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Discussion Paper BRIEFS

Food Consumption and Nutrition Division of the International Food Policy Research Institute

Discussion Paper 183

Poverty in Malawi, 1998

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In 1997–98, the government of Malawi carried out a comprehensive socioeconomic survey of living standards of households in all districts and urban centers of the country. The questionnaire of the Integrated Household Survey (IHS) captured data on demographic characteristics, health and nutrition, education, agriculture, income sources, and consumption and expenditure. However, the survey's second component, a diary of expenditure, was not consistently maintained. Consequently, of the 10,698 households in the cleaned data set, only 6,586 had reliable expenditure and consumption information.

Creating a Household Welfare Indicator and Establishing Poverty Lines

A poverty analysis of the population of Malawi was conducted using the IHS data on the consumption and expenditures of these 6,586 households. Data on consumption and expenditure were used as they were deemed more reliable and a smoother measure of welfare over time than data on income.

The household welfare indicator used in this analysis was based on the sum of the average daily Malawi kwacha (MK) value of four components of consumption for each household: total food consumption; total expenses for nonfood, nondurable goods; estimated use-value of durable consumer goods; and actual or imputed rental value of housing for the household. The indicator was standardized on a per capita basis.

Survey households were categorized as poor or nonpoor by evaluating their welfare indicator against a poverty line. Those whose welfare indicator was below the poverty line are considered to be poor. The analysis also defined the ultra poor as those whose total consumption was less than 60 percent of the poverty line.

This description of Malawi's poor can guide the development of effective poverty reduction policies and programs.

Establishing poverty lines involved calculating the cost to poorer households of meeting their recommended daily requirements (RDRs) of calories, plus some basic nonfood expenditure. Four poverty lines were computed—one for the urban centers of the country, and others for each of the three regions of the country outside of the urban centers. The four poverty lines represent the MK cost of acquiring a "basket" of basic items in each poverty line area and reflect differences in consumption preferences, demographic makeup, and prices between the four areas.

To establish the food component of the poverty line, RDRs from nutritional tables were assigned to each individual in the data set of 6,586 households, based on age and sex. The cost of acquiring these calories was then computed by analyzing the calorie content and the cash value of the food reported consumed by poorer households. The nonfood component of the poverty line was determined by analyzing the daily nonfood consumption of those survey households the value of whose total consumption was close to the food poverty line. Because these households were sacrificing nutritionally necessary consumption to acquire these nonfood items, these items were considered as basic necessities and included in the poverty line basket.

Rural poverty lines were between MK 7.76 and MK 11.16 per person per day, while the urban poverty line was MK 25.38. (At the time of the survey, US$1.00 = MK25.40.) Food constituted a large proportion of rural consumption, making up about 80 percent of the rural poverty line baskets of goods. More than half of the consumption reported in rural areas was not based on cash, but resulted from own production or noncash exchange.

Using the 6,586 households in the analytical data set, a national poverty headcount for Malawi of 59.6 percent was computed. However, the implications of dropping the 4,112 survey households with unreliable consumption data from the IHS data set were carefully investigated. It was established that the dropped households were likely poorer than those retained. For this reason, a proxy welfare measure was assigned to each of the dropped survey households, computed from a broad range of household characteristics from the survey that were judged to be unaffected by the poor collection of consumption data from these households. Using the proxy welfare indicators to enable an analysis of the full 10,698 household data set, a national poverty headcount of 65.3 percent was estimated.

Findings

Poverty was found to be more severe in rural areas and in the Southern region. Twenty-eight percent of the population were estimated to be living in ultra poverty, with levels of consumption below 60 percent of the poverty line.

Analysis findings are summarized in eleven tables and two figures. These include data on the reference basket of basic items used in computing the poverty lines; poverty measures; indices of inequality; and a comparative assessment of poverty lines and poverty headcounts computed by earlier poverty analyses for Malawi. Methods used in these earlier studies could not be replicated with the IHS data because of difficulties reconciling income and consumption data and adjusting MK values and prices. Consequently, clear trends in the prevalence of poverty in Malawi could not be determined through this poverty analysis of the IHS. However, if the methods used here are replicated as new comparable data sets become available in the future, strong conclusions about poverty trends in Malawi can be established.

Conclusion and Discussion: An Important First Step in Reducing Poverty

The results presented are an important first step in addressing poverty reduction in Malawi. The description of the country's poor that this analysis provides can guide the development of effective poverty reduction policies and programs. For example, the analysis indicates that raising the consumption of the poorest 10 percent of the poor to above the poverty line would reduce the poverty gap by 19 percent and poverty severity by 39 percent. In contrast, the poverty gap and poverty severity will decline by only 1.2 percent and 0.1 percent, respectively, if the top 10 percent of the poor (i.e., those poor who are nearest to the poverty line in their consumption levels) are made nonpoor. This implies that attention must be paid to more than poverty headcount numbers for poverty reduction strategies in Malawi to have maximum effect.

If the poor in the Southern region were made nonpoor, the severity of poverty in Malawi would be reduced by 53.4 percent. On the other hand, wholly eliminating poverty in Malawi's Central and Northern regions would reduce the severity of poverty nationally by 36.5 and 10.1 percent, respectively. Lifting the ultra poor just above the ultra-poverty line would greatly reduce the depth and severity of poverty in Malawi. Doing so would reduce the poverty gap by 22 percent and poverty severity by 46 percent, even though the headcount would reflect no change in the prevalence of the poor in the population. In sum, this analysis suggests that the government should contemplate reducing poverty from the bottom up to achieve maximum impact with available resources. The Malawi Poverty Reduction Strategy Paper has adopted a similar perspective.

This study provides a basis upon which to advance the effort of reducing poverty in Malawi, since reducing poverty requires identifying the poorest. Nevertheless, such technical information and solutions are not sufficient. They must be coupled with political will to have an impact in improved welfare for the many Malawians currently unable to meet their basic needs.

Keywords: poverty, poverty analysis, Malawi

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***This description of Malawi's poor can guide the development of effective poverty reduction policies and programs."*—DP183**