

An explanation of how to contextualise the Living Income Benchmarks

Example for Rural Burkina Faso

Step 1: Getting the benchmark value and calculating the value for a year

- The benchmark value for a household per month in 2022 is equal to CFA 105.265. This is for a household of on average 5.5 members, 2 adults and 3.5 children.
- The value for a household for a year is $105.265 * 12 = \text{CFA } 1.263.180$

Step 2: Make adjustments

In the tool, 3 adjustments can be made.

From currency A to Currency B using exchange rates, or in this case from CFA to USD.

1. We use exchange rates from the [World Bank \(2023\)](#)
2. CFA per US dollar (\$) in 2022 = CFA 623,76/1 \$
3. So, CFA 1.263.180 in USD, is $\text{CFA } 1.263.180 / 623,76 = 2025.10\$$

Retrieve or calculate a value for a new year by adjusting the benchmark for inflation.

Suppose you're interested in determining the benchmark value for the year 2023 as the data you inserted is from 2022. We always aim to have the latest benchmark values in the year. However, we only do this once other data sources mentioned here, such as exchange rates and consumer price indices, are also accessible for that particular year. Once available, we update everything at the same time in the system. Hence, you could encounter 2 approaches to calculate a value for the benchmark for 2023:

1. Find the benchmark value for 2023 in the tool (not yet available in Jan 2024). This specifies that the benchmark value for a household per month is CFA 104,436.00, equivalent to **CFA 1,253,232** per year. This is published online [here](#).
2. In the case a benchmark value is not officially published yet for the year you are looking for and/or not yet uploaded in the system, you can use the following approaches. We provide an example for Burkina. This is also applied in the tool if for example a benchmark is available for 2021, and you want to convert it to a value for 2022. To adjust the benchmark for a new year, we use the Consumer Price Index (CPI) obtained from the [IMF](#) website in the following way:
 - CPI for Burkina Faso in 2022: 123.4
 - CPI for Burkina Faso in 2023: 124.3
 - Inflation rate = $(\text{Current CPI} - \text{Previous CPI}) / \text{Previous CPI} * 100\%$
 - Calculation: $(124.3 - 123.4) / 123.4 * 100\% = 0.729\%$

Now, let's compute the benchmark for a household in 2023:

- Benchmark for a household in 2022: CFA 1,263,180
- Benchmark for a household in 2023 = Benchmark value for 2022 * (1 + Inflation rate)
- Calculation: $\text{CFA } 1,263,180 * (1 + 0.00729) = \text{CFA } 1,271,659.53$

Therefore, the benchmark for a household in Burkina Faso in 2023, after accounting for the estimated inflation rate, is **CFA 1,271,659.53**.

Adapt the benchmark for a different household size

In the tool, we present Living Income Benchmarks for a typical family from a specific region or country. In our example for Burkina, this is a family of on average 5.5 members, composed of 2 adults and 3.5 children.

To adjust the benchmark for a household size or composition that differs from the typical family we use the following approach. With the help of equivalence scales each household type in the population is assigned a value in proportion to its needs, measured as the number of adult equivalents. The scale takes the size of the household and the age of its members (whether they are adults or children) into account. The OECD modified scale assigns a value of 1 to the household head, 0.5 to each additional adult member and 0.3 to each child.

Example: a family of 5.5, composed of 2 adults and 3.5 children has 2.4 adult equivalents ($1 + 0.5 + 3.5 \times 0.3 = 2.55$) and a household with 2 adults and 4 children has 2.7 adult equivalents ($1 + 0.5 + 4 \times 0.3 = 2.7$).

An adjustment for the benchmark for Rural Burkina, in the case you have an average household size 2 adults and 4 children would imply dividing the benchmark value by 2.55 and multiplying by 2.7.

So, $(\text{CFA } 1,271,659.53 / 2.55) \times 2.7 = \text{CFA } 1,348,245.17$