

# Definitions of Poverty

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# Definitions of Poverty

## 1.0 Why do we need a paper?

In order to design a poverty reduction intervention, an implementing agency needs to be clear about their definition of poverty, and the way in which the rate of poverty is to be measured. Development work is becoming increasingly ‘evidence based’ (for example, the British government’s Department for International Development Poverty and Social Impact Analyses are *ex-ante* studies examining the likely social and poverty related impacts of a particular policy change), and there is a growing body of work that estimates distributional affects of interventions,<sup>i</sup> alongside growing emphasis on humanitarian work being based on sound empirical grounds. An important aspect of this is *how we define and measure poverty has important implications for targeting and policy*. For example, a **monetary approach** (see below) implies increasing money incomes of individuals and families, whereas a **capability approach** requires concentrating efforts on ensuring individuals’ access to public services. Poverty levels in a country – and in a community – will differ according to how it is measured. For example, in India, 38% of adults are in monetary poverty, whereas 52% of adults are in capability poverty.<sup>ii</sup>

Nonetheless, there is often a great deal of confusion when governments, donor agencies and non-governmental organisation’s (NGOs) speak about poverty alleviation. What exactly do we mean? Do we want to lessen the suffering of the poor, or radically reduce poverty in society? What *type* of poverty do we wish to alleviate? Without a clear understanding of what poverty is, and how it is measured, any new interventions will lack the focus on helping those in the most need. In view of our mandate and in the interests of accountability to our mission, our donors, and our beneficiaries, this is not acceptable

## 2.0 Introduction

Development is aimed at improving the well-being of the person. So how an agency understands the notion of well-being is clearly important. What is a human life, lived well? What is involved in improving a person’s welfare? Answering these questions define the fundamental priorities that lead our thinking on economic and social development. Indeed, answering these questions is essential to develop a conception of poverty. However, there is considerable disagreement about how to define these concepts: does a good life mean simply fulfilling material needs such as nutritional intake, or should it cover the broader social and political context? How far below this ideal means an individual(s) is in poverty?

Notwithstanding these problems, poverty – at the global, national or community level – is now widely considered to be a multidimensional problem. New perspectives on poverty have challenged the focus on income and consumption as the defining condition of poor people; poverty is a complex set of deprivations.<sup>iii</sup> This paper will discuss a number of different ways of defining poverty below.

### 2.1 Poverty Type 1: Monetary/Income

The most commonly used definition of poverty is **monetary**. It is an “operational” measurement, adopted by the World Bank in 1990, at a measure of US\$ 370 per year per

person at 1985 prices, the “dollar a day” poverty line (it has recently been modified to US\$1.08 at 1993 purchasing power parity prices). It is the estimated minimum amount of money necessary to afford basic necessities and sustain human life<sup>iv</sup>. Because of problems in measuring income, it tends to be measured through consumption, and poverty is defined as a shortfall in consumption.<sup>v</sup>

The World Bank researchers chose it to make rough-and-ready international comparisons. It became popular because of its simplicity; although it should be recognised that every society has its own views on what constitutes a minimum standard of living and even differences in calorie intake (see below for details on measurement). A number of academics have strong reservations about the use of this measure of poverty. However, it is part of the development lexicon; in a world of competing definitions, it is the closest thing we have to a universally used measure of poverty and it is useful in determining in general terms the percentage of the population falling under the poverty line.<sup>vi</sup>

Conceptually, the approach of measuring poverty according to income levels is inspired by a *basic needs* understanding of poverty; that humans require a certain level of physical needs – principally calorie intake – to survive, anything below which constitutes poverty. It assumes, naturally enough, that lack of these requirements is closely tied to income levels, which can act as a proxy measurement. Rather than attempting to fulfil aspirations of political freedoms, spiritual fulfilment, social relations, employment conditions, our first priority as humanitarians should be to fulfil *basic physical needs* to sustain human life.

### **What does taking this approach mean?**

An agency that takes a monetary understanding of poverty will retain a strong belief that economic growth – at the community or national level – is the goal of development intervention. Programmatically, it means providing opportunities for individuals to raise their incomes; through direct monetary assistance, or more typically, microfinance programmes, vocational training, etc.

### **Data**

Decisions on interventions can be made based easily on a combination of a) levels of monetary poverty (those living under the poverty line) within a country, and b) refined through household survey data which break down average incomes into regional figures. Interventions are chosen on the basis of areas which suffer from the highest incidence of poverty. (This is a pure distributional approach: of course in reality an equally pressing concern is whether an agency has the skills, reputation, and trust, to be able to reach those people. That, however, is another matter.)

## **2.2 Poverty Type 2: Capabilities**

The **capabilities approach**, pioneered conceptually by the Nobel Prize winning economist Amartya Sen<sup>vii</sup> is based on the contention that poverty is not determined by the lack or deficiency of money income, but rather by the failure of individuals to realise their full human potential or live valued lives, defined particularly through ill health and lack of education. This approach argues that rather than measuring income or consumption, poverty should be measured using indicators of freedom to live a valued life.

This approach emerged in the late 1990s, through the United Nations Development Programme's 1990 *Human Development Report*, which defined human development as “a process of enlarging people's choices”. The capability poverty measure was based on a combination of income and non-income measures; through real GDP per person, adult literacy, and life expectancy, stating that “unlike income, capabilities are ends, and they are reflected not in inputs, but in human outcomes—in the quality of people's lives”. This was indexed in the well-known *Human Development Index* (HDI). This index was meant to denote “command over resources needed for a decent living”.

Closely following the HDI was the *Human Poverty Index* (HPI), which measures poverty as the following: i) the capability to survive<sup>viii</sup>; (ii) the ability to be knowledgeable<sup>ix</sup>; and (iii) have access to private income as well as public provisioning<sup>x</sup> - similar, but negative, criteria as the *Human Development Report*.

### **What does taking this approach mean?**

Taking a capabilities approach towards poverty, means looking to overcome poverty by building human capabilities and enlarging human opportunities. Such human development models rely on certain core strategies for the elimination of poverty – in particular basic education for all, land reforms, credit for the poor, equitable growth, women's empowerment and good governance.

The HDI and the HPI encompass only three basic elements of human well-being and still leave out many important measures of life. For example, they do not include political freedom, security and transparency. These indices are criticised for being conceptually powerful, but practically problematic. They provides very little guidance on what should constitute the minimally essential capabilities, apart from merely citing good nourishment and ability to avoid preventable morbidity

### **Data**

To measure the incidence of capabilities poverty when deciding on an intervention can be problematic; although would most easily done using an analysis of the HPI & HDI. Again, this can be refined through household survey data, and in particular, qualitative research.

## **2.3 Poverty Type 3: Social Exclusion / Poverty of Power**

Closely tied to the capabilities approach, the concept of **social exclusion** was originally coined in the developed world to describe the processes of marginalisation and deprivation in poor inner city neighbourhoods.

It is used to describe a process through which individuals or groups are excluded from full participation in the activities of the society in which they live. This represents a form of deprivation – referred to as *Poverty of power* – and is seen as sustaining other types of poverty. It is a measure of ‘voicelessness’ and powerlessness, which leads to little or no possibility of the poor receiving entitlements; organising themselves; making demands and getting a fair response; or receiving support for developing their own initiatives<sup>xi</sup>. This type of exclusion means people experience discrimination and stigma, and are forced to engage in economic activities and social relations that keep them poor.

Social exclusion is a dynamic notion which explains what poverty *is*, not how many poor people *there are*, and how it relates to the larger social, economic and political situation of an area. Social exclusion is concerned with the ‘processes’ which actually create poverty. It encapsulates the more subjective, less tangible, circumstances that we associate with being poor, like low morale or social status, isolation from social networks or cultural resources, and depression.

### **What does taking this approach mean?**

Understanding poverty as an issue of social exclusion means working to restructure social relations. It means taking empowerment seriously; addressing the difficult political process of challenging the layers of discrimination that keep people trapped in poverty.

Understanding poverty as social exclusion can also mean a focus of interventions in low-potential rural areas, politically-marginalised regions and areas that are not well connected to markets, ports or urban centres, and as a result are typically overlooked. Additionally, there are also concentrations of chronically poor people in particular slum areas in towns and cities as well as the millions of homeless people sleeping in streets, stations, parks and burial grounds.

### **Data**

There is no agreed way through which data on social exclusion can be generated. However, some advocates point out that many other forms of development data can act as proxies for social exclusion; for example low levels of literacy are closely correlated with social exclusion.

## **2.4 Poverty Type 4: Participatory Approach**

A **participatory approach** to poverty aims to get people themselves to participate in decisions about what it means to be poor – it means pursuing an understanding of poverty from those that we are trying to assist. This is typically measured through participatory poverty assessments. It is argued that intervention programmes based on participatory poverty assessments have a greater chance of addressing the root causes of poverty and meeting people’s perceived needs.

This approach recognises that drawing on the life experiences of people provides an opportunity to capture the different dimensions of poverty. Evidence from a number of participatory poverty assessments reveals that for poor people, there are many poverties or deprivations; which had not been picked up by other understandings of poverty and many of which would be practically impossible to measure. Dimensions of poverty included income-poverty and material want, but also: poverty of time; living and working in bad places; bad social, especially gender, relations; aspects of insecurity, worry and anxiety; and pervasively powerlessness.

Research demonstrates that many factors converge to make poverty a complex, multidimensional phenomenon. For poor people themselves, poverty is routinely defined as the lack of what is necessary for material well-being — especially food but also housing, land, and other assets. But more than that, poor people’s definitions reveal important psychological aspects of poverty; leaving them vulnerable to rudeness, humiliation, and inhumane treatment. Their inability to fully participate in community life leads to a

breakdown of social relations. In addition, poor people focus on assets rather than income and link their lack of physical, human, social, and environmental assets to their vulnerability and exposure to risk.<sup>xii</sup>

### **What does taking this approach mean?**

Participatory approaches will direct us to looking to the poor themselves to identify our priorities. Often, this might yield surprising results; such as the importance of maintaining cultural identity – “the sharing of common history or common culture” – as helping to stabilise communities and ease the psychological stresses of poverty.

### **Data**

Using various methods, often of an anthropological nature, analysts involve the class of people being assessed in defining poverty and attempt to draw up a scale of measurement, which is locally determined and reflective of the local context.

Decisions related to interventions under a participatory method of understanding poverty will, however, be far more subjective given that there is no set definition or standards of measurement, and country to country comparison is extremely difficult. A number of advocates suggest it is a useful complement to other, more standardised, measures.

## **2.5 Poverty of Assets**

Understanding poverty as a **poverty of assets** is to recognise that poor people have a diverse set of assets, physical, human, social, and environmental. Assets can be tangible/potential; material/social, that individuals, households, and communities draw from in times of need or crisis.

*Physical capital* includes land and material belongings; *human capital* includes health, education, training, and labour power; *social capital* includes to the extent and nature of social networks such as kin, neighbours, and associations; and *environmental assets* include trees, forests, water, and non-timber products.

It is a lack of assets required to live a full human life to the full which indicates that an individual is in poverty. However, it needs to be emphasised here that the assets approach to poverty is more useful as a means to understanding what *type* of problems poor people face (see below).

### **What does taking this approach mean?**

An assets approach is useful as a means to understand what poverty is, rather than a simple way through which it can be measured. It is more commonly used as a means to understand the challenges and strategies poor people have, *once an intervention has been decided on*. In other words, it is a way to determine the type of community specific interventions, rather than to identify poor people at a macro scale.

### **Data**

There is no standardised way to measure a poor person's assets. What constitutes an asset; how to measure it; and how to compare across countries (where important assets differ from place to place) are all problematic issues. However, physical assets – such as farming materials, household possessions, income generating equipment – are frequently measured in

household surveys, and so can be reliably established. However, it will inevitably involve large amounts of in-depth participatory and community research, particularly to understand the nature of social capital.

## **2.6 Human Rights/ Rights Poverty**

Poverty as a breach of human rights is often understood, not as a form of poverty per se, but as a strategy through which poverty alleviation can be based on international law. It is important to include in this paper because United Nations bodies (and some other international non-governmental organisations such as *Care International*) have formulated strategies based on this approach. This is also known, of course, as a Rights-Based Approach (RBA).

RBAs hold that a person for whom a number of human rights remain unfulfilled; such as the right to food, health, education, information, is a poor person. Poverty is thus *more* than a lack of resources – it is the manifestation of exclusion and powerlessness. As such, realising human rights is not distinct from alleviating poverty.

While RBAs are no panacea for the intractable problem of poverty, advocates argue that when human rights are guaranteed by law, poor people (and agencies) can use legal means to secure their rights to: housing, employment, just wage, free association, public health care, education, no discrimination on the basis of ethnicity, colour, religion, class, gender etc., equal treatment before the courts, political rights, freedom of expression, freedom of religion etc. Its value lies in providing a legal framework for poverty reduction strategies. A number of international development agencies have implemented this approach, where poverty is described in terms of *society's obligations* to respond to the inalienable rights of individuals<sup>xiii</sup>.

### **What does taking this approach mean?**

Fundamentally, a rights-based approach differs from poverty reduction/human development approaches to development by claiming that others have duties to facilitate the fulfilment of people's rights and fundamental freedoms which thereby necessitates action. This claim is backed by international law that specifies obligations that are legally binding under international law.<sup>xiv</sup>

Table 1 illustrates differences between the commonly applied needs based approach to poverty reduction and human development, and the rights-based approach.



*Table 1: Illustration of the Differences between a Needs Approach and a Rights Approach  
(After Collins, Pearson & Delany, 2002)*

<b>Needs Approach</b>	<b>Human Rights Approach</b>
Works toward outcome goals	Work towards outcome and process goals
Recognises needs as valid claims	Recognises that rights always implies obligations of the state
Empowerment is not necessary to meet all needs	Recognises that rights can only be realised with empowerment
Accepts charity as the driving motivation for meeting needs	Regards charity as an insufficient motivation for meeting needs
Focuses on manifestations of problems and immediate causes of problems	Focuses on structural causes of problems, as well as manifestations and immediate causes of problems
Focuses on the social context with little emphasis on policy	Focuses on social, economic, cultural, civil and political context and is policy-oriented

The RBA *does* contain many elements in common with other approaches currently used by development practitioners: for example, aid interventions that aim at providing social safety nets and other traditional public services fulfil the right to a reasonable standard of well-being, food, shelter, health, education and/or social security.

### **Data**

Advocates suggest that the multi-faceted approach of human rights analyses allow a more complete analysis of a country's development situation, which potentially captures social and political processes, can be achieved. The problem analysis takes departure in whose rights and what rights are *not* being realised. This crucially requires disaggregating data according to gender, citizenship, social status, ethnicity, etc. in order indicate the extent to which different categories of people are/are not enjoying their human rights.

This requires studying how people's claims are processed by authorities in the different arenas of negotiation (e.g. customary law, religious law, statutory law, constitutional law). Because under international law, all human rights are indivisible, any meaningful measure of poverty through this system would be practically impossible.

## **2.7 Other forms of poverty**

There are three other poverty definitions, which are often dichotomized, and are helpful in understanding the varying nature of poverty and in identifying different priorities for different groups of people in poverty.

### **Chronic v Transitory:**

Poverty has a time dimension. Some poverty is clearly ‘chronic’; other forms are ‘transitory’; where the poor at any particular time have a high probability of improving their position. To deal with the latter, policies should focus more on social safety nets that help people avoid descending into chronic poverty, such as limited term unemployment allowances, microcredit and skills acquisition programmes. When dealing with the *chronically* poor however, then more ‘orthodox’ or holistic policies to redistribute assets, improve basic physical infrastructure, maintain health levels, and so on are required.<sup>xv</sup>

### **Potential v Actual**

Actual poverty has been discussed throughout the paper. However, some people not currently in poverty are vulnerable to it. The vulnerability dimension of well-being is defined as “the probability or risk today of being in poverty at some point in the future”. Vulnerability to poverty is not only an important issue to deal with programmatically; it is also considered a key dimension of well-being, because it affects individuals’ behaviour (in terms of investment, production patterns, and coping strategies) and their perception of their own situation.<sup>xvi</sup>

### **Relative v Absolute**

In development work, absolute poverty is understood as people living below a bare minimum (of material need, literacy, whatever). However, some argue that the *relative* position of individuals or households in society is an important aspect of welfare too.<sup>xvii</sup> In addition, the overall level of inequality in a country, region, or population group, in terms of monetary and non monetary dimensions, is in itself also an important summary indicator of the level of welfare in that group. Islamic ethics tackles this issue and relies on individual and private action to reduce poverty. Policies that promote equitable growth – therefore with regard to implications of increasing relative policy – are part of the overall Islamic Bill of Rights and Obligations.

## **2.8 Islamic Relief Comment**

Clearly, many of the elements of poverty overlap. For example, those who are socially excluded will tend to have fewer opportunities to realise their capabilities, as will those with lower monetary income. It is also important to recognise that many of the above definitions, are interesting conceptually, and provide useful insights into understanding the dynamics of poverty. But they are often difficult to actually measure in a meaningful way, and so cannot be used to make meaningful intervention decisions alone.

In addition, it is not incumbent on an implementing agent to identify one form of poverty, while ignoring other elements. For example, microfinance programmes can both increase monetary income, and provide beneficiaries with training, resources, confidence, and economic clout to demand inclusion.

It is important to recognise therefore, that there is no consensus – rather many definitions. However, there is broad agreement that any form of poverty which understands the poor as

simply those lacking monetary income is simplistic. *Therefore, poverty should be viewed as a multidimensional phenomenon, best understood in terms of capability deprivation, encompassing not only material deprivation (measured by income or consumption) but also other forms of deprivation, such as unemployment, ill health, lack of education, vulnerability, powerlessness, and social exclusion.*<sup>xviii</sup>

### 3.0 An Islamic Perspective

Is there a distinct Islamic understanding of poverty? Yes there is; and it differs little from a multi-dimensional understanding of poverty.

There are essentially five groups of activities and things which make up the human needs in Islam. These are: (a) Religion, (b) Physical self, (c) Intellect or Knowledge, (d) Offspring & Family, and (e) Wealth. The fulfilment of these needs is considered one of the basic goals of Islam.<sup>xix</sup>

This clearly is important in terms of how we understand poverty; because the inability of people to realise these human needs means we can consider those people as in poverty. It has been suggested that: necessities therefore should include the ability to perform the five pillars of Islam (Belief, Prayer, Fasting, *Zakat* and Pilgrimage) and calling to the way of God; protection of life (we might include here access to health services); securing food, clothing and shelter, education, the right to earn a living, to set up a family, etc.

These needs define the foundations for good individual and social life, are classified into three levels, or hierarchy, namely (1) necessities (*dharuriyyat*); (2) convenience (*haji*); and (3) refinements (*kamaliat*). Necessities consist of all activities and things that are essential to preserve these five needs discussed above at the barest minimum for an acceptable level of living. It is to be understood that at this level, one has enough to live but not necessarily to be in some comfort.

Much like other definitions, this implies that all the five foundations or needs must be fulfilled; there is not a priority of one need over another, and if only one of the needs is not fulfilled, then one is still considered poor. However, Islam defines two categories of poor: the poor and needy or destitute. The former are those who do not possess the “necessities”, whilst the latter implies those whose level of necessities do not reach half of that of the poor. It is the destitute or the so-called hard-core poor who should receive more attention. Interestingly, this too seems to mirror the international development lexicon, which distinguished between those living on less than US\$1 a day, and those living on less than US\$2, both of which are in poverty – the former being *extreme*.

It is worth noting that there are different views on how to define the poor. The Hanafi juristic school for example defines the poor as those who have less than the *nisab*, although this is not the majority view.<sup>xx</sup>

### 3.1 Islamic Relief Comment

It is important to recognise that there is no ‘right’ way to define poverty. However, the above Islamic perspective sits comfortably within the broader consensus of opinion about poverty as a multi-dimensional issue; as it is based on human needs that cannot be reflected in monetary terms alone. In particular, in as far as operational measurement is concerned; the last four types of basic activities and things that make up basic human needs in Islam are similar to the indicators in the Human Development Indices, which stress the importance of income, education, and health. Although freedom of religion is indeed an aspect of this well-being, it is a difficult freedom to measure (the Virginia index is the sole example) and would be extremely contentious in countries where religious freedom (to practice any religion – not just Islam) is restricted in spite of relative wealth. However, given this concurrence in the other four aspects of well-being, Islamic Relief can operationalise an Islamic understanding of poverty as a means to measure poverty at three levels in order to inform intervention choices. In might, in fact, be possible to construct an Islamic index of poverty, based on similar data to those used in producing the Human Poverty Index, although this would require considerable time and statistical expertise. Nonetheless, this option is explored in some detail in Annex 1.

#### **4.0 Implications for Programmatic Implementation**

Many of the suggestions made above are valuable insofar as they lend context to the discussion about poverty, but they do not necessarily offer clear guidance as to the way various definitions of poverty can be implemented to improve Islamic Relief’s performance. Therefore, it is suggested that Islamic Relief use a three-layered approach to measuring poverty. Creating one measure of poverty, such as an Islamic equivalent of the Human Development Report, might not be practical in terms of improving our targeting, instead, Islamic Relief could create a “rough and ready” process to measure poverty at three “levels”:

- a) at the country level
- b) at the programme level
- c) at the beneficiary level

#### **4.1 Country Level**

Islamic Relief can use ex-ante data to create a simple measure for the “minimum level of poverty” that would legitimize an Islamic Relief country programme. Any country falling below this level would be “eligible” for Islamic Relief assistance. It is not a way of classifying countries in competition, but rather a way to ensure that we are selecting countries from amongst the most needy. Many countries would qualify, though some of the countries in which Islamic Relief currently has programmes in might not.

One simple way to do this is to take the five Islamic aspects of well-being, and measure them by using proxy data:

<b>Groups</b>	<b>Aspect of well-being</b>	<b>Indicator and source</b>	<b>Threshold</b>
<b>Religion</b>	Ability to know about and practice one's religion	Not commonly part of the development and relief 'package', and Islamic Relief's willingness to consider religious deprivation and its measurement warrant discussion. Note that Muslim countries tend to be less free than non-Muslim countries (see <a href="#">Virginia index</a> ).	No quantifiable threshold.
<b>Physical self</b>	Ability to buy the basic necessities Health	Percentage living under \$1 a day (World Bank). Life expectancy index.	30 Percent of population. Bottom 50 percent of countries.
<b>Knowledge</b>	Ability to be knowledgeable	Education index.	Bottom 50 percent of countries.
<b>Family</b>	Set up a family	All indicators combined into the overall Human Development Index.	Bottom 50 percent of countries.
<b>Wealth</b>	Ability to earn a living	GDP index, combined with Gini coefficient (measuring inequalities within a country).	Bottom 40 percent of countries and/or a Gini coefficient that is higher than 0.45 (indicating extreme income inequality).

Countries that fulfil each of the criteria are, in principle, eligible for IRW activities. Countries that fulfil one or more of the criteria may, in principle, be eligible for sectoral activities.

#### 4.1.2 Using Data & Deciding Thresholds

Two ingredients in particular are required in computing a poverty measure.

- a) the relevant dimension and indicator of well-being;
- b) selection of a poverty line, (that is, a threshold below which a given household or individual will be classified as poor).

In the above table, indicators and sources of data are used which provide data that could quantify the level of poverty according to an Islamic understanding of well-being. Threshold levels have been selected fairly arbitrarily, based on a *general* consensus of what might constitute poverty – although this deserves further discussion. Certain issues are clear, consuming less than the minimum medically required to sustain life, for example. How this scales up at the level of deciding whether an entire nation is in poverty is more difficult, and as such a relative scale is suggested. This is discussed further in Annex 2.

The primary source, for ease and cost, is from the in-depth indicators that are used to generate the *World Development Reports* and *Human Development Index (HDI) & Human Poverty Index (HPI)*. They offer a wealth of data that can be used in for our purposes. The HDI of course, offers an indexing of countries based on three measures – and the HPI similarly, with score indicating the level of poverty within a country. The HDI provides the following key data:

- Adult literacy rate (% age 15 and above);
- Primary, secondary, and tertiary school enrolment ratios; (taken together these three indicators form an education index)
- Life expectancy;
- GDP per head

## **4.2 Programme Level**

The prevalence of poverty is only one of many considerations that play a role when Islamic Relief determines where to work and what to focus on. This policy focuses on poverty-related criteria only, and does not address criteria such as organisational expertise; Islamic Relief networks; existing NGO activities; the ability and willingness of the government to assume responsibilities given to governments as duty bearers; and funding opportunities.<sup>1</sup>

### ***Geographical focus***

Countries vary widely in terms of the geographical concentration of poverty, and in terms of types of interventions that are required to address them (the most obvious is the difference between rural and urban poverty). Of the different targeting strategies, geographic targeting is attractive due to its simplicity. Existing aggregate indicators (for example, infant mortality or school enrolment rates) can be used to determine priority regions; and administrative costs can be kept low. To ensure that Islamic Relief focuses on relatively deprived areas, a visit to the national bureau of statistics (or a similar institution) is part of the office establishment process. If no data are available nationally, Islamic Relief can utilise the World Bank's living standards indicators which provide data on relative levels of deprivation within countries.

Islamic Relief can also draw on 'raw' and varied data (such as household assets), which are available from household surveys; which also permit more detailed *intra*-country comparison; and can be useful where other forms of data are lacking. Multi-topic household

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<sup>1</sup> Islamic Relief does not discriminate on the basis of religion, but its identity as a faith-based organisation may, in certain communities, benefit or be a disadvantage for the effectiveness of its programmes. The likely effectiveness of programmes, too, may be a consideration in the selection of programme areas.

surveys are the primary source of macro-level evidence on poverty that are used to support poverty reduction policies at national and local levels. It is generally felt that household surveys are the most appropriate form of poverty measurement, combined with qualitative studies. Data are generally collected at a national, local, household or individual level. Household surveys tend to concentrate on quantitative data, producing measurable outputs which can be aggregated at a national level. For example, both health and education are typically measured in household surveys in more detail than the indexes mentioned above. These data should enable Islamic Relief to conduct a rapid socio-economic appraisal of the country.

### ***Sectoral focus***

Once geographical areas of intervention have been identified, determining programmatic priorities is a process that involves a great deal of consultation. A rough idea can be ascertained from the HPI, combined with the in-depth analyses provided by the *World Development Reports* which offer additional, useful data with a number of in-depth indicators such as the following for example:

- Commitment to education: public spending
- Commitment to health: access, services and resources
- Health crises and challenges
- Survival: progress and setbacks
- Literacy and enrolment

It is in this stage that Islamic Relief turns to a participatory approach to poverty, and seeks to encourage people themselves to participate in decisions related to the most appropriate Islamic Relief programme focus. Participatory methods provide active involvement in decision-making for those with a stake in a project, programme, or strategy and generate a sense of ownership in the projects. They are useful tools to learn about local conditions and local people's perspectives and priorities to design more responsive and sustainable interventions; in addition, they have the advantage of examining relevant issues by involving key players in the design process, and establish partnerships and local ownership of projects. The following are the most common forms of participatory methods to define programmatic priorities:

- ***Stakeholder analysis.*** The starting point of most participatory work and social assessments. It is used to develop an understanding of the various people involved in a project and who should participate
- ***Participatory rural appraisal.*** Enables development managers to work with local people to assess and plan appropriate interventions – often involving visual techniques so non-literate people can participate.
- ***Beneficiary assessment.*** Involves systematic consultation with project beneficiaries and other stakeholders to identify priorities and design development initiatives (similar to PRA, but more intensive)

All the usual concerns related to listening to the voiceless and reaching the invisible apply, and relevant manuals are available upon request.

### 4.3 Beneficiary Level

Programmes are typically “targeted” or “universal”. Under universalism, the entire population is the beneficiary of social benefits, which are provided as a basic right. Under targeting, eligibility to social benefits involves some kind of means-testing to determine the “truly deserving”. Since the 1990s (due primarily to the political environment and concern with efficiency) there has been an increased emphasis on targeting as the best way to provide social services. However, there are a number of challenges and dangers to conducting targeting efficiently.

- Targeting has NOT been shown to allocate resources at a lower cost<sup>xxi</sup>
- In targeted interventions analysed by UNRISD, up to 80% of intended beneficiaries are missed by targeting
- It is soundly demonstrated that policies that have the greatest impact on poverty are not necessarily the most narrowly pro-poor, targeted ones.
- Targeting involves some mechanism that discriminates between the poor and the non-poor. As such it always runs the danger of committing either type I errors (when someone who deserves the benefits is denied them), or type II errors (when benefits are paid to someone who does not deserve them).
- Given the growing attention now being paid to self-respect and empowerment, the danger of stigmatisation inherent in targeting is an important policy issue.

The ability to measure poverty and identify the poor is essential for designing any targeted transfer programme, and targeting is usually faced with formidable administrative hurdles. (Most notably, poor people have an obvious incentive to underestimate the sources of their income etc.) There are four potential ways of overcoming these difficulties:

- use other (less demanding) covariates of poverty through categorical targeting (geographic alone, demographic, gender, household and so on). In-depth study can reveal which groups are the most deprived and why, and then selected universalism of that particular group can be employed. Using location, for example, as a proxy for poverty-level criteria means taking into account variables such as levels of marginality, quality of public services, geographic dispersion, rates of illiteracy, infant mortality, and life expectancies.
- community-based targeting mechanisms are a useful way to overcoming the problem of targeting. This allows communities to rank themselves according to their own perceptions of poverty. Detailed discussions are held with a large number of people in each community to define poverty, and to rank the community according to their criteria. These methods have been based on participatory rural mapping and wealth ranking. One of the most attractive aspects of this approach is the opportunity that it gives for the people themselves to define their own concepts of poverty and wealth.
- using a rural participatory appraisal, the community itself determines who is in poverty and what their needs are. However this does also contain local political demands, gender bias, patronage, clientelism, and so on.
- Theda Skocpol has referred to this as “targeting within universalism”; in which extra benefits are directed to low-income groups within the context of a universal policy design and involves the fine-tuning of what are fundamentally universalist policies.



The ability to measure poverty and to identify the poor is essential for designing any targeted transfer programme. Even if the measurement and identification does not pose insurmountable problems, efficient targeting is challenging, particularly because of issues related to administrative costs, the risk of leaving deserving beneficiaries unsupported and compounding stigma and discrimination. Of course, the poorer the country (and thus the more likely Islamic Relief is to work in it) the less justification there is for targeting – for example, if 80% of the people in a country live below the poverty line then targeting does not make sense.

#### **4.4 Islamic Relief Comment**

Islamic Relief programmes will, where possible, target the population at large. This principle applies to the provision of public goods such as educational facilities, water and health care, as public goods should, in Islam, be publicly accessible. Within this universal approach, there may be particular attention dedicated to ensuring that the most deprived are actually able to access the provided services, something which may require ‘targeting within universalism’. In principle, Islamic Relief activities are targeted only when service delivery is individualistic by nature, such as in the case of microcredit, orphans’ support, or Qurbani distribution. Even then, care is taken that targeting is not disproportionately exclusive and, as a consequence, expensive and likely to cause misgivings.

Where targeting is considered appropriate, rapid appraisal can be used. Rapid appraisal methods are quick, low-cost ways to gather the views and feedback of beneficiaries and other stakeholders. They provide rapid information for management decision-making, especially at the project or programme level. Rapid Appraisal techniques can be employed to provide a cheap basis for making decisions about who should be targeted and how. They consist, typically, of the following:

- **Key informant interviews.** A series of open-ended questions posed to individuals selected for their knowledge and experience in a topic of interest. Interviews are qualitative, in-depth, and semi-structured
- **Focus group discussion.** A facilitated discussion among perhaps 8–12 carefully selected participants with similar backgrounds
- **Community group interviews.** Questions and facilitated discussion in a meeting open to all community members
- **Direct observation.** This involves completing an observation form to record what is seen and heard at a potential/similar program site
- **Mini-survey.** A structured questionnaire with a limited number of closed questions that is administered to perhaps 50–75 people

In addition to the above processes of determining who and how targeting should be undertaken, efforts should be made to estimate the likely administrative costs of this additional targeting, and set in a cost-benefit analysis framework against total universalism.

#### **5.0 Monitoring and evaluating Islamic Relief’s poverty alleviation endeavours**

In addition to Islamic Relief's regular monitoring and evaluation principles and dynamics, the monitoring and evaluation of projects related to poverty alleviation considers four key issues:

- The extent to which any given programme is contributing, or has contributed, to changes in client well-being, measured against the indicators provided above.
- The extent to which the thinking behind programme design and choice stems from an understanding of poverty and vulnerability.
- The basis of the choice between targeting and universalism, and how it reflects the poverty orientation of the programme.

This can be achieved by including a poverty related impact evaluation in our monitoring and evaluation programme that relates to these issues. Impact evaluation is the systematic identification of the effects – positive or negative, intended or not – on individual households, institutions, and the environment caused by a given development activity such as a programme or project. Although they can be very large and expensive, (involving large scale control and target groups for example) they can also be more quickly and cheaply carried out. There are 4 four typical types of evaluation method which can be applied in this context and integrated into our existing systems: random pre-test and post-test evaluations, quasi-experimental with before and after comparisons of project and control populations, ex-post comparisons of project and non-equivalent control groups, and rapid assessment ex-post evaluations.

## 6.0 Conclusion

Poverty will remain a problematic term; and the debate relating to exactly what poverty is, how it is to be measured, and how it is to be tackled, will continue unabated. Our role as a humanitarian organisation is to ensure that we understand the concepts, and use advances in the understanding of poverty to improve our operations.

Most definitions of poverty admit the multidimensional nature of poverty; realising that poverty is not simply about having a low income but should include other factors such as hunger, under nutrition, lack of access to safe potable water, illiteracy, having no access to health services, social isolation and exploitation. We might add to this list people who are discriminated against, stigmatised or 'invisible': socially-marginalised ethnic, religious, indigenous, nomadic and caste groups; migrants and bonded labourers; refugees and internal displaced persons; disabled people or those with ill-health (especially HIV/AIDS).

It is apparent that Islamic Relief should consider undertaking long-term development operations based on a firm empirical basis of prevailing poverty. Clearly, Islamic Relief should work towards:

- Agreeing upon a definition of poverty that is multi-dimensional;
- Develop a unique *Islamic* understanding of poverty which is empirically sound and grounded in accessible data
- Work out the implications (by tackling the questions raised in this paper) of creating a rough and ready poverty measurement system on three levels which can be used to determine poverty interventions

## ANNEX 1: Using Data to Create an Islamic Index of Poverty

Monetary forms of poverty can be measured fairly accurately, through the various household survey data, and national statistics (typically, but not exclusively, based on household consumption rather than income). The current concept for world poverty is the number of people who live in households whose daily consumption per head is less than the purchasing power parity (PPP) equivalent of \$1.08 in 1993 dollars. It is a practical measure, *roughly* equating to the bare minimum amount of consumption that is needed to maintain human life.

There are a number of alternatives to the \$1-a-day poverty line. There is a tradition, followed in both the United States and India, for example, of setting poverty lines with reference to the nutritional requirements for good health (it should be pointed out here that there can be several poverty lines in any country; typically one generated by the World Bank; another generated by the country's own government and there can be significant differences between the two). The food energy intake (FEI) approach, for example, calculates the total income (or expenditure) at which a typical individual's nutritional needs are met. This is used by Pakistan's Planning Commission to estimate its poverty lines, which are based on a calorie requirement of 2,550 calories per equivalent adult per day for both rural and urban areas.<sup>1</sup>

Another approach, broader than purely calorie intake, is called the cost of basic needs (CBN) method of setting poverty line; the poverty line is the sum of food and non-food costs in a basic consumption basket and so differs from place to place. Ravallion (1998) was influential in this approach, suggesting that poverty lines must also include basic non-food items in addition to basic food items. To determine this, he argues that a poverty line should represent the *total* expenditure (on food and non-food items) when an individual's food expenditure meets exactly the bare minimum. The poverty line is the sum of food and non-food costs in a basic consumption basket.<sup>1</sup>

### 4.2 Non Monetary forms of Poverty

The above ways to measure poverty are considered to be the most objective, measurable, and comparable. The theme of the paper has been, however, that poverty is far broader than this; and is related to insufficient outcomes with respect to health, nutrition, and literacy, and with deficient social relations, insecurity, and low self-esteem and powerlessness. The problem is therefore, that the relationship between income poverty and deprivation in basic capabilities (or lowness of well-being) is still unclear, and in many cases not straightforward. **In other words, while income obviously IS important as an indicator of well-being, it is far from being a perfect proxy measure.**

The sources of data available can be used by researchers to inform evidence-based policy (the LSMS in particular is designed for this purpose); and this enables institutions to *create their own composite indexes* which are empirically sound. Therefore, the definition of Islamic poverty presented in section 3 can be matched with data sources – both from household data and HDI/HPI to create an index. Each of the five aspects of Islamic poverty and the appropriate data set is discussed below (some of the suggested data will be used more than once, merely to illustrate how the aspect of life can be measured – though in any composite index would only be counted once).

### **Religion**

*Religion is considered as a basic need or fundamental right of every individual. One should be free to practice the religion of one's choice. There should not be any compulsion in choosing one's religion, nor obstruction to practice it.*

It is extremely difficult to measure the right to practice religion – although there is one index that attempts to do so. However, many countries which are classified under the Virginia Index as unfree are not, in the traditional development paradigms, considered to be in deep poverty. Freedom to practice religion is a problematic issue; as we enter the realm of rights. Nonetheless, it cannot be avoided. Data to measure this are not typically contained in household surveys). An index of religious freedom *is* available at:

<http://religiousfreedom.lib.virginia.edu/pageindex.html>

There are other data relating to issues such as the amount of free-time people have to undertake, for example, available places of worship within any given village. However, this is very patchy and in many places unavailable.

### **Physical Self**

*The physical self denotes the healthy body, which includes basic items such as food, clothing, shelter, transport, health etc.*

There is a plethora of data available to measure the poverty of the physical self; principally from the in-depth HDI/HPI:

- Life expectancy at birth
- Child mortality rate
- Undernourished people (as a percentage of the total population)
- People living with HIV/AIDS /Malaria
- births attended by skilled health personnel
- doctors/physicians/nurses per 100,000 of the population
- percentage of the population that is immunised

But this index should not be health indicators alone; the physical health includes access to food, housing, clothing, and this requires further detailed information from household survey data:

- Calorie intake (compared to recommended figures, of say 2,000 per day)

- level of food security ascertained through vulnerability data: landholdings, crop production, fertilizer use, livestock, farming assets (from household surveys)
- Household information: relating to housing quality, fixed assets (from household surveys)
- Expenditures on durable goods: food expenses, home production, non food expenditures, inventories of durable goods (from household surveys)
- Population without sustainable access to an improved water source (from HPI)

### **Intellect or Knowledge**

*Islam classifies knowledge into two, the basic or fundamental which must be secured by every individual and the specialised knowledge which should be secured by only a few in a society. The basic or fundamental knowledge includes all that are useful in the course of everyday life. It includes the religious rituals or basic devotional acts and all other knowledge of the sciences and the arts that are useful in life.*

This “basic knowledge” can be equated to simple measures of educational attainment:

- Adult literacy
- Female literacy
- School attendance and access to pre-school education
- Primary, Secondary and Tertiary school enrolment

### **Offspring**

*Islam sees this as a need in itself as well as a means of propagating the human race.*

It would be extremely difficult to measure the ability to practice sex (although some discussion of FGM might be warranted) as a need. It is suggested in this paper that the *ability* to have and raise educated, healthy, children is, however, more quantifiable, therefore the following data from the HDI/HPI provide useful proxies:

- Access to education facilities
- Pre and post natal care
- Levels of infant immunisation
- Infant mortality rates
- Children under weight for age

### **Wealth**

*Wealth is obviously a fundamental human need. Wealth here can be interpreted as a stock or flow. In other words, one may talk about a piece of property that generates income or an employment that brings remuneration.*

We can move beyond income alone, although income must be included as it does form part of an individual’s assets; and data can be provided from both HPI/HDI and household survey data:

- Income /Consumption per head of BOTH basic food needs and basic non-foods (see above for CBN).
- Type of employment
- Fixed household assets
- Non-fixed household assets
- Household information: household roster, sources of livelihood
- Activities: casual wage labour, long-term employment, salaried employment, business trade manufacturing
- Remittances and Transfers
- Employment and Migration: prevailing wages and migration trends

Our second source, for more in-depth analysis, more ‘raw’ and varied data (such as household assets) is from household surveys; which also permit more detailed *intra*-country comparison; and can be useful where other forms of data are lacking.

Multi-topic household surveys are the primary source of macro-level evidence on poverty and are used to support poverty reduction policies at national and local levels. It is generally felt that household surveys are the most appropriate form of poverty measurement, combined with qualitative study. Data are generally collected at a national, local, household or individual level. Household surveys tend to concentrate on quantitative data, producing measurable outputs which can be aggregated at a national level. For example, both health and education are typically measured in household surveys, in more detail than the indexes mentioned above.

In the majority of countries, household surveys are used to form Poverty Reduction Strategy Papers, and collated by the World Bank’s Living Standards Measurement Study (LSMS). <http://www.worldbank.org/lsms> The LSMS was established in 1980 to improve the type and quality of household data collected by statistical offices in developing countries. Its goal is to foster increased use of household data as a basis for policy decision-making.

A typical household survey data set will contain information on:

- measures of poverty level based on household income and expenditure aggregates
- employment and unemployment by duration, gender and age;
- health conditions measured by e.g. ill health in past three months (chronic and acute), access to and use of health care facilities, anthropometric measurements (weight and height), family planning;
- education and childcare—school attendance and access to pre-school education; and
- housing conditions and water supply, access to utilities (electricity, gas), sanitation and personal hygiene.

But beyond this, more complex and revealing comparable data is available, which is not usually included in the “public” indexes discussed above:

- **Household information:** household roster, sources of livelihood
- **Activities:** casual wage labour, long-term employment, salaried employment, business trade manufacturing
- **Education:** child development formal schooling

- **Health:** illness and injuries; immunisation
- **Marriage maternity history:** pre and post natal care women's roles
- **Expenditures and durable goods :** food expenses, home production, non food expenditures, inventories of durable goods
- **Vulnerability:** landholdings, crop production, fertilizer use, livestock, farming assets
- **Remittances and transfers**
- **Village characteristics:** composition, size, infrastructure
- **Access to facilities:** access to facilities, education, health
- **Agriculture:** land and irrigation, forestry
- **Employment and migration:** prevailing wages and migration trends

However, there are well documented limitations in household surveys. Household income and expenditure surveys are good at collecting data on cash that passes through the household, incomes and outlays. They are somewhat less good (but probably still good enough) at collecting data on own production and consumption, However they do not attempt to include in the consumption or income estimates the benefits that people receive from publicly provided goods of one kind or another. Although it would be difficult to collect such information, some relevant data are collected in the surveys (for example, visits to clinics, school attendance, etc.) and perhaps more might be.

Our final source, used for determining priorities (so useful for further refinement and in-depth consideration where other data might not be available) is other qualitative research. Household surveys do not always contain all data necessary to build up a picture of poverty in an area. Participatory Poverty Assessments are equally valuable as participatory tools and as sources of knowledge necessary to identify and address development priorities at the community level. Other qualitative studies elicit more subjective information on poverty; in particular what priorities should be. It is important that household surveys are supplemented by local case studies; because they cannot capture all data required in its entirety, such as disparities in access to income and services between members of a single household; amount of free-time; access to other resources (for example, community).

## ANNEX 2 - Drawing a Poverty Line

As mentioned in part 3, in Islam the basic needs are classified into three levels; (1) necessities (*dharuriyyat*); (2) convenience (*hajat*); and (3) refinements (*kamaliat*). Necessities consist of all activities and things that are essential to preserve these five needs discussed above at the barest minimum for an acceptable level of living.

Clearly, then, one living below this 'acceptable level of living' is in poverty. The issue is then to determine what level this acceptable level is, or what resources are required for this to be realised. This is an aspect which requires more detailed inquiry and consideration within the PRU.

However, some preliminary suggestions are made here.

### **Religion**

The ability to practice religion depends upon the freedom, resources, and time to do so. Therefore, it could be suggested that poverty exists where:

- legal instruments exist which prevent individuals from practising religion
- an individual has less than, for example, 5 hours per week, free-time
- an individual has a consumption level equal or less than the minimum required to maintain CBN (cost of basic needs)
- there are no places of worship within a certain area that can be reached

### **Physical Self**

If we assume that the physical self means nothing more than food, clothing, shelter and health, we might suggest that poverty exists where:

- an individual's calorie intake is below the nationally set minimum level
- income is below the non-food minimum (which indicates that a household does not have the income required to buy essentials such as clothing, household repairs and medication)
- the number of doctors/nurses/etc per thousand is below WHO guidelines
- life expectancy/infant mortality is in the lowest half of international standards (though admittedly we should avoid relative measures of poverty where possible)
- if a family/community does not have access to a safe, secure water source



### **Intellect or Knowledge**

If we accept that basic knowledge are those skills needed to survive in life; we might simply equate those in poverty as those that:

- are illiterate
- have failed to achieved at least full primary education

### **Offspring**

If an individual cannot have and raise educated, healthy, children; then it is suggested here that we consider them in poverty. In terms of our data, we might consider the following individuals as in poverty:

- those that do not have access to pre and post natal care
- those whose infants do not receive immunisation against common dangerous diseases
- those whose children are chronically underweight
- those whose income/consumption falls under the non-food minimum (and as a result, we assume, cannot provide sufficiently for their offspring)

### **Wealth**

An individual clearly lacks a sufficient level of wealth for an acceptable level of living – and can be considered in poverty – when

- consumption/income falls below the non-food minimum
- when employment is fragile and wages are below the national minimum (if there is one)
- where households rely overwhelmingly on remittance payments
- when household assets are less than, say 50% of the national median (again; admitting that these relative values should be avoided where possible)

## Notes

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<sup>i</sup> Londero, E (1999) Poverty Targeting Classifications and Distributional Effects. Although it should be noted that most humanitarian agencies are not using evidence based interventions enough.

<sup>ii</sup> Caterina Ruggeri Laderchi, Ruhi Saith & Frances Stewart: *Does it Matter that we do not Agree on the Definition of Poverty? A Comparison of Four Approaches*, Oxford Development Studies, September 2003

<sup>iii</sup> In addition, it is possible to distinguish *how* we want to address poverty, not just the type:

*Poverty Alleviation*: this is the work of lessening the suffering of the poor, meeting their immediate pressing needs. This is basically charitable assistance.

*Poverty Reduction*: this is the task of lowering the numbers of those living below the poverty line. This involves providing people with jobs which reasonable wages; providing health and education services; providing credit for small enterprises. This is, basically, commitment to development.

*Poverty Eradication*: this is the challenge of restructuring society so that there is no longer growing poverty. This calls for planning - for setting priorities, for shifts in power, for restructuring society, for radical social and economic changes.

<sup>iv</sup> Wratten, E. 'Conceptualising Urban Poverty', *Environment and Urbanisation* Vol. 7(1) 1995: 11-33.

<sup>v</sup> Alkire, S., *Valuing Freedoms: Sen's Capabilities Approach and Poverty Reduction*, Oxford University Press, 2002

<sup>vi</sup> Hulme, D. and McKay, A., 'Identifying and -measuring chronic poverty: Beyond monetary measures', Paper presented at an International conference on 'The many dimensions of poverty' held in Brazil August 29-31 2005, Brasilia: International Poverty Centre

<sup>vii</sup> Sen, A. 'Development as Freedom', London: Oxford University Press, 1999

<sup>viii</sup> measured by vulnerability to early death defined as before 40 years

<sup>ix</sup> measured by the adult illiteracy rate

<sup>x</sup> measured by the percentage of malnourished children under five and by the percentage of people without access to safe water

<sup>xi</sup> Laderchi, C. R., Saith, R. and Stewart, F., 'Does it matter that we don't agree on the definition of poverty? A Comparison of Approaches', *QEH Working Paper Series – QEHWPS107*, Queen Elizabeth House, University of Oxford, 2003

<sup>xii</sup> World Bank (2000) *Voices of the Poor*

<sup>xiii</sup> Ljungman, C (2004) *A Rights-Based Approach to Development*.

<sup>xiv</sup> In comparison, the establishment of goals and motivation for action of other approaches can appear arbitrary or "lawless". (Human Rights Council of Australia, 2001).

<sup>xv</sup> See the ODI's *Chronic Poverty Centre* for further guidance and information relating to this distinction.

<sup>xvi</sup> Coudouel, A., Hentschel, J., & Wodon, Q (2002) *Poverty Measurement and Analysis*, p. 29

<sup>xvii</sup> This is inspired by a number of studies, principally in developed countries, that inequality in society has negative implications for total welfare as well as crime levels, happiness levels, and economic growth.

<sup>xviii</sup> Asian Development Bank (2003) *Issues in Setting Absolute Poverty Lines*

<sup>xix</sup> Datuk Dr. Syed Othman Alhabshi, *Poverty Eradication from Islamic Perspectives*, p. 3.

<sup>xx</sup> Dr Yusuf al Qardawi, "Fiqh az Zakat", a comparative study, 1999, p 345

<sup>xxi</sup> Coady, D., M. Grosh and J. Hoddinott. 2004a. Targeting of Transfers in Developing Countries Review of Lessons and Experience. World Bank, Washington, DC.