Welcome to the presentation on

Poverty Reduction strategy in Bangladesh: Estimating and Monitoring of Poverty

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Outline

- General Features of Bangladesh
- Background: Definition and Necessity of Poverty Measurement
- Poverty Measurement Methods Used in Bangladesh
- Merits and Demerits of Different Methods
- Determination of Poverty Line by CBN Method
- Poverty Mapping and Development of Poverty Data Base
- Poverty Reduction Strategy Based on SFYP and PRSP of Bangladesh
- Concluding Remarks
# General Features of Bangladesh

## 1. Population HH and Literacy (As on 2011)

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>Rural</th>
<th>Urban</th>
<th>Literacy 7+ (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>144,043,697</td>
<td>54,580,004</td>
<td>17,529,792</td>
<td>56.8</td>
</tr>
<tr>
<td>Household</td>
<td>32,173,630</td>
<td>24,671,590</td>
<td>7,502,040</td>
<td></td>
</tr>
</tbody>
</table>

## 2. Demography (As on 2011)

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>Rural</th>
<th>Urban</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Crude Birth Rate (‘000)</td>
<td>19.2</td>
<td>20.2</td>
<td>17.7</td>
<td></td>
</tr>
<tr>
<td>Crude Death Rate (‘000)</td>
<td>5.5</td>
<td>5.8</td>
<td>4.8</td>
<td></td>
</tr>
<tr>
<td>Pop Growth Rate (%)</td>
<td>1.37</td>
<td>1.44</td>
<td>1.26</td>
<td></td>
</tr>
<tr>
<td>MMR (‘000)</td>
<td>2.09</td>
<td>2.15</td>
<td>1.96</td>
<td></td>
</tr>
<tr>
<td>IMR (‘000)</td>
<td>35</td>
<td>36</td>
<td>32</td>
<td></td>
</tr>
</tbody>
</table>

## 3. Economy (2013-14 FY)

### GDP Growth Rate (%)

- GDP growth rate: 6.12

### Per capita income (US$)

- Per capita income: 1190

### Inflation (%)

- Inflation: 6.60

### Sectoral Share of GDP

<table>
<thead>
<tr>
<th>Sector</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>16.33</td>
</tr>
<tr>
<td>Industry</td>
<td>29.61</td>
</tr>
<tr>
<td>Service</td>
<td>54.05</td>
</tr>
</tbody>
</table>
Poverty refers to forms of economic, social and psychological deprivation occurring among people or countries lacking sufficient ownership, control or access to resources to maintain or provide individual or collective minimum level of living.

It is a condition where countries, families and/or individuals lack adequate access to or control of processes of resources accumulation and distribution. As a result, the ability to provide for minimum nutrition, health, shelter, education, security, leisure or other aspects of life is impaired.

(Rural Poverty in Bangladesh: 1990 like Minded Group)
The previous definition of poverty refers to absolute poverty, however, the definition of relative poverty is quite difficult and differs from country to country, and area to area.

Therefore, poverty measurement should be concentrated on absolute poverty.
Necessity of poverty measurement

- Understanding the state of poverty, the constraints and post action
- Choosing priorities and setting objectives
- Defining the strategy and choosing the action
- Selecting indicators and targets
- Implementing intervention
- Monitoring and evaluations
The following three methods are generally used in poverty measurement:

- Direct Calorie Intake (DCI) Method
- Food Energy Intake (FEI) Method
- Cost of Basic Need (CBN) Method

All the three methods were used in Bangladesh for the poverty measurement.
Direct Calorie Intake (DCI) Method: Merits and Demerits

- A minimum calorie threshold is used
- In the context of Bangladesh a calorie threshold of 2122 k.cal. is used for absolute poverty (suggested by FAO)
- 1805 k.cal. is used for hard core poverty
- 1600 k.cal. is used for ultra poverty

User friendly method:
- Easily understandable by the users
- Easy to calculate
- Historical trend is available for poverty rates

It does not cover all:
- Food consumption is imprecise indicator of welfare because they depend on number of different factors such as: prices, household composition, location etc.
- Balanced diet is not considered
- Nonfood needs are ignored
- Therefore, calculate only “undernourishment” is not poverty
- Calorie threshold need to be updated on the basis of real life data
Food Energy Intake (FEI) Method: Merits and Demerits

This method is based on observation of the typical level of expenditure for which household obtain the food need to meet basic energy requirements (2122 k.cal. for Bangladesh). The level of expenditure include nonfood as well as food items.

The functional form of the model is:

\[
\ln y = a + bx + e
\]

where
- \( y \) = per capita monthly expenditure
- \( x \) = per capita per day calorie intake
- \( e \) = disturbance term

Proper addressing:
- Food and nonfood expenditure included
- Threshold calorie is considered (2122 k.cal.)
- Food and nonfood expenditure varies from area to area based on price and other factor which can be addressed

It does not cover consumption variability:-
- According to wealth and taste the expenditure will be higher in richer HHs because they will consume costly food.
- Calorie composition is not based on balanced diet.
Cost of basic need (CBN) Method: Merits and Demerits

Definition:
- This method is based on the estimated cost of the bundle of goods “adequate” to ensure that basic needs are met.
- In the context of Bangladesh, a bundle of foods (11 items) are selected to have a threshold calorie requirement of 2122 k.cal.

Proper addressing:
- A normative bundle of food is used.
- Price difference of food items in different geographic areas are considered.
- Nonfood allowance are added to poverty line.

Non-exhaustive Food bundle -
- Regional poverty is obtained but national poverty line is not obtained readily.
- Food bundle do not conform with the observed food consumption of the poor.
- Food bundle is not exhaustive and needs to be enhanced with time.
## Trend of Poverty Headcount Ratio: Estimated by Cost of Basic Need Method (upper poverty line)

<table>
<thead>
<tr>
<th>Year</th>
<th>National</th>
<th>Urban</th>
<th>Rural</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991-92</td>
<td>58.8 (56.6)</td>
<td>44.9 (42.7)</td>
<td>61.2 (58.7)</td>
</tr>
<tr>
<td>1995-96</td>
<td>51.0 (50.1)</td>
<td>29.4 (27.8)</td>
<td>55.2 (54.5)</td>
</tr>
<tr>
<td>2000</td>
<td>49.8 (48.9)</td>
<td>36.6 (35.2)</td>
<td>53.1 (52.3)</td>
</tr>
<tr>
<td>2005</td>
<td>40.0</td>
<td>28.4</td>
<td>43.8</td>
</tr>
<tr>
<td>2010</td>
<td>31.5</td>
<td>21.3</td>
<td>35.2</td>
</tr>
</tbody>
</table>

The rates (estimates) in red marks were deflated based on rebasing of poverty lines using HIES 2005.

- It is seen from the table that head-count rate reduced from 58.8% in 1991-92 to 31.5% in 2010.
- The rate of reduction per annum stands at 1.4% during 1991-92 through 2010.
- It is notable that poverty reduced at a faster rate between 2000-2005 and 2005-2010.
- The rate of reduction in these periods were 1.9% and 1.7% respectively.

Source: BBS, HIES of different years.
Poverty Mapping in Bangladesh: An effort to display the locations of poverty

Poverty Mapping is a way to produce statistically reliable poverty estimates at the sub-national levels and present these disaggregated poverty estimates in the form of maps to visualize and display the locations of poverty.

**Poverty mapping is done:**
- To estimate poverty at local level (lower level of disaggregation)
- To display the locations of poverty in maps
- To identify the locations prone to poverty

**Small Area Estimation (SAE):**
- It is a technique for developing geographically disaggregated estimates of poverty, inequality or prevalence of any other condition by exploiting strength of HIES and Population Census
- “Small Area Estimation” has been applied for the poverty mapping exercise
- Strength of HIES: Presence of PCEXP and other poverty related variables
- Strength of Census: Full coverage of population and large observations at sub-national levels
Bangladesh Poverty Maps

Past experience in producing poverty maps

Two previous poverty mapping exercises for 2000/01

- BBS-WFP: Poverty and Food insecurity map
- BBS-LGED-IRRI: Rural Bangladesh Poverty Map
The poverty maps were prepared by the Bangladesh Bureau of Statistics, the World Bank, and the World Food Program. The printing and dissemination of the maps was funded by IFAD.
Bangladesh Poverty Database: An Effective Way to Identify the Hardcore Poor Households

Background of BPD

- Poverty reduction is the priority agenda of the Government of Bangladesh
- Social Safety Net Programs (SSNP) play an important role in poverty reduction
- Targeting of the beneficiaries is a big challenge
- No unique methodology to select the beneficiaries of SSNP’s

Objectives:

- To collect data and prepare a national database for all households in Bangladesh including demographic and other information of every citizen of the country
- To have a poverty database through screening by applying proxy means test (PMTF) from national database of all households
- To assist in implementing of all social protection and social empowerment programs of the government
- To eliminate overlapping of being selected as beneficiaries of various social protection programs
- To increase monitoring and evaluation of the social protection programs
Areas Focused in Bangladesh Poverty Reduction Strategy Paper

Economic Growth
- Private Sector Development
- Infrastructure Development (transportation and power sector)
- Agriculture and Rural Development

Social Development with Human Security
- (i) Education, (ii) Health, (iii) Environment, and (iv) Disaster Management

Good Governance
- (i) Central, (ii) Sectoral, and (iii) Local level
Poverty Reduction Strategy Paper: An Eight-Point Strategic Agenda

Poverty is a multidimensional and pervasive issue towards sustainable development.

A million priorities will not exhaust the agenda but to get the momentum going, policy and popular energies have to be galvanized around a few catalytic agendas built on the policy triangle of growth, human development and governance.

An Eight-Point medium term strategic agenda for the goal of accelerated poverty reduction is constituted in BPRSP.

- Employment
- Nutrition
- Quality Education (with strong emphasis on girls’ education)
- Local governance

- Maternal Health
- Sanitation and Safe Water
- Criminal Justice
- Monitoring
Impact of Poverty Reduction Strategy on Development Process

- Monitoring and Evaluation
- Economic Growth
- Human Capital
- MDGs & Socio-economic Development
- Priority Basis Agenda Setting
- Implementation

Poverty Reduction Strategy

Bangladesh

Impact of Poverty Reduction Strategy on Development Process

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- Implementation

Poverty Reduction Strategy

Bangladesh
Setting targets of poverty reduction strategies in final PRSP and M & E System → Choice of indicators

Choice of indicators → Data generation: Quantitative & Qualitative

Data generation: Quantitative & Qualitative → Data analysis, M & E results

Data analysis, M & E results → Interaction with stakeholders, activist and civil society groups

Interaction with stakeholders, activist and civil society groups → Suggestions for revision of priorities, and supplementary programmes

Suggestions for revision of priorities, and supplementary programmes → Dissemination

Dissemination
Poverty Reduction Policies in Sixth Five Year Plan

The policies and programs for poverty reduction adopted in the SFYP are to:

- promote growth by sustaining labor productivity and job creation
- increase farm income through better productivity
- enhance the access of the poor to production inputs and to institutional finance
- expand employment opportunities by improving infrastructure and by investing in human capital
- stimulate women’s participation in the labor force
- sustain Bangladesh's past successes in reducing fertility
- improve poor households’ access to education, health and nutrition services
- enhance the coverage of social protection programs
- enhance the access to micro finance, and
- mitigate the adverse consequences of climate change.
Conclusion

- Estimating and monitoring of poverty are pre-requirements for proper implementation of PRS.

- Poverty estimates obtained by DCI, FEI, and CBN method give different estimates of poverty. So, using of different methods can confuse the users.

- One preferred method should be adopted for poverty measurement.

- After examining different methods, it can be noted that Cost of Basic Need Method (CBN) is the best suited method for estimation of poverty and Bangladesh is using this method since 1991-92.

- However, to get more precise estimate of poverty using CBN method, food bundle need to be examined periodically as the consumption behavior changes with the time and availability of alternative food items.