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Seminar on poverty measurement
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Agenda item 4: Monetary poverty

Poverty measurements in Azerbaijan

Prepared by the State Statistical Committee of the Republic of Azerbaijan[1]

I.   Background

The strategy of the state programme for poverty reduction and sustainable development was based on poverty analysis in the country. The analysis was made through measuring monthly consumption expenditures per capita using the information derived from a household survey (HS). An absolute poverty threshold (a minimum food basket) approved by the Cabinet of Ministers in 2005 was used. In 2013, 5.3% of the population with income of 125.2 manats lived below the poverty threshold (absolute poverty rate). In the same year the relative poverty rate was estimated at 2% based on the relative poverty threshold of 71 manats (60% of the median consumption expenditures). The main objective was to monitor poverty levels in the country using the same sources of information (HS), the same well-being indicator (consumption expenditures per capita) and the same poverty thresholds.

II.   Poverty line

As mentioned above, the poverty threshold is based on standards and the poverty line was approved by the Cabinet of Ministers. The threshold includes not only food expenditures of a minimum consumption budget but also non-food products and services. Minimum consumption standards are estimated using these three consumption categories. In future, minimum consumption standards will be calculated for men and women of working wage, retirees, adolescents and children: an average cost of minimum consumption will be estimated taking into account the proportion of these three categories among the total population. Estimation of a minimum consumption basket varies depending on different types of goods.

A minimum food basket is measured on the basis of prices which were paid by the poor (the lowest decile in the consumption expenditures distribution) and such prices were obtained from the HS. A minimum food basket in 2013 was estimated at 73 manats comprising 58.3% of the total food basket. The ratio of food, non-food goods and services in the minimum consumption basket derived from the HS matches the ratios in a minimum consumption budget of the poor population.

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[1] Prepared by Yashar Pasha.

Non-food expenditures included into the minimum consumption basket were calculated based on the lowest retail prices. The calculations were made using the data of the State Statistics Committee. In 2013, the non-food component of the minimum consumption basket was estimated at 27 manats, and its share in the total basket was 21.6%. The expenditures for services in the minimum consumption basket were estimated at 25.2 manats, which is 20.1% of the total consumption basket.

Poverty over time, 2001-2013

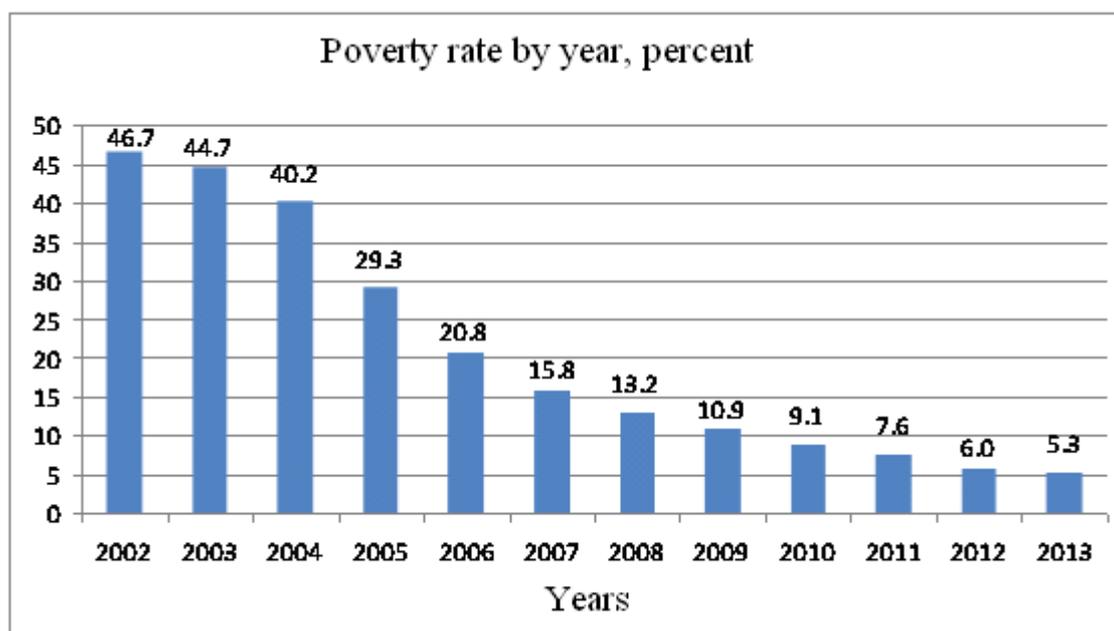|	2001	2005	2006	2007	2008	2009	2010	2011	2012	2013
Poverty threshold, AZN	24.0	42.6	58.0	64.0	78.6	89.5	98.7	107.2	119.3	125.2
Poverty rate, percent	49.0	29.3	20.8	15.8	13.2	10.9	9.1	7.6	6.0	5.3

III. Poverty profile

The outcomes of poverty profiling in Azerbaijan were as follows:

Similarly to 2010, the poverty rate in rural areas in 2013 was relatively higher than in urban areas (4.4% in urban areas vs. 6.1% in rural areas).

As to the gap between the regions, the highest poverty rate was observed in Quba-Xachmaz region, 9.6%. Despite this, only 3.1% of the poor lived in this region. The region with the poverty rate closest to a national average is Gence-Qazax region, 5.4%.

The poverty rate in cities as compared to towns is considerably low: 4.1% vs. 4.7%. Though the poverty rate in Baku is the lowest one (2%), the majority of the poor population, i.e. 14%, lives in this city.
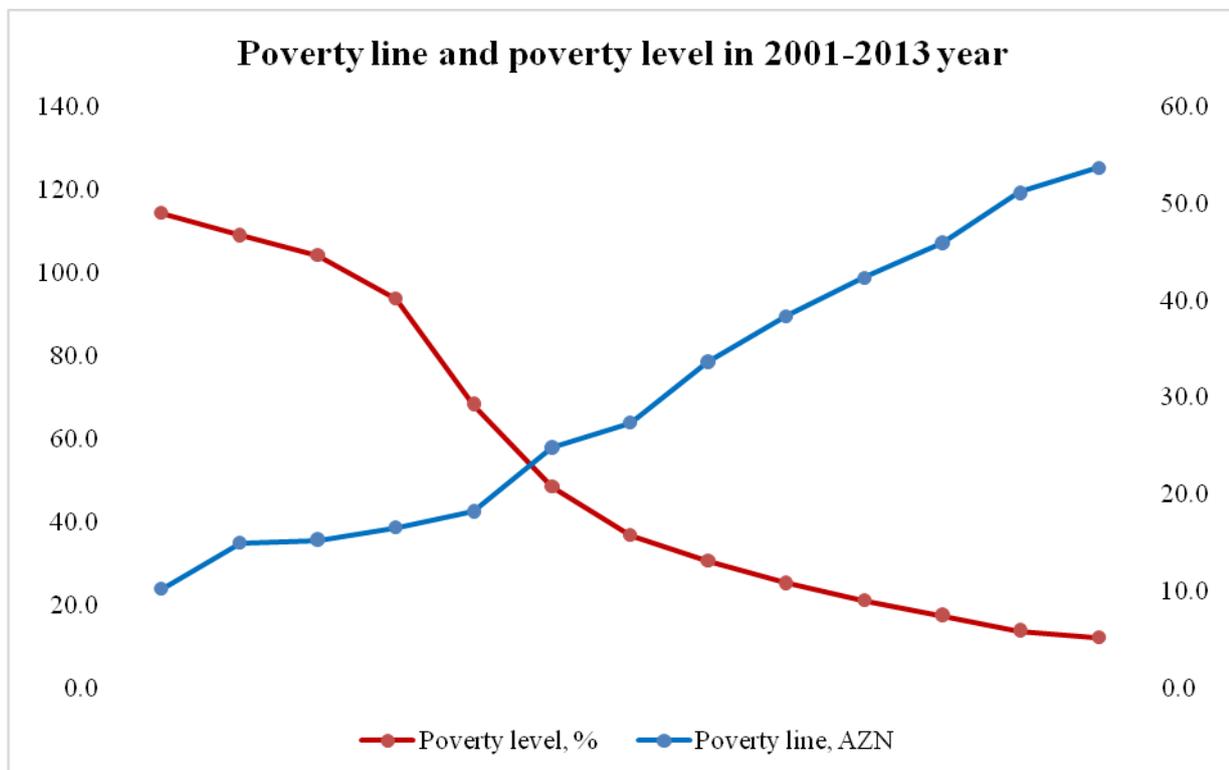
Poverty rates depending on household characteristics and types, percent

Type of household	Poverty level
Total	5.3
Urban	4.4
Rural	6.1
Economic regions	
Baku	2.0
Absheron	2.7
Gence-Qazax	5.4
Sheki-Zaqatala	8.8
Lenkeran-Astara	3.9
Quba-Xachmaz	9.6
Aran	5.3
Yuxari Qarabag	8.0
Kelbecer-Lachin	4.8
Dagliq Shirvan	9.5
Naxchivan	3.0
male-headed families	5.3
female-headed families	5.1
Type of household	
single	0.2
single with children	3.4
married couples without children	3.0
married couples with children	7.4
other households with children	6.9
other households without children	2.9
Number of children under 18	
families without children	2.9
families with 1 child	5.8
families with 2 children	7.4
families with 3 children	11.2
households with 4 and more children	15.5
Sources of income of a household head	
employment in public sector	3.5
employment in private sector	4.9
employment in agriculture	11.3
commercial activities	5.1
household work	8.9
free-lance job	5.4
work for a private individual	3.1
pension	7.0
social allowances	
remittances from abroad	2.2
other	8.7
targeted social assistance	
Marital status	
married	5.4
unmarried	3.3

divorced	5.0
widow	5.0
Social and economic status of a household head	
self-employed in agriculture	8.9
employees	3.9
self-employed	5.3
retirees	7.0
other	2.5
families consisting of 1 member	0.2
families consisting of 2 members	0.8
families consisting of 3 members	1.5
families consisting of 4 members	3.9
families consisting of 5 members	6.7
families consisting of 6 members and more	10.4
having higher education	3.1
having secondary education	5.1
having general secondary education	5.7
having basic education	8.9
having education below basic	10.5
Age of household head	
18-29	6.8
30-39	6.0
40-49	5.7
50-59	4.3
60 and older	5.6

Source: HS, 2013, State Statistics Committee

Poverty line and poverty level in 2001-2013 year

Main findings can be summarized as follows:

•   The higher is the level of educational attainment of a household head the lower is the level of poverty. It should be noted that households where the head has a higher and secondary education show poverty rates below the national average.

•   The level of poverty is higher among households with more members. The poverty rate among households with 4 members is relatively low. However, when the number of members rises to 5 and more the rate rises steeply.

•   Only families without children and families with one child demonstrate the poverty rates below the average one. The poverty rate in families with 3, 4 or more children is much higher. Though the poverty rate among families without children is considerably below the average estimate, the presence of only one child in a family increases the percentage of poor families by 9.5%. The difference for families with 3 children is 14.8%, for families with 4 and more children it is 21.5%.

•   The difference in poverty rates between male and female headed households is estimated at 3.9%.

IV.   Poverty depth

Both the size of the population living below the poverty line and the depth of poverty, i.e. to what extent the poor fall below the poverty line, are important for political objectives. Poverty gap index for an absolute poverty threshold is estimated at 0.0822. In other words, a mean consumption level of the poor is below an average poverty rate only by 2.2%.

V.   Inequality

Inequality is measured based on the distribution of income or expenditures among the population. The Gini coefficient is one of commonly used measures. The estimations show that in 2013, the Gini coefficient was 0.271 for income, and 0.276 for consumption expenditures (calculations are based on the 2013 HS).