$1.45 | \$2.00 | \$2.50 |
| (b) Number of poor (millions) | | | | | |
| East Asia and Pacific | 179.8 | 336.9 | 388.6 | 748.3 | 987.2 |
| Of which China | 106.1 | 207.7 | 216.5 | 473.7 | 645.6 |
| Eastern Europe and Central Asia | 16.0 | 23.9 | 30.9 | 50.1 | 69.5 |
| Latin America and Caribbean | 27.6 | 45.1 | 59.9 | 98.7 | 132.9 |
| Middle East and North Africa | 6.2 | 14.0 | 23.2 | 58.0 | 94.3 |
| South Asia | 350.3 | 595.5 | 772.2 | 1091.6 | 1246.4 |
| Of which India | 266.5 | 455.8 | 590.3 | 827.7 | 938.0 |
| Sub-Saharan Africa | 299.1 | 384.2 | 442.0 | 551.0 | 609.9 |
| Total | 879.0 | 1399.6 | 1716.8 | 2597.8 | 3140.2 |

Source: Chen and Ravallion (2008)

PPPs and Global Poverty

The World Bank Approach

- F Regular estimates of global and regional poverty
- F Uses \$1-a day and \$2- a day as international poverty lines
- F The \$-poverty line is converted into local currency using PPPs from the ICP
- F Estimate poverty incidence using national accounts and HES/LSMS data
- F Approach since the 1990 *World Development Report*



Advantages

- F A simple approach that ensures inter-country comparability
 - Country practices are diverse
 - Need for comparability from an international perspective in the light of MDGs
- F \$1-a-day poverty line approximates existing country poverty lines (especially in developing countries) quite well
- F Concept is easy to explain and create awareness among the international community
- F World Bank estimates of poverty incidence are widely used



Which conversion factors to use?

- F Exchange rates
- F PPPs from the ICP for the GDP as a whole
 - used in real per capita income comparisons
- F PPPs for consumption
- F PPPs for food and beverages



Data needed for PPP calculations

- F Prices of specified items, five or more per basic heading.
- F GDP expenditure broken down to basic headings and weights.
- F Price -Quantity data: (p_{ij}, q_{ij}) , $i=1,2,\dots,N$ and $j=1,2,\dots,M$.
- F A suitable index number method to aggregate price and quantity data



Why ICP PPPs are not appropriate?

- F **Items priced are usually representative of the consumption of higher income groups – mainly due to adherence to comparability**
- F **Location of price surveys**
 - Urban/cities/rural
 - Past ICP price surveys mainly located in metropolitan areas
- F **Outlets for price surveys**
 - Make sure the service component of outlets is comparable
- F **Inappropriate expenditure-share weights**
 - National average weights versus weights representative of consumption pattern of poor



Extrapolations to non-participating countries and non-benchmark years

- F Low participation in ICP benchmarks in the past and infrequent benchmarks
- F Extrapolations to non-benchmark countries are based on regression methods
 - u PWT Methodology (versions 5.6 and 6.1)
 - u World Bank Methodology
- F Extrapolations to non-benchmark years
 - u Stability of regressions over time
 - u Inconsistency between benchmarks
- F Standard errors for extrapolated PPPs
- F Big changes in poverty estimates (and regional composition) when new ICP round PPPs are used.



Poverty-specific PPPs

- ⌘ PPPs for converting poverty lines expressed in different national currencies
 - Similar to price level adjustments for regional poverty lines
- ⌘ Resulting PPPs may be used for purposes of converting the World Bank \$1 and \$2-a-day into various national currency units.



Compilation of Poverty-PPPs – Basic Approach

- w The approach used here is endorsed by the Poverty Advisory Group established by the World Bank.
- w The PAG recommendation is to improve the methodology on an incremental basis. For this round the following steps are recommended.
- w **Step 1: Compute Basic Heading PPPs for Consumption items using ICP data collected during 2005.**
- w **Step 2: Aggregate these BH Parities using expenditure share weights of the “poor”.**



Basic Approach - continued

- w The “Poor” population for purposes of this project is determined as a part of the PPP computations.
- w Expenditure share weights are compiled from the most recent household expenditure surveys.
- w Compile poverty PPPs using one of the “ring countries” as the reference or numeraire country.
- w Use the ICP Ring comparisons to connect “regional-specific” Poverty-PPPs with the US dollar.



Sensitivity Analysis

- w **The main objective of the project is to compile Poverty-PPPs using methodology recommended by the PAG. This is the *baseline outcome*.**
- w **The project is also designed to provide useful input into future innovations to the methodology.**
- w **The aim here is to study sensitivity of the Poverty-PPP estimates to different sources of price data and to different aggregation methodologies.**



Sensitivity Analysis - alternatives

- W **Price data from poverty price surveys – product lists and outlets are selected so as to represent the consumption habits of the poor.**
- W **Use of “*representativeness*” information for the items in the ICP – countries have indicated whether items are relevant for poor.**
- W **Expenditure share weights – The PAG recommendation is to use expenditure weights for the poor.**
 - W **Poor are defined as all households under a given poverty line**
 - W **Instead only households around the poverty line may be used**



Poverty PPPs: Data Sources

- w **Source of price data: ICP-Asia: 2005. Consumption basic heading (BH) PPPs for the region (16 countries)**
- w **Alternative source: Prices from Poverty Price Surveys**
- w Expenditure shares are compiled from the household expenditure survey data:
 - w World Bank has assisted in mapping HES product lists to ICP Basic Headings – work has been completed for all the countries
 - w Latest household expenditure survey data are being used
 - w Compile expenditure share weights for the poor or for households around the poverty line



HES and the Expenditure Weights

F We need weights to combine basic heading PPPs

§ Depends upon the particular formula used.

F Use ICP basic headings from consumption

§ Allows the use of ICP-price data to be combined with HES expenditure weights

F Establish a mapping between ICP basic headings and HES expenditure data

§ HES classification and ICP classification do not match

§ The extent of mismatch varies across countries

§ There is need to split some categories and in some cases aggregate HES categories to match ICP categories

§ This work was undertaken at the Global Office



Identifying the “Reference Population” – who are the poor?

- F Start with a set of PPPs – like ICP PPPs computed using national weights.
- F Use the PPPs to convert \$1/day international poverty line or any other poverty line of choice
- F Once the poverty lines are obtained for each country, then use the poverty lines to identify the “reference population” – used three methods
 1. Identify all the households below the poverty line.
 2. Identify all the households within an interval “h” ($\pm 0.5h$) or “2h” ($\pm h$) from the poverty line



HES and the “Reference Population”

- F Using the “reference population” of households, compute expenditure share weights for different basic headings.
- F Once the weights are known, we can use these weights to combine Basic Heading PPPs and compute PPPs for converting poverty line.
- F Use these PPPs to convert once again the “international poverty lines” and follow the same steps.
- F Continue until this process converges to a single set of PPPs – Poverty PPPs.



HES and the Expenditure Weights

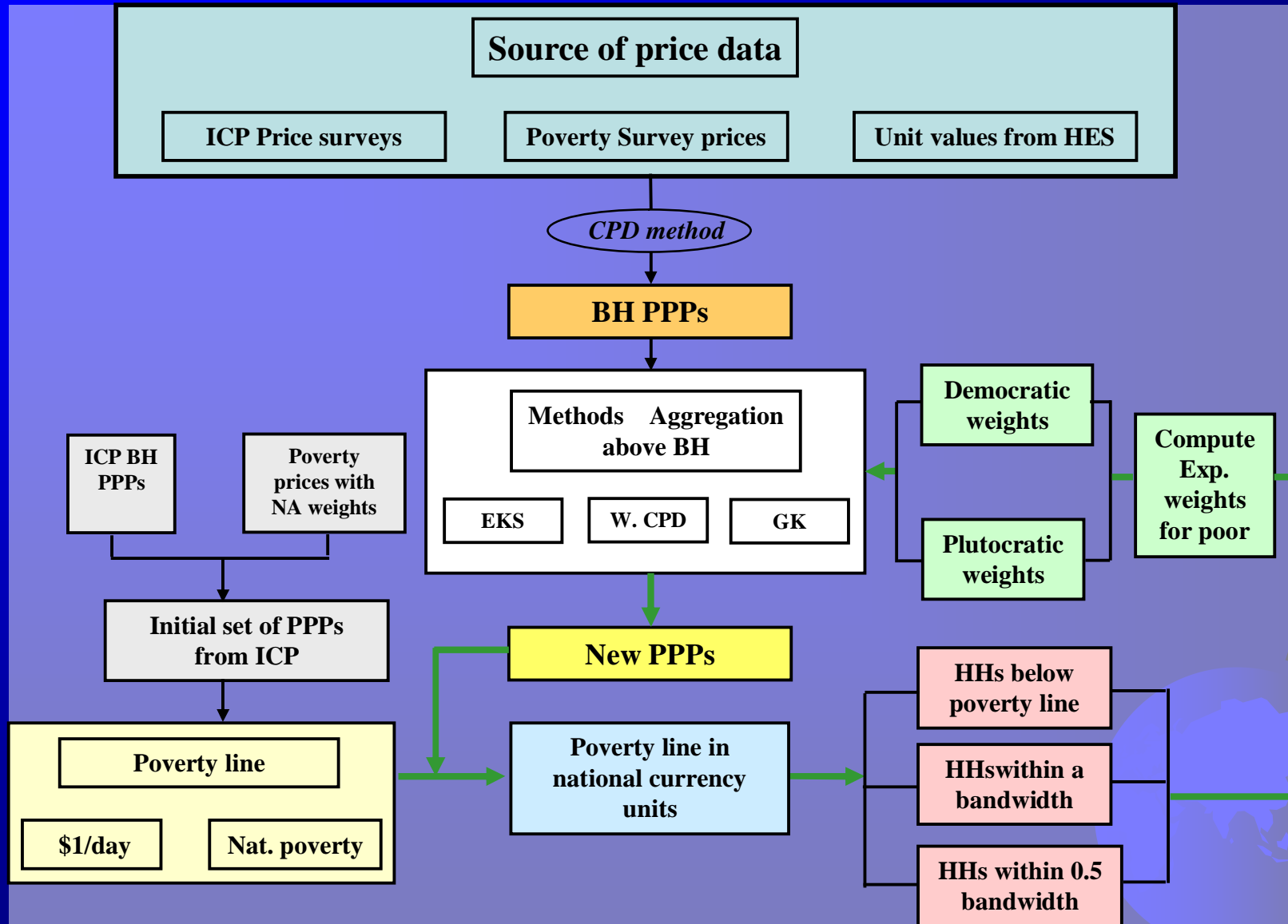
F Compute average weights for all the households

- § Weights for the “poor households”
- § Democratic weights: average of the expenditure weights of all the “poor households”
- § Plutocratic weights: expenditure weights of the average household – this can be dominated by richer households

F Special tabulations of weights were made for poverty-PPP computations



A Schematic Diagram



Poverty specific price survey

- F As a part of the ADB project, a special price survey was conducted.
- § Countries covered in the Poverty-PPP project:
 - § 16 countries
 - § Bangladesh; Bhutan; Maldives; Nepal; Sri Lanka;
 - § India; Pakistan
 - § Cambodia; Lao PDR; Vietnam; Thailand
 - § Indonesia; Malaysia; Philippines; Mongolia
 - § Fiji
- F A special product list was drawn up with the cooperation of the participating countries
 - § Goods and services that are typical of consumption of the poor
 - § Sub-regional characteristics were found in the product list
 - § Purchase quantities were typically low
 - § Outlets for pricing are those generally used by the poor – open markets



Differences in product specifications: ICP vs. Poverty Surveys

| Product | Items Priced | |
|------------|---------------------------------------|----------------------------------|
| | ICP | Poverty |
| Rice | Coarse; Brown; White; Premium | Coarse; Ordinary |
| Meats | Choice cuts; non-specific cut | Non-specific cut |
| Vegetables | Good quality | Low quality |
| Wine | Table wine; Premium; Native wine | Native wine |
| Garments | Local popular brand, medium quality | Cheapest brand, low quality |
| Bicycle | Good quality with additional features | Cheap quality and basic features |



A Comparison of Quantities in the ICP and Poverty Specific Price Surveys

| Product | Typical quantity of purchase | |
|-------------------------|---------------------------------|-------|
| | ICP | Poor |
| Coarse Rice | 10 kg | 1 kg |
| Beef — non-specific cut | 1 kg | 250 g |
| Chillies — dried, red | 100 g | 50 g |
| Candles | 1 pc from a pack of 4-6 candles | 1 pc |



Expenditure Share Weights for the Poor

| HH Expenditure Categories | Weight Source | BAN | BHU | CAM | FIJ | IND | INO | LAO | MAL |
|--|-------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|
| Food and Non-alcoholic Beverages | National Accounts | 51.05 | 44.88 | 49.95 | 28.76 | 36.32 | 43.56 | 50.12 | 19.70 |
| | Below Pov Line | 62.63 | 51.13 | 70.81 | 45.96 | 51.66 | 65.32 | 76.18 | 52.88 |
| | "h" around Indonesia Pov Line | 61.67 | 51.62 | 70.23 | 46.76 | 52.23 | 65.15 | 73.95 | 52.29 |
| | | | | | | | | | |
| | | | | | | | | | |
| Clothing and Footwear | National Accounts | 5.91 | 8.32 | 1.93 | 2.57 | 5.60 | 3.72 | 1.85 | 2.51 |
| | Below Pov Line | 6.15 | 9.51 | 3.27 | 4.01 | 9.10 | 3.81 | 1.99 | 3.38 |
| | "h" around Indonesia Pov Line | 6.40 | 9.88 | 3.37 | 3.89 | 8.21 | 4.00 | 2.33 | 3.07 |
| Housing, Water, Electricity, Gas & Other Fuels | National Accounts | 17.51 | 19.92 | 13.20 | 28.07 | 12.39 | 20.87 | 13.05 | 19.46 |
| | Below Pov Line | 13.63 | 15.07 | 8.36 | 9.50 | 13.29 | 12.80 | 10.30 | 19.13 |
| | "h" around Indonesia Pov Line | 13.40 | 14.08 | 8.45 | 9.53 | 13.37 | 12.80 | 10.77 | 19.91 |
| Health and Education | National Accounts | 3.31 | 0.68 | 6.60 | 2.88 | 6.63 | 3.15 | 2.28 | 2.71 |
| | Below Pov Line | 2.47 | 11.14 | 0.52 | 1.29 | 4.33 | 1.39 | 1.37 | 1.10 |
| | "h" around Indonesia Pov Line | 2.53 | 11.78 | 0.45 | 1.45 | 4.99 | 1.36 | 1.45 | 0.85 |
| Transportation and Communication | National Accounts | 4.96 | 3.68 | 8.62 | 8.83 | 18.91 | 9.06 | 12.27 | 21.12 |
| | Below Pov Line | 3.00 | 1.31 | 1.72 | 13.13 | 5.20 | 1.28 | 2.22 | 7.00 |
| | "h" around Indonesia Pov Line | 3.30 | 1.40 | 1.76 | 13.75 | 5.34 | 1.19 | 2.63 | 7.66 |
| Recreation and Culture | National Accounts | 7.00 | 2.62 | 8.95 | 10.37 | 4.93 | 9.55 | 8.08 | 13.03 |
| | Below Pov Line | 4.00 | 1.33 | 2.89 | 6.95 | 4.30 | 3.21 | 2.23 | 6.61 |
| | "h" around Indonesia Pov Line | 4.55 | 1.32 | 2.99 | 6.48 | 4.43 | 3.40 | 2.75 | 7.47 |
| Restaurants and Hotels | National Accounts | 1.52 | 6.00 | 1.01 | 0.22 | 2.62 | 2.41 | 1.07 | 1.25 |
| | Below Pov Line | 2.14 | 0.13 | 0.00 | 0.90 | 3.77 | 3.49 | 0.53 | 1.48 |

**Table A Summary Table by Percentage of Difference:
Poverty Specific Price Surveys and the 2005 ICP Asia Pacific Price Surveys**

| Country | All Items | | | Food | | | Non-Food | | |
|-----------------|------------------|------------------------------------|-------------------------------------|------------------|------------------------------------|-------------------------------------|------------------|------------------------------------|-------------------------------------|
| | Poverty < ICP | Poverty > ICP (up to 20%) | Poverty > ICP (> than 20%) | Poverty < ICP | Poverty > ICP (up to 20%) | Poverty > ICP (> than 20%) | Poverty < ICP | Poverty > ICP (up to 20%) | Poverty > ICP (> than 20%) |
| Banglad esh | 77.66 | 17.02 | 5.32 | 60.00 | 30.00 | 10.00 | 90.74 | 7.41 | 1.85 |
| Bhutan | 79.75 | 16.46 | 3.80 | 59.38 | 34.38 | 6.25 | 93.62 | 4.26 | 2.13 |
| Cambodi a | 85.25 | 9.84 | 4.92 | 76.92 | 15.38 | 7.69 | 91.43 | 5.71 | 2.86 |
| Fiji | 76.92 | 15.38 | 7.69 | 45.83 | 33.33 | 20.83 | 95.12 | 4.88 | - |
| India | 91.75 | 7.22 | 1.03 | 81.58 | 15.79 | 2.63 | 98.31 | 1.69 | - |
| Indonesi a | 92.68 | 4.88 | 2.44 | 88.89 | 8.33 | 2.78 | 95.65 | 2.17 | 2.17 |
| Lao PDR | 90.00 | 6.67 | 3.33 | 96.00 | 4.00 | - | 85.71 | 8.57 | 5.71 |
| Malaysia | 89.69 | 6.19 | 4.12 | 83.33 | 9.52 | 7.14 | 94.55 | 3.64 | 1.82 |
| Maldives | 78.69 | 13.11 | 8.20 | 72.00 | 20.00 | 8.00 | 83.33 | 8.33 | 8.33 |
| Mongolia | 83.10 | 9.86 | 7.04 | 60.87 | 26.09 | 13.04 | 93.75 | 2.08 | 4.17 |
| Nepal | 74.68 | 22.78 | 2.53 | 51.61 | 45.16 | 3.23 | 89.58 | 8.33 | 2.08 |
| Pakistan | 83.33 | 14.44 | 2.22 | 83.33 | 11.11 | 5.56 | 83.33 | 16.67 | - |
| Philippin es | 85.71 | 12.09 | 2.20 | 84.21 | 10.53 | 5.26 | 86.79 | 13.21 | - |
| Sri Lanka | 85.26 | 9.47 | 5.26 | 75.00 | 20.00 | 5.00 | 92.73 | 1.82 | 5.45 |
| Thailand | 92.05 | 7.95 | - | 91.89 | 8.11 | - | 92.16 | 7.84 | - |
| Viet Nam | 94.57 | 4.35 | 1.09 | 94.87 | 2.56 | 2.56 | 94.34 | 5.66 | - |

Bangladesh

| Products | Household Expenditure Survey (HES) | Unit | Prices and Unit values | | |
|---|--|-------|------------------------|---------------|-------|
| | | | PS | Median HES | Mean |
| Poverty Survey (PS) | | | | | |
| Beef - non specific cut | Beef | 250g | 25.76 | 25.00 | 24.82 |
| Chicken - non-specific cuts | Hen | 250g | 30.89 | 20.00 | 20.62 |
| Coarse Rice, Parboiled | Rice - Coarse | kg | 15.98 | 16.00 | 16.77 |
| Ordinary Coarse Rice #1 | Rice - Coarse | kg | 17.19 | 16.00 | 16.77 |
| Ordinary Coarse Rice #3 | Rice - Coarse | kg | 15.82 | 16.00 | 16.77 |
| Small fresh fish | Hilsa | 500g | 35.58 | 45.00 | 46.56 |
| Small fresh fish | Koi | 500g | 35.58 | 40.00 | 37.93 |
| Betel - leaves | Betel leaf | 10pc | 3.76 | 0.40 | 9.93 |
| Onion | Onion | 250g | 5.40 | 4.00 | 5.53 |
| Pawpaw/papaya | Ripe papaya | 500g | 12.20 | 8.00 | 10.04 |
| Betel nut - dried (Aracanut/Arecanut) | Betel nut | 50g | 5.77 | 5.00 | 5.38 |
| Chillies - dried, red | Dried chili | 50g | 3.17 | 4.00 | 3.85 |
| Milk - not pasteurized (buffalo or cow) | Liquid milk | 250ml | 6.08 | 5.00 | 4.73 |
| Milk - pasteurized | Liquid milk | 250ml | 8.48 | 5.00 | 4.73 |

Comparison of PPPs from different approaches

| Country | Purchasing Power Parities (PPPs) | | | | |
|-------------|----------------------------------|-------------------------|------------------------------|---------------------------|------------------------------|
| | ICP Consumption PPP | US\$ Pov Line | | Indonesia Poverty Line | |
| | | ICP BH PPPs (PAG) | Poverty Survey BH PPPs | ICP BH PPPs (PAG) | Poverty Survey BH PPPs |
| | (1) | (2) | (3) | (4) | (5) |
| Malaysia | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 |
| Bangladesh | 12.06 | 11.82 | 10.15 | 11.85 | 10.18 |
| Bhutan | 8.733 | 8.498 | 8.184 | 8.494 | 8.205 |
| India | 7.379 | 7.441 | 6.468 | 7.497 | 6.492 |
| Nepal | 12.52 | 12.09 | 11.77 | 12.00 | 11.83 |
| Pakistan | 9.796 | 9.700 | 9.069 | 9.744 | 9.084 |
| Sri Lanka | 18.94 | 17.90 | 15.97 | 17.83 | 16.00 |
| Maldives | 4.606 | 4.161 | 4.574 | 4.145 | 4.603 |
| Mongolia | 247.1 | 239.0 | 254.8 | 238.7 | 255.5 |
| Cambodia | 764.0 | 786.8 | 854.0 | 781.4 | 857.9 |
| Fiji | 0.7322 | 0.6503 | 0.6653 | 0.6468 | 0.6684 |
| Indonesia | 1,983 | 1,990 | 1,585 | 1,987 | 1,589 |
| Lao PDR | 1,770 | 1,876 | 1,913 | 1,891 | 1,914 |
| Philippines | 11.44 | 11.03 | 12.49 | 10.98 | 12.53 |
| Thailand | 8.261 | 7.752 | 7.184 | 7.816 | 7.199 |
| Viet Nam | 2,800 | 2,758 | 2,346 | 2,752 | 2,352 |

Some general comments on the results

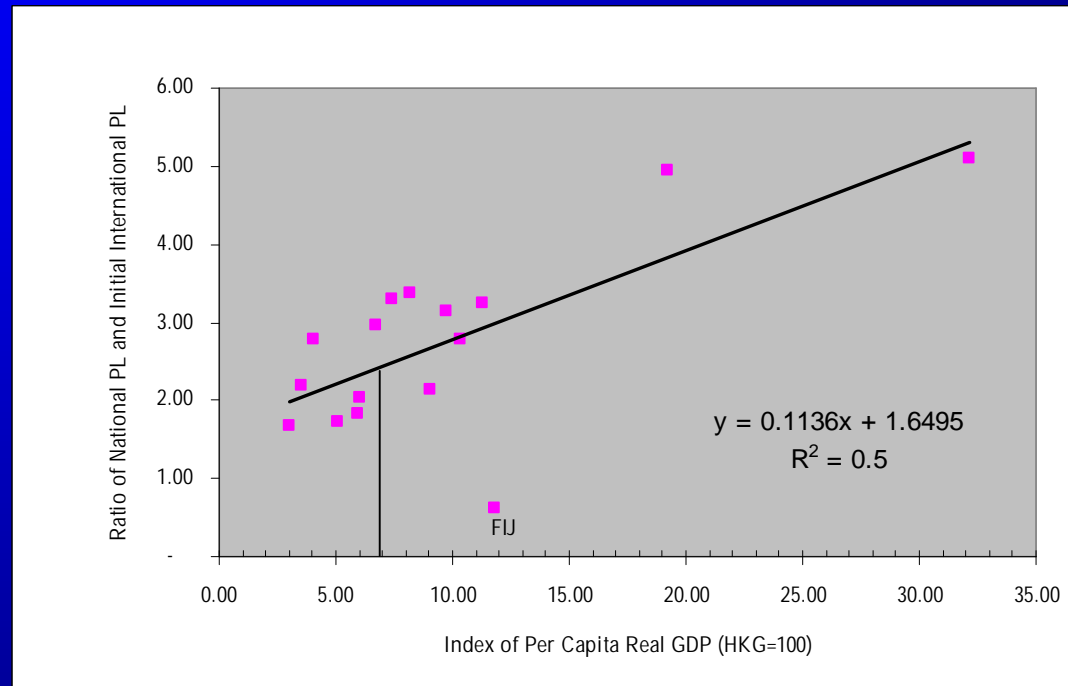
1. Use of expenditure patterns of the poor had an effect on Poverty-PPPs.
2. Poverty-survey prices had a more pronounced effect on the PPPs.
3. Use of demographic or plutocratic weights did not make much difference.
4. Use of different poverty lines to start the process of identifying the poor – US\$1/day versus Indonesian poverty line had no significant effect.
5. Use of different bandwidth did not have much effect on the results.
6. Aggregation methodology appears to have a difference. Use of EKS versus Geary-Khamis or weighted CPD resulted in significant differences.



**Table Computation of International Poverty Line
Initial PPP: ICP-PPPs for Consumption, 2005**

| Country | ICP-PPPs for Consumption | National Poverty Lines | National poverty line in MYR/day (2) / (1)*365 | Index of Per Capita Real GDP (HKG=100) | Trendline Between (3) and (4) | Int Pov. Line 2.412MYR/day (1)*(g) | Annual Int. Pov Line in MYR (h)*365 days |
|-------------|--------------------------|------------------------|--|--|-------------------------------|------------------------------------|--|
| | (1) | (2) | (3) | (4) | | (6) | (7) |
| Malaysia | 1.000 | 1,860.00 | 5.10 | 32.14 | (f) =1.6495 +0.1136(d) | 2.412 | 880.51 |
| Bangladesh | 12.06 | 9,672.72 | 2.20 | 3.56 | | 29.09 | 10,617.32 |
| Bhutan | 8.733 | 8,884.32 | 2.79 | 10.35 | | 21.07 | 7,689.74 |
| India | 7.379 | 4,905.63 | 1.82 | 5.96 | | 17.80 | 6,497.51 |
| Nepal | 12.52 | 7,695.60 | 1.68 | 3.03 | | 30.20 | 11,022.63 |
| Pakistan | 9.796 | 10,543.68 | 2.95 | 6.72 | | 23.63 | 8,625.79 |
| Sri Lanka | 18.94 | 21,804.00 | 3.15 | 9.76 | | 45.69 | 16,675.08 |
| Maldives | 4.606 | 5,475.00 | 3.26 | 11.26 | | 11.11 | 4,055.23 |
| Mongolia | 247.1 | 296,808.00 | 3.29 | 7.41 | | 596.2 | 217,600.32 |
| Cambodia | 764.0 | 775,260.00 | 2.78 | 4.07 | | 1,843 | 672,716.32 |
| Fiji | 0.7322 | 168.00 | 0.63 | 11.80 | | 1.766 | 644.74 |
| Indonesia | 1,983 | 1,549,296.00 | 2.14 | 9.06 | | 4,784 | 1,746,167.74 |
| Lao PDR | 1,770 | 1,115,520.00 | 1.73 | 5.08 | | 4,269 | 1,558,255.70 |
| Philippines | 11.44 | 14,046.00 | 3.36 | 8.22 | | 27.59 | 10,069.80 |
| Thailand | 8.261 | 14,904.00 | 4.94 | 19.25 | | (g) 19.93 | 7,273.78 |
| Viet Nam | 2,800 | 2,076,000.00 | 2.03 | 6.00 | ê 6,755 | 2,465,432.54 | |
| | | | 6.72 | 2.412 | | | |
| | | | | | 1.143 | | |

Relationship between Real Per Capita Income and National poverty lines



Poverty Incidence in the Asia-Pacific Region, 2005 Using International Poverty Lines and Poverty PPPs

| Country | ICP PPP for PIC | \$/day PAG | \$/day Pov Prices |
|-------------|----------------------------|-----------------------------|----------------------------|
| | IPL: MYR 2.41 US\$1.143 | IPL: MYR 2.475 US\$1.173 | IPL: MYR 2.57 US\$1.218 |
| | (1) | (2) | (4) |
| Malaysia | 0.97 | 1.04 | 1.20 |
| Bangladesh | 48.12 | 48.51 | 38.38 |
| Bhutan | 31.77 | 31.68 | 31.68 |
| India | 43.38 | 45.50 | 39.04 |
| Nepal | 55.51 | 54.94 | 55.54 |
| Pakistan | 46.66 | 48.10 | 45.13 |
| Sri Lanka | 23.19 | 21.20 | 16.74 |
| Maldives | 7.05 | 5.04 | 8.30 |
| Mongolia | 17.65 | 17.39 | 21.90 |
| Cambodia | 46.66 | 50.73 | 58.91 |
| Fiji | 30.23 | 26.27 | 29.03 |
| Indonesia | 21.60 | 23.60 | 11.83 |
| Lao PDR | 58.95 | 65.25 | 68.66 |
| Philippines | 24.75 | 24.25 | 32.00 |
| Thailand | 1.88 | 1.56 | 1.23 |
| Viet Nam | 23.28 | 23.82 | 16.53 |

Conclusions

- **The Study clearly shows that the ICP Consumption PPPs are inappropriate.**
- **The use of expenditure share weights has an effect on PPPs used for converting international poverty lines.**
- **The main conclusion from this study is that it is the prices of goods and services consumed by the poor that have a profound effect on the PPPs.**
- **Other finer aspects – choice of bandwidth; choice of poverty line for the identification of the poor; and use of democratic versus plutocratic weights do affect the PPPs.**
- **The choice of aggregation method appears to be important – more work is needed on this aspect.**
- **In future rounds of ICP, effort should be made to collect prices of goods and services of more relevance to poor than what has been the case in the 2005 ICP round.**

