



Developing rural poverty profiles for FAO projects

What is a poverty profile?

A *poverty profile* is an analysis showing how the nature of poverty varies across subgroups of a society. It sets out the major facts on poverty in a certain context and examines how it varies by geography, community, livelihoods and other household characteristics.

A *rural poverty profile* focuses on how poverty varies across rural and urban areas and explores the features of the poor in rural areas in more detail.

This note is a quick start guide to poverty profiles and includes information from the second chapter of the forthcoming FAO Toolkit on Poverty Analysis. It covers poverty profiles based on the quantitative analysis of survey data¹.

When and why using a poverty profile?

A rural poverty profile can be extremely useful in a variety of circumstances. Here are some examples:

- **Country policy advice and agenda setting** – Highlighting that poverty is much higher in rural than urban areas could help build consensus around a poverty reduction agenda focused on rural development.
- **Definition of a target group for poverty reduction strategies, programmes, and projects** – Showing that, in a certain region, the extreme poor tend to be characterized by relatively insecure land tenure, might suggest to focus a programme based on irrigation investments on the moderate, rather than the extreme poor.
- **Prioritization of country strategies** – Showing that, compared to the non-poor, the poor are more engaged in small livestock enterprises might suggest to increase agricultural development investments in this sector.
- **Strategy, programme and project design** – Profiles can help identify the gaps faced by the poor in a certain context. For example, showing that the extremely poor producers have very little access to extension services and markets might suggest intervening with a project focused on addressing these constraints.
- **Categorical targeting** – A programme or project might want to deliver a limited amount of agricultural inputs to the extreme poor but, on the ground, it could be impossible to identify the poor one-by-one. Showing that, on average, female-headed households with many children tend to be substantially poorer might suggest delivering benefits of the project to this group. Also, showing that an agricultural region in the north of country presents a particularly high incidence of extreme poverty might suggest concentrating there the resources of the agricultural programme.

¹ For a guide on conducting qualitative and participatory poverty analyses, see this [FAO toolkit on social analysis](#).

Structure and content

Generally, poverty profiles are composed of two sections which we will call: “Part A” and “Part B”.

Part A

In “Part A”, a population sample is split into two or more groups according to some characteristic of interest. For example, those who live in urban vs those who live in rural areas. Then, poverty is reported for each group.

Example: Part A of a Poverty Profile – Bolivia 2018

| | Poverty Incidence | | | | | |
|-----------------|---------------------------|-----------------------|-------------------------------|---------------------------|-----------------------|-------------------------------|
| | Extreme Poverty | | | Moderate Poverty | | |
| | Headcount Ratio FGT(0) | Poverty Gap FGT(1) | Severity of Poverty FGT(2) | Headcount Ratio FGT(0) | Poverty Gap FGT(1) | Severity of Poverty FGT(2) |
| National | 15.2 | 6.1 | 3.6 | 34.6 | 14.1 | 8.2 |
| Area | | | | | | |
| Rural | 33.4 | 14.9 | 9.1 | 53.9 | 27.1 | 17.6 |
| Urban | 7.2 | 2.2 | 1.2 | 26.1 | 8.4 | 4.1 |

Source: [Own estimates with data of EH-INE Bolivia](#)

Tips for Part A of a poverty profile

- Show different poverty measures. This will give a more nuanced understanding of how poverty varies among population sub-groups. In the example, both the extreme and the moderate poverty headcount were reported.
- Use an additive poverty measure like the poverty headcount, the poverty gap, and the severity of poverty (for monetary poverty) or the Alkire-Forster method (for multidimensional poverty). In this way the measure can be decomposed into mutually exclusive sub populations, and the overall poverty rate can be obtained as the population-weighted sum of the rates for the different population subgroups.

Part B

In “Part B”, the population sample is split in different groups according to their poverty status (e.g. extreme poor, moderate poor, and non-poor). Then the groups are described in terms of different aspects of interest. There are many aspects that can be included in the profile, but a rural poverty profile should pay particular attention to those relevant to the livelihoods of rural people (e.g. their agricultural activities and assets, the natural resources they can count on, their access to markets, etc.). The following questions can provide a guidance:

- **Who are the poor?** Examples of variables to include are gender, age, years of education, ethnic characteristics, and household size.
- **Where do they live?** The characteristics of the environment in which the rural poor live are very important. For example, which percentage of the extreme poor live in agro-ecological areas such as arid, coastal, or mountainous areas? Which percentage is exposed to extreme weather events?
- **Which are their living conditions?** These might include housing, infrastructure, and access to basic services. For example, which percentage of the extreme poor own the dwelling where they live? Which percentage has access to electricity in their dwelling?
- **Which are their sources of income?** For example, which percentage of the extreme poor work in agricultural activities? Which percentage work as salaried workers/self-employed?

- **What agricultural-specific assets and services they can count on?** For instance, which is the average size of the land cultivated by extreme poor households? Which proportion is irrigated on average?

Obviously, the extent to which these and other questions can be addressed depends on the availability of data.

Example: Part B of a Poverty Profile – Bolivia 2018

| | National | | | Rural Areas | | | Urban Areas | | |
|------------------------------------|--------------|---------------|----------|--------------|---------------|----------|--------------|---------------|----------|
| | Extreme Poor | Moderate Poor | Non-Poor | Extreme Poor | Moderate Poor | Non-Poor | Extreme Poor | Moderate Poor | Non-Poor |
| <i>Livelihoods Characteristics</i> | | | | | | | | | |
| Self-Employed Agriculture | 34.0% | 24.2% | 10.4% | 39.7% | 47.0% | 36.1% | 8.4% | 4.1% | 1.6% |
| Self-Employed non-Agriculture | 13.6% | 30.2% | 36.0% | 4.5% | 9.1% | 17.7% | 55.0% | 48.8% | 42.2% |
| Wage Worker Agriculture | 0.7% | 1.2% | 1.7% | 0.5% | 1.3% | 4.2% | 1.5% | 1.1% | 0.8% |
| Wage Worker non-Agriculture | 3.3% | 22.3% | 41.6% | 0.8% | 4.6% | 17.9% | 14.5% | 37.9% | 49.7% |
| Family Worker Agriculture | 44.8% | 18.2% | 5.7% | 53.7% | 37.3% | 21.3% | 4.5% | 1.3% | 0.4% |
| Family Worker non-Agriculture | 3.7% | 3.9% | 4.6% | 0.9% | 0.8% | 2.7% | 16.2% | 6.7% | 5.2% |

Source: [Own estimates with data of EH-INE Bolivia](#)

Tips for Part B of a poverty profile

- Communicate key results using graphs or charts. In the example, a radar chart could have been used to show engagement in different types of livelihoods across the extreme, moderate, and the non-poor in rural areas.
- Profiles using a multidimensional measure of poverty have an additional layer of information as they allow to observe which dimensions and indicators of poverty are more relevant across poverty groups and can also support the selection of beneficiary households of a project (targeting) as well as better design the intervention.

Conditional poverty profiles

Descriptive outputs can be complemented by econometric analyses that show the strength of the association of various variables with poverty, holding all other factors constant. These include:

- *Linear Regressions* that explain expenditure or income using a set of variables. These could include most of the characteristics already used in “Part B”. For example, a linear regression can tell, on average and holding other factors constant, how much more someone who owns a farm consumes compared to someone who is employed in the service sector.
- *Logit or Probit Regressions* that explain whether a household is poor through a set of variables (as above). For example, this type of analysis can tell, on average and holding other factors constant, how greater the probability of being poor is for someone who owns a farm compared to someone who is employed in the service sector.

For complete examples of poverty profiles visit the [World Bank’s Poverty Assessment repository](#).

Quality checks

Poverty profiles entail relatively simple analyses. Yet, it is important to check their quality to avoid taking flawed decisions. The quality of a profile depends on their **reliability** and **robustness**.

The **reliability** of a poverty profile depends on the representativeness of the data. Normally, profiles are based on surveys that are administered only to a sample of the population. This means that they represent the true characteristics of a population only with some degree of certainty. For this reason, the figures of a

poverty profiles should be accompanied by standard errors, confidence intervals, or tests of significant difference.

The issue of **robustness** refers to the fact that using different measures of poverty will inevitably change the figures of the profile. What matters the most is the potential re-ranking across sub-groups. For example, using the extreme instead of the moderate poverty line, will rural areas still be poorer than urban areas? How to check for robustness? The most straightforward way is producing and comparing results using different measures of poverty as well as different specifications of their parameters (e.g. different poverty lines). Other techniques such as stochastic dominance are explained in the forthcoming FAO Toolkit for Poverty Analysis.

Sources of data

Sources of data that can be used depend on the type of application.

For country analyses or large projects (e.g. covering one or more subnational regions), the best option is using national household surveys that include both the information needed to accurately calculate poverty and detailed information on rural livelihoods. The surveys produced under the [Living Standard Measurement Study \(LSMS\)](#) programme of the World Bank are generally fit for purpose. Even better are the [LSMS–Integrated Surveys on Agriculture \(LSMS-ISA\)](#) covering a number of SSA countries, which have a strong focus on both agricultural activities and poverty. Other common surveys used to create welfare indicators (e.g. asset index) are the [Demographic and Health Surveys \(DHS\)](#) but they offer limited information on rural livelihoods.

For small and more local projects, national household surveys are not a valid option. Based on a relatively small sample size, they cannot represent poverty at the local level. In this case, different solutions might be considered:

- **Conducting a local household survey** – This might involve a larger financial and time cost, but this can be lowered using a poverty measure with lighter data requirements (e.g. an asset index, the [poverty probability index \(PPI\)](#), or a multidimensional poverty index based on the [global MPI](#)). Baseline surveys requested by donors represent an opportunity to collect the necessary information.
- **Using a population or agriculture census** – Census data could include enough information to develop a measure of poverty (e.g. a multidimensional index). However, censuses are conducted more sparsely and the microdata are often not disclosed. When publicly available, census data are usually provided with some level of aggregation (e.g. village level). This allows to develop a poverty profile of villages within a district but not, for example, of households within villages.
- **Using participatory poverty assessment methods** such as Wealth Ranking – This option might be particularly fit for community-based projects. In community meetings, informants are asked to describe different socio-economic groups and determine the distribution of households across different categories (e.g. rich, middle, poor, very poor). The description can be based on the livelihood assets framework (i.e. human, natural, physical, financial and social capital). In this way, identifying the poor and describing their characteristics go hand in hand. Using these methods, the tabular format presented above will need to be adapted to accommodate for the qualitative nature of the information presented. For example, in *Part A*, it will be possible to say who, between agricultural and non-agricultural workers, is poorer, but it will not be possible to quantify, accurately, by how much one group is poorer than the other.