

The 2017 Purchasing Power Parities & SDG 1.1.1

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The international poverty line

- Since the introduction in 1990 of the 'dollar-a-day' international poverty line, the World Bank has monitored poverty using an international poverty line.
- The international poverty line reflects the typical national poverty line of some of the poorest countries in the world.
- These national poverty lines typically indicate the minimum cost of covering basic food and nonfood needs.
- People living on less than the international poverty line are in extreme poverty.
- This measure of poverty was used for the first target of the MDGs and is used for the first target of the SDGs.



Purchasing power parities and the international poverty line

- National poverty lines and household consumption are reported in local currencies. Purchasing power parity (PPP) exchange rates convert them to the same currency and account for price differences faced by people better than market exchange rates.
- New PPPs are collected periodically, most recently in 2017. When PPPs are updated, so too is the international poverty line.

Source	World Bank (1990)	Chen and Ravallion (2001)	Ravallion et al. (2009)	Ferreira et al. (2016)	Jolliffe al. (2022)
ICP Data (PPPs)	1985	1993	2005	2011	2017
Method	Inspection (rounded)	Median	Mean	Mean (rounded)	Median
International Poverty line (ICP year USD)	\$1.01 (\$1.00) "Dollar-a-day"	\$1.08	\$1.25	\$1.88 (\$1.90)	\$2.15
Countries used in sample	Bangladesh, Indonesia, Kenya, Morocco, Nepal, Pakistan, Philippines, Tanzania	Bangladesh, China, India, Indonesia, Nepal, Pakistan, Tanzania, Thailand, Tunisia, Zambia	Chad, Ethiopia, The Gambia, Ghana, Guinea-Bissau, Malawi, Mali, Mozambique, Nepal, Niger, Rwanda, Sierra Leone, Tajikistan, Tanzania, Uganda	Same as Ravallion et al.(2009) (15 countries)	28 low-income countries

What led to this decision to adopt the 2017 PPPs?

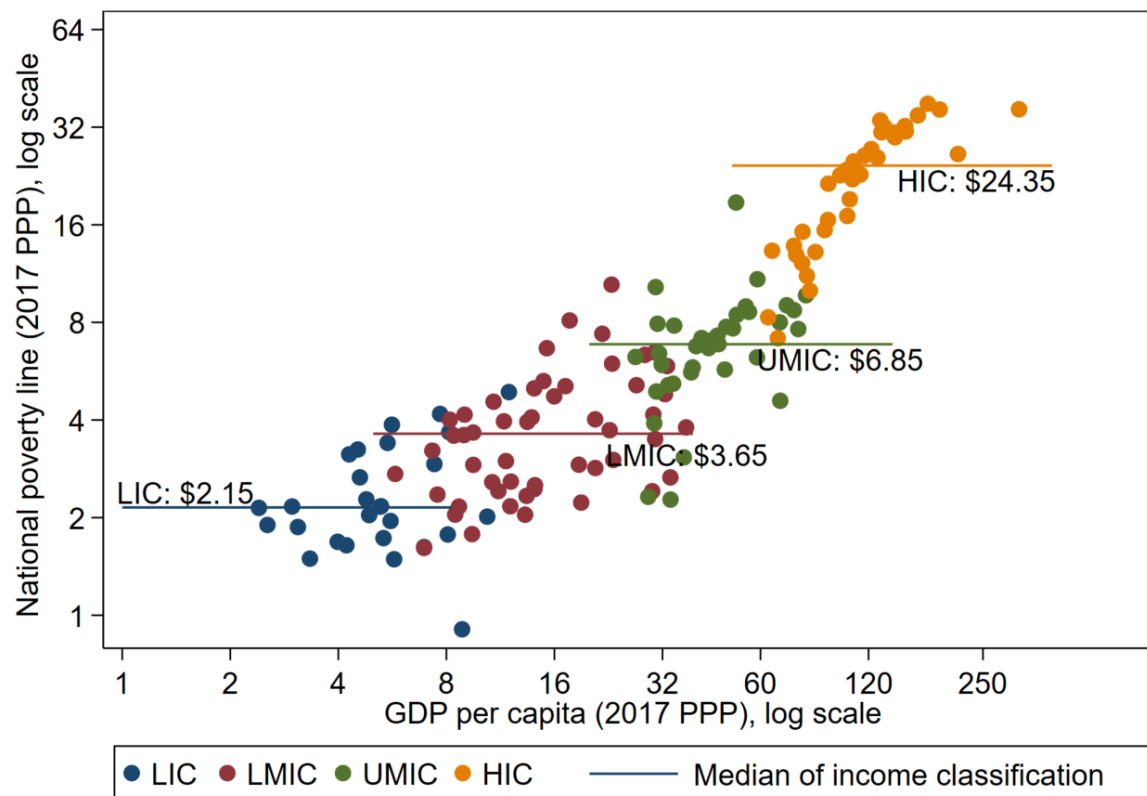
- The decision to adopt the 2017 PPPs was made by the Vice President of Equitable Growth, Finance and Institutions and the Chief Economist of the World Bank
- Prior to this decision, many consultations were done:
 - The technical work underpinning the decision was reviewed by external reviewers drawn from the Atkinson Commission: Stefan Dercon (Oxford), Francisco Ferreira (LSE), Ana Revenga (Brookings), Laurence Chandy (UNICEF)
 - The technical work was presented at the International Comparison Program Technical Advisory Group and multiple times to the World Bank's Global Poverty Working Group
 - Discussions were held with World Bank poverty economists where the 2017 PPPs differ notably from the 2011 PPPs
- The technical background work is published as a World Bank Policy Research Working Paper (no.9941): [Jolliffe et al. \(2022\)](#)

Method for setting the international poverty line

- **Previously:** \$1.90 poverty line (2011 PPPs) and \$1.25 poverty line (2005 PPPs) were derived as the average national poverty line of *15 poor countries*
- **Now:**
 - Larger, newer, more comparable sample of national poverty lines
 - International Poverty Line = median national poverty line for low-income countries, \$2.15 in 2017 PPPs
 - Using the new data set and the 2011 PPPs also resulted in a poverty line of \$1.90 in 2011 PPPs.

New international poverty lines

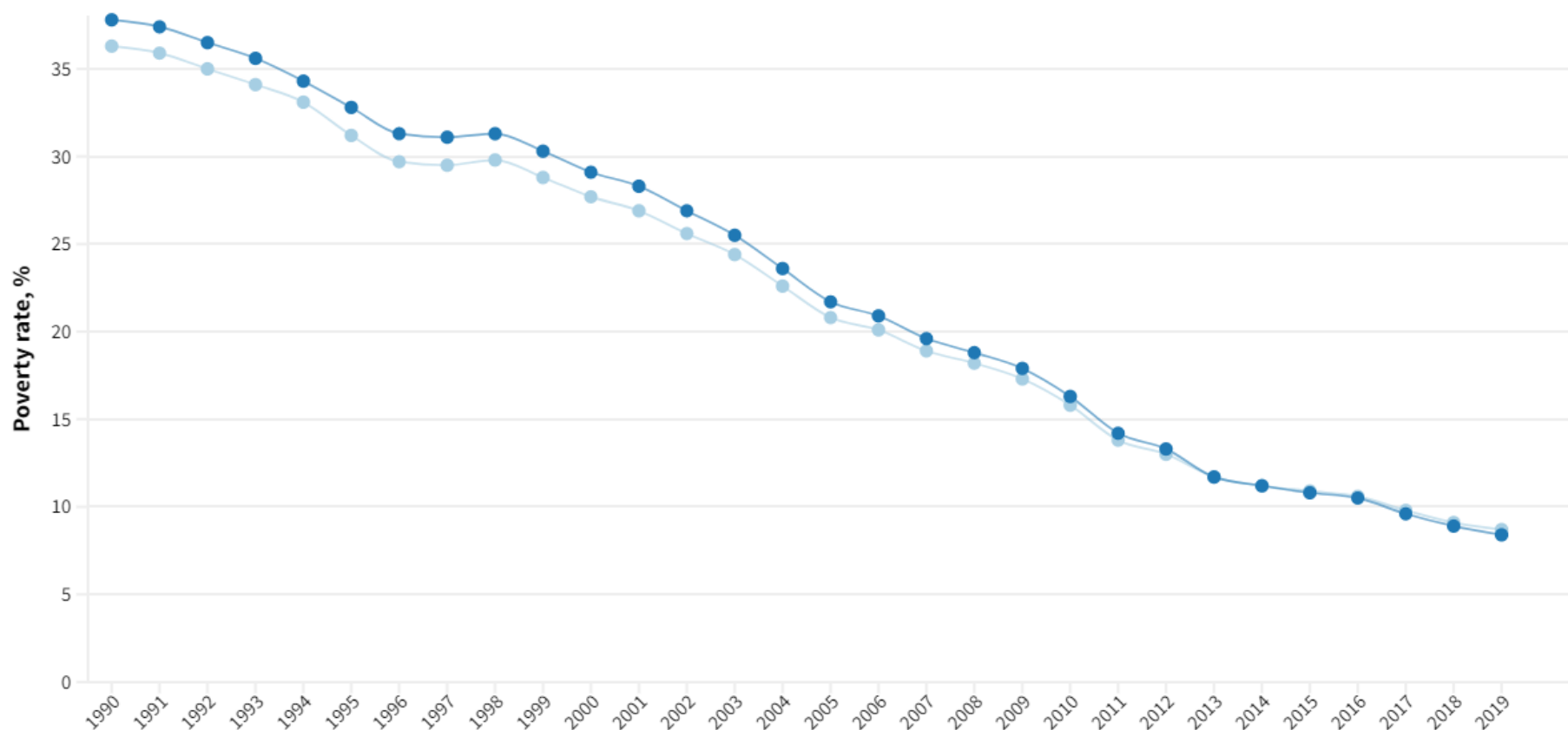
Income classification	Median (\$) (2011 PPP)	Rounded	N = 126	Median (\$) (2017 PPP)	Rounded	N = 157
Low income (LIC)	1.91	1.90	33	2.15	2.15	28



Global poverty trends at LIC line

World \$1.90 (2011 PPP) vs. \$2.15 (2017 PPP)

2011 PPP 2017 PPP

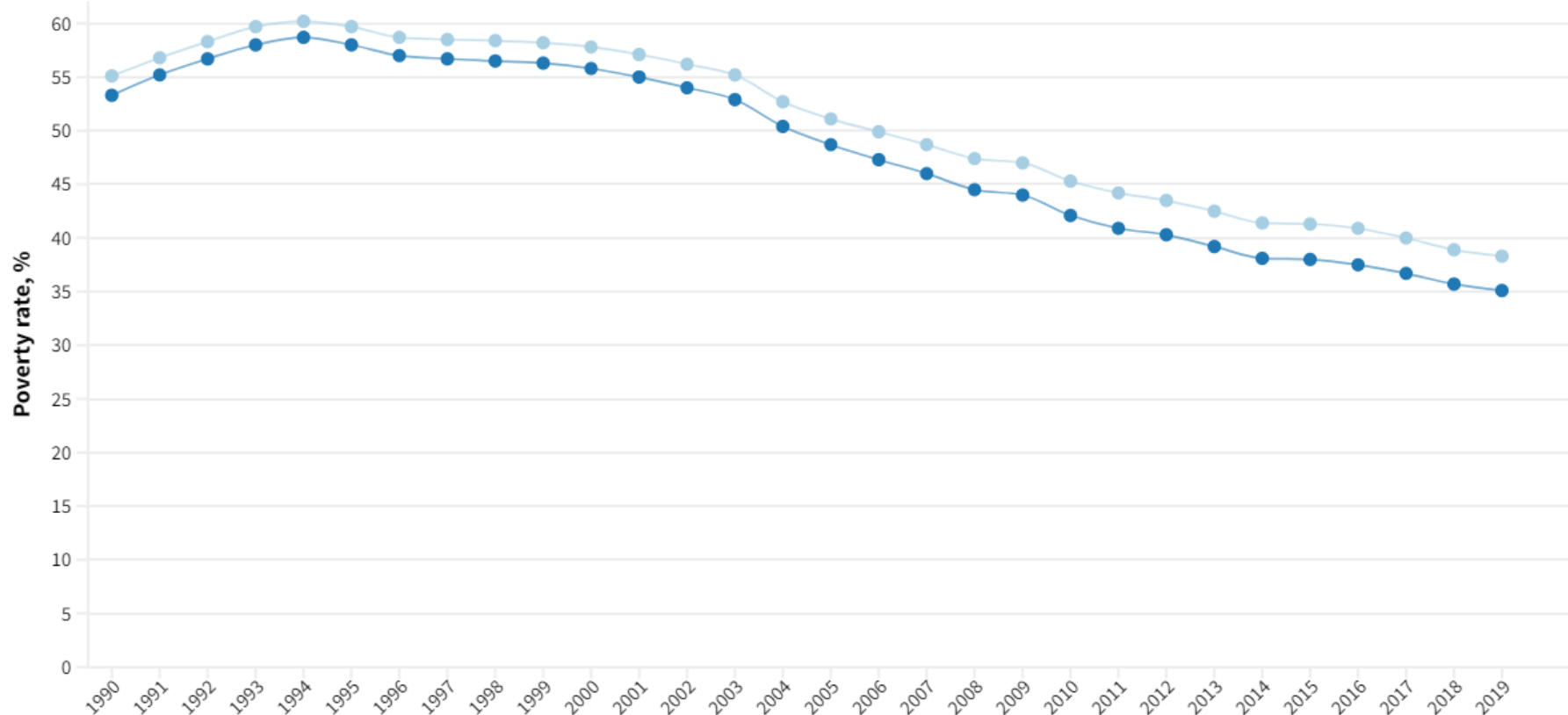


Source: [World Bank Group](#) • Select from the drop-down box at the top of the chart a region and global poverty line of interest to display the corresponding changes in poverty when moving from the revised 2011 PPPs to 2017 PPPs.

Poverty trends in Sub-Saharan Africa

Sub-Saharan Africa \$1.90 (2011 PPP) vs. \$2.15 (2017 PPP) ▼

■ 2011 PPP ■ 2017 PPP



Source: [World Bank Group](#) • Select from the drop-down box at the top of the chart a region and global poverty line of interest to display the corresponding changes in poverty when moving from the revised 2011 PPPs to 2017 PPPs.

Poverty changes in 2019

Region	Poverty, % \$1.90 (2011 PPP) (1)	Poverty, % \$2.15 (2017 PPP) (2)	Change in poverty (pp) (3)	Change in millions of poor (5)
World	8.7	8.4	-0.3	-20
Sub-Saharan Africa	38.3	35.1	-3.2	-35
South Asia	8.4	8.5	0.1	1
Other high Income	0.6	0.6	0.0	0
Latin America and the Caribbean	4.1	4.3	0.3	2
Europe and Central Asia	1.1	2.4	1.3	7
East Asia and Pacific	0.9	1.1	0.3	5
Middle East and North Africa [2018]	7.5	7.5	0.0	0