

Developing an ultra-poor poverty line for the poverty analysis of the Malawi Integrated Household Survey, 1997-98

The Integrated Household Survey (IHS) was a comprehensive socio-economic survey of the living standards of households in all districts of Malawi. The National Statistical Office administered the IHS questionnaire to about 12,900 households over a 12 month period, November 1997 to October 1998. The data was cleaned between May 1999 to April 2000. 10,698 households remained in the data set when the 'c2' version of the data was released in early May 2000. A poverty analysis is currently being conducted on the IHS data set under which poverty lines have been established for four analytical regions of the country –Southern rural, Central rural, Northern rural, and Urban.

The poverty lines are set in terms of the welfare indicator of a household – total per capita daily consumption and expenditure. The poverty lines were calculated using a basic needs approach, whereby the food component of the poverty line is anchored to the recommended daily calorie requirements of household members. This food component defines the food poverty line. The non-food component of the poverty line is the actual non-food consumption of households whose total consumption and expenditure is in the neighborhood of the food poverty line. As these households are sacrificing necessary food consumption for non-food consumption, this non-food consumption is assumed to be a critical component of the basic needs of a household. The preliminary poverty head count for the nation as a whole using these poverty lines is 65.3 percent.

Given this high level of poverty in Malawi and the restrictions on resources available for efforts to alleviate poverty, a differentiation of the poor into poor and ultra-poor categories would be useful. Knowing the characteristics and the location of the most destitute in society would allow poverty alleviation programmes to target their efforts more effectively. This document evaluates two possible ultra-poor poverty lines for use in the poverty analysis of the IHS data set:

- an ultra-poor line fixed at 60 percent of the poverty line in each poverty line region.
- an ultra-poor line of the food poverty line in each poverty line region.

Table 1 presents the poverty lines for each region, as well as the two ultra-poverty lines being assessed here. The percentage of the poverty line made up by the food poverty line is also noted. The food poverty line is considerably higher than the 60% line in all regions, although the difference is not as great in the urban areas, reflecting the larger household budget shares which go to non-food expenditure in the urban centres.

The results from using the full IHS data set with the two ultra-poverty lines to derive poverty head counts are shown in Table 2. Comparing the poverty line regions, no new patterns emerge as a result of using either of the ultra-poverty lines. The Southern rural region has a slightly greater proportion of the nation's ultra-poor than it does the nation's poor. There are slight differences between the ultra-poverty

Table 1: Poverty line and ultra-poverty lines - total per capita daily consumption and expenditure (MK)

	Poverty line	Ultra-poor line-1 (60% of pov. line)	Ultra-poor line-2 (food poverty line)	Ultra-poor line-2 as percent of pov. line
Southern rural	7.76	4.65	6.53	84.1%
Central rural	9.27	5.56	7.76	83.7%
Northern rural	11.16	6.69	8.90	79.7%
Urban	25.38	15.23	16.95	66.8%

Table 2: Ultra-poor poverty head count using two ultra-poverty lines, by poverty line regions

Region	Ultra-poor line-1 (60% of pov. line)		Ultra-poor line-2 (food pov. line)		Poverty line	
	Individual ultra-poverty headcount (%)	Malawi's ultra-poor in region (individual) (%)	Individual ultra-poverty headcount (%)	Malawi's ultra-poor in region (individual) (%)	Individual poverty headcount (%)	Malawi's poor in region (individual) (%)
MALAWI	28.2	-	52.0	-	65.3	-
Southern rural	31.3	45.8	57.6	45.7	68.9	43.5
Central rural	26.7	36.3	53.0	39.0	65.0	38.1
Northern rural	23.9	8.7	45.8	9.0	61.8	9.7
Urban	25.3	9.3	31.7	6.3	54.9	8.7

lines in the resultant proportion of the nation's ultra-poor found in the urban centres, although this difference may not be significant. Otherwise, the patterns between regions remain quite consistent using the different lines.

It is recommended that the ultra-poor be defined as those with a welfare indicator less than 60 percent of the poverty line. If the utility of the ultra-poor poverty line is to provide additional information on the very poorest in Malawi, this line will be of greater use than the food poverty line in identifying these individuals and households. Distinctions between the poor and ultra-poor would not be as sharply defined if the food poverty line were used to identify the ultra-poor.

Table 3 shows the district head count for both the poor and the ultra-poor using the 60 percent of the poverty line to define the ultra-poor. Note that the ultra-poor are a sub-set of the poor.

Table 3: Poor and ultra-poor head count, by district

District	Individual poverty headcount (%)	Individual ultra-poor headcount (%)	District	Individual poverty headcount (%)	Individual ultra-poor headcount (%)
Nsanje	51.3	10.8	Salima	60.8	20.2
Chikwawa	54.8	9.6	Lilongwe Rural	65.6	28.0
Mwanza	71.4	22.8	Lilongwe City	37.9	10.0
Blantyre Rural	65.3	28.6	Mchinji	68.0	26.6
Blantyre City	60.5	29.3	Kasungu	48.9	13.6
Zomba Rural	71.9	27.8	Dowa	53.6	21.4
Zomba Municipality	78.0	54.5	Ntchisi	76.3	27.7
Thyolo	76.8	42.9	Nkhotakota	65.3	20.5
Mulanje	67.2	33.9	Mzimba	67.5	31.8
Phalombe	83.9	47.3	Mzuzu City	70.9	40.3
Machinga	63.5	24.4	Nkhata Bay	47.7	11.9
Mangochi	69.8	38.2	Rumphu	65.8	18.2
Chiradzulu	74.0	36.0	Karonga	42.1	10.0
Ntcheu	84.0	52.6	Chitipa	71.3	28.8
Dedza	73.3	30.3			