

## Progress out of Poverty Index™ Technical Overview

The Progress out of Poverty Index (PPI) is an easy-to-use, objective client poverty assessment tool. It estimates the likelihood that an individual falls below the national poverty line, the \$1/Day/PPP and \$2/Day/PPP international benchmarks. **The PPI uses 10 simple indicators that field workers can quickly collect and verify.** Scores can be computed by hand on paper in real time. With 90-percent confidence, estimates of groups' overall poverty rates are accurate to within +/-2 percentage points. **The PPI can help programs target services, track changes in poverty over time, and report on poverty rates.**

### PPI™ Construction

Indicators in the PPI are derived from the most recent national household income or expenditure survey or the country-specific World Bank Living Standards Measurement Survey, depending upon which dataset has the most complete information, for each country. For instance, the Philippines PPI indicators are derived from the 38,014 households surveyed in the 2002 Annual Poverty Indicators Survey (APIS). This is the best and most recent household survey available with income or expenditure data.

Indicator selection criteria include:

- Inexpensive to collect, easy to answer quickly, and simple to verify
- Liable to change over time as poverty status changes
- Strongly correlated with poverty

Generally from 200 to 1,000 indicators are collected in the housing surveys. The pool of indicators is narrowed to those that best indicate poverty level. These indicators are classified into the following categories:

- Household and housing characteristics (such as cooking fuel and type of floor)
- Individual characteristics (such as age and highest grade completed)
- Household durable goods (such as electric fans and telephones)

Then, each indicator's ability to predict poverty is tested. From the original set of indicators, about 50-100 indicators are selected for further analysis. The number of indicators chosen during the analysis depends on the survey and varies from country to country.

Frequently, many indicators are found to be similar in terms of their link with poverty. For example, most households who have a television also have electricity. If a PPI already includes "has a television", then "has electricity" is superfluous. Thus, many indicators strongly link with poverty are not in the PPI because similar indicators are already included.

The PPI also aims to measure *changes* in poverty through time. Thus, some powerful indicators (such as education of the female head/spouse) that are unlikely to change as poverty changes are omitted in favor of slightly less-powerful indicators (such as the number of radios) that are more likely to change.

## Progress out of Poverty Index Technical Overview, continued

After all indicators are tested, each indicator is selected based on several factors. The factors that contribute to the indicator selection include the:

- Ability to improve accuracy
- Likelihood of acceptance by users (determined by simplicity, cost of collection, and “face validity” in terms of experience, theory, and common sense)
- Ability to change values as poverty status changes over time
- Capacity to contribute to question variety (in comparison with other indicators already in the PPI)
- Ease of observation/verification

The selected indicator is then added to the PPI, and the previous steps are repeated until 10 indicators are selected.

Finally, the responses are weighted and scores are derived such that the lowest possible score is 0 (most likely poor) and the highest is 100.

### PPI Use

The central design challenge is not to maximize accuracy but rather to maximize the likelihood of programs’ using the PPI appropriately. When scoring projects fail, the culprit is usually not inaccuracy but rather the failure of users to accept scoring and to use it properly. The challenge is not technical but human and organizational; not statistics but change management.

“Accuracy” is easier—and less challenging—than “practicality”.

The PPI is designed to help users to understand and trust it (and thus use it properly). Accuracy is balanced against simplicity, ease-of-use, and “face validity”. In particular, programs are more likely to collect data, compute scores, and pay attention to the results if, in their view, scoring avoids creating “extra” work and if the whole process generally seems to make sense. This practical focus naturally leads to a one-page scorecard that allows field workers to score households by hand in real time because it features:

- Only 10 indicators
- Only observable indicators (“flooring material”, not “value of house”)
- User-friendly weights (positive integers, no arithmetic beyond simple addition)

The PPI can be photocopied for immediate use. It can also serve as a template for data-entry screens with database software that records indicators, indicator values, scores, and poverty likelihoods.

### Tracking Changes

A participant’s PPI score corresponds to a “poverty likelihood”, that is, the probability of being below a poverty line. For a group, the overall poverty rate is the average poverty likelihood of the individuals in the group. For a group over time, progress (or regress) is the change in its average poverty likelihood.

Note 1: This description, quotes heavily from *The Progress out of Poverty Index™: A Simple Poverty Scorecard for the Philippines*, Mark Schreiner; April 27, 2007.

Note 2: Last update, this document: March 19, 2008