PROGRESS ON POVERTY AND EQUITY

The national poverty rate declined by 3.5 percentage points between 2007 and 2012, from 22.4 percent to 18.9 percent. This drop in poverty headcount rate coincided with lower level of insecurity relative to peak years of violence of 2006 and 2007 and a 26 percent increase in GDP per capita. Decomposition analysis suggests that growth in labor income played a dominant role in reducing poverty. Owing to two simultaneous crises in 2014 - contraction of oil prices in the international market and violence related to the Islamic State - poverty headcount rate is estimated to have increased in 2014, pushing it back to the 2007 level. The headcount ratio in 2014 was 22.5 percent whereas it would have fallen to approximately 15 percent without the twin crises, suggesting an “impact” of 7.5 percent. The fall in the international poverty rate was comparably modest over the 2007-12 period, with the proportion of people living below USD 3.2 (in 2011 PPP terms) falling from 18 percent to 17 percent. Looking at the incidence of growth, there was an increase in per capita consumption of households at all percentiles. Thus, the shared prosperity indicator was modestly positive at 0.5 percent per year. This was overshadowed by an even faster rate of growth for the population on average, implying an increase in inequality and a negative shared prosperity premium; the Gini coefficient edged up from 0.29 in 2007 to 0.30 in 2012 while the shared prosperity premium was -0.7 percent. This is partially explained by the fact that the growth in income during this period was not shared broadly as it was largely driven by the mining sector that employed only 1 percent of the labor force in 2012. Inequality continued to rise after 2012, with the Gini coefficient estimated to have inched up to 0.33 in 2014. This was driven by secularly negative growth at all positions of the distribution, with households at the bottom losing relatively more than those at the top.
The numbers presented in this brief are based on the MNAPOV database. MNAPOV is a new data collection effort enacted in 2014, and managed by MNATSD. It covers 30 surveys from 11 countries. Two data points (surveys) are available for each country, except Algeria. The database is organized in 3 modules following the Global Monitoring Database (GMD) Harmonization guidelines, including the welfare aggregate which is used for Global Poverty Monitoring. Terms of use of the data adhere to agreements with the original data producers.

Poverty in Iraq is measured using the standard cost of basic needs (CBN) methodology that specifies the expenditure necessary to meet a minimum caloric threshold augmented by a minimum level of non-food expenditure necessary for basic social functionings. To account for differences in cost of living across space and change in nominal prices over time, spatial and temporal price adjustments are applied to the welfare aggregate. In 2012, the food poverty line was Iraqi Dinar (ID) 50473.26 per person per month while the national poverty line was ID 105,500.4 per person per month. The source of the expenditure data is the Integrated Household Socioeconomic Survey (IHSES), a nationally representative multtopic household budget survey. The 2012 IHSES was second of such surveys; the first one was completed in 2007. To increase the frequency of poverty and other statistics and to monitor other dimensions of wellbeing of the population, Iraq initiated a smaller survey - Continuous Household Survey (CHS) - in 2014. The first CHS was disrupted due to ISIS-related violence. Updated poverty figure for the country awaits the next comprehensive household budget survey that will be conducted when the security situation improves to a degree where most parts of the country become accessible. Iraq is one of the few countries where the official Purchasing Power Parity (PPP) exchange rate is not used to convert the international poverty line to local currency unit. The reason is that there is a wide divergence in the 2011 PPP inflation rate and the inflation rate according to the national Consumer Price Index (CPI); the ratio of CPI inflation to PPP inflation is more than 2 standard deviations away from the mean. The use of official PPP exchange rate would imply an implausibly high drop in the international poverty rate. Therefore, in lieu of the official 2011 PPP conversion factor, predicted PPP from a cross-country regression is used to estimate the international poverty rate.

**POVERTY DATA AND METHODOLOGY**

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**HARMONIZATION**

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