

# The Living Income Community of Practice



## Request for Proposal

### *Relationship between asset-based measures and the living income approach*

December 19, 2022

### Summary

The Living Income Community of Practice (LICOP) has advanced considerably in its effort to bring together agricultural sectors to align on the core definition of living income, and the approaches to compare actual incomes to a living income benchmark. Numerous organizations, companies and private public initiatives are underway with living income as a goal and progress towards that a key performance indicator. It is important to further the work within the LICOP to discuss the use and relevance of the living income metric (i.e.. the measure of how actual income of a household compares to a living income benchmark) and compare it to existing metrics for the wellbeing and economic status of rural households. This proposal considers the methodological steps needed to compare the living income approach to well-known measures based on evaluation of non-monetary factors, such as physical assets and access to social services. This comparison will enable organizations working on living income to not only consider the ways to measure if living income is being achieved in a quantitative sense but also to consider the multiple dimensions of wealth and poverty that impact people's standard of living and resilience to shocks.

This work will inform and incorporate input from the Living Income Community of Practice towards the goal of alignment on methodological questions. The draft paper will be reviewed by a small group of expert LICOP members and key points discussed if necessary, prior to publication. This study will also be one input to the development of an open-source methodology for the Cocoa Household Income Impact Study of the Alliance for Living Income in Cocoa (ALICO).

### Activities

We know that achieving a Living Income (as defined by the Anker methodology) is only a stepping stone towards economic resilience of smallholder farmers and not an indicator of broader prosperity. Even before the COVID-19 pandemic and the current cost-of-living crisis are accounted for, data from UNDP showed that 1.2 billion people in 111 developing countries lived in acute multidimensional poverty. This is nearly double the number who are seen as poor when poverty is defined using a traditional monetary target such as the World Bank's \$1.90 per day. This shows that although income-based measures are a good metric to use for a quick understanding of the situation of a family or individual, looking at assets and access to services (and lack of) are important when we want to understand and measure material

well-being and social exclusion. Multidimensional poverty measures are being used to understand individual and household poverty levels, and are also being used to assess how countries meet the SDGs. The first goal of the SDGs is to eradicate poverty in *all its dimensions*, so looking at multidimensional poverty will usually include a wider range of indicators such as health, education, living standards, social inclusion, violence, and employment, among others.

Methodologies to provide this broader picture of poverty that consider multiple dimensions of wellbeing beyond monetary poverty are being used globally, and we would like to start exploring the links and complementarity with the monetary based measure provided by the Living Income approach.

### **Overview:**

Draft a discussion note for LiCoP practitioners on the relationship between asset-based measures of poverty and the methodology of a living income gap assessment, both conceptually and operationally. References used should include at least the PPI and the OPHI MPI, and be compared with the assessment method to [measure farmers actual incomes](#) and compare to a living income benchmark<sup>1</sup>. The note should explain the concept and potential applications for each measurement, and provide indicative comparison with the monetary based measurement of a decent cost of living (living income benchmark).

### **Suggested activities:**

1. Mapping of the most commonly used (no more than five) non-monetary poverty measurements. For each one detail:
  - a. Background: how/who developed the methodology, who is currently using it (with references where required), for what purposes
  - b. Methodology: description of how it is applied in practice, including data sources, dimensions and indicators used, sampling, geographical coverage (eg national, regional, urban, rural), target population selection, disaggregation of data, longitudinal applicability, use on global/sector levels
  - c. Case study: one or two very short examples where it is being implemented, results and uses
2. Comparison between the measurement approaches mapped out above and the assessment method to measure farmers actual incomes and compare to a living income benchmark ('living income gap assessment'), to provide a basis for discussion on aspects such as:
  - a. What does each measure do that the other one does not from a methodology point of view: e.g., scope, dimensions covered etc.
  - b. For what purposes would each methodology be best suited: e.g., informing policy review, value chain pricing negotiations.
  - c. Case study: for a region or country where there is both an asset-based measure of poverty and a living income gap assessment describe what each offers for users and policy makers: what would each one show and what it would not show in terms of indications of poverty.

### **Deliverables:**

Short report covering the mapping and comparison outlined above, max 10 pages.

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<sup>1</sup> Living income benchmark methodology: <https://www.elgaronline.com/view/9781786431455/9781786431455.xml>

Summary slide deck

**Suggested measures to include (consultant to suggest additional if relevant):**

UNDP/OPHI: The [global Multidimensional Poverty Index](#) (MPI) is an international measure of acute multidimensional poverty covering over 100 developing countries. It complements traditional monetary poverty measures by capturing the acute deprivations in health, education, and living standards that a person faces simultaneously

World Bank: [The Multidimensional Poverty Measure](#) (MPM) seeks to understand poverty beyond monetary deprivations and possibly the [Social Well-Being Index](#)

[Poverty Probability Index](#): considers a household's characteristics and asset ownership to compute the likelihood that the household is living below the poverty line.

## Consultant Criteria

Consultant shall possess the following capacities and experience:

- 5+ year of experience in income assessment, M&E and rural poverty alleviation in agricultural areas
- Capacity to draft guidance for a lay audience on technical topics
- Competence in written and spoken English
- Desirable – multilingual in Spanish and French. This would enable the lead author to translate his/her own technical paper (additional payment for this service)

## Proposal

Interested parties are requested to submit a short letter of interest including:

- Previous experience and qualifications as they relate to the activities mentioned above
- A timeline for the work, including estimated completion dates and milestones
- A budget

Email submission letters to Molly Leavens: [mleavens@sustainablefood.org](mailto:mleavens@sustainablefood.org)

Deadline for submission is January 13, 2023. Submissions will be reviewed by January 27th, 2023 and a final decision made by the Food Lab.