

Poverty & Equity Brief

South Asia

Bhutan

April 2021

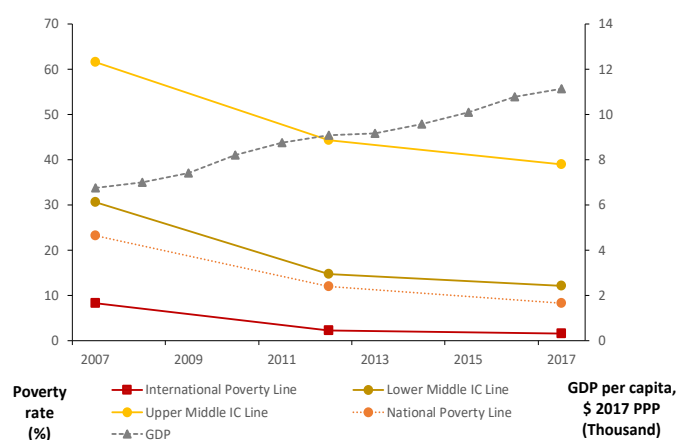
The share of population living on less than \$3.20 per day fell from 14.7 percent in 2012 to 12.2 percent in 2017. While this marks a continuation of progress over previous years, the pace of poverty reduction has slowed down recently. Inequality is relatively high in regional comparison, with the Gini index estimated at 37.4 in 2017. The Shared Prosperity Premium (SPP), which is used to monitor achievements under the Sustainable Development Goal (SDG) 10 on reducing inequality, was slightly negative between 2012 and 2017. This indicates that the growth rate of average per capita consumption outpaced the growth rate of the bottom 40 percent of the distribution. As of 2017, less than 4 percent of Bhutanese live in multidimensional poverty according to the World Bank's Multidimensional Poverty Measure. This compares favorably against countries with similar income levels.

The COVID-19 crisis is expected to have led to a small increase in poverty in 2020, mainly due to high food price inflation and some disruptions in agricultural activities. Food inflation has remained elevated during the pandemic, which likely eroded the purchasing power among the poor who tend to be net buyers of food. Widespread concerns about food security were also borne out by the rapid phone survey, which showed that 45 percent of households worried about running out of food in the last 7 days, nearly 80 percent reported that they reduced the purchase of preferred food due to budget, and a worrying 15 percent ran out of food and lacked the money to buy more. Poverty is almost exclusively rural and with many relying on subsistence-level farming, they are expected to be largely shielded from the labor market shock of the crisis. However, disruptions in the production, transport, and sales of agricultural products could have impacted the income of some farmers that are relatively more commercially oriented. As a result, the \$3.20 poverty rate is estimated to have slightly increased to 11.2 percent in 2020, up from 10.7 percent in 2019.

POVERTY	Number of Poor (thousand)	Rate (%)	Period
National Poverty Line	59.6	8.2	2017
International Poverty Line 47.9 in Bhutanese ngultrum (2017) or US\$1.90 (2011 PPP) per day per capita	11.5	1.5	2017
Lower Middle Income Class Poverty Line 80.7 in Bhutanese ngultrum (2017) or US\$3.20 (2011 PPP) per day per capita	90.6	12.2	2017
Upper Middle Income Class Poverty Line 138.7 in Bhutanese ngultrum (2017) or US\$5.50 (2011 PPP) per day per capita	290.2	38.9	2017
Multidimensional Poverty Measure		3.9	2017
SHARED PROSPERITY			
Annualized Consumption Growth per capita of the bottom 40 percent		1.63	2012-2017
INEQUALITY			
Gini Index		37.4	2017
Shared Prosperity Premium = Growth of the bottom 40 - Average Growth		-0.05	2012-2017
GROWTH			
Annualized GDP per capita growth		4.17	2012-2017
Annualized Consumption Growth per capita from Household Survey		1.67	2012-2017
MEDIAN INCOME			
Growth of the annual median income/consumption per capita		2.27	2012-2017

Sources: WDI for GDP, National Statistical Offices for national poverty rates, POVCALNET as of February 2021, and Global Monitoring Database for the rest.

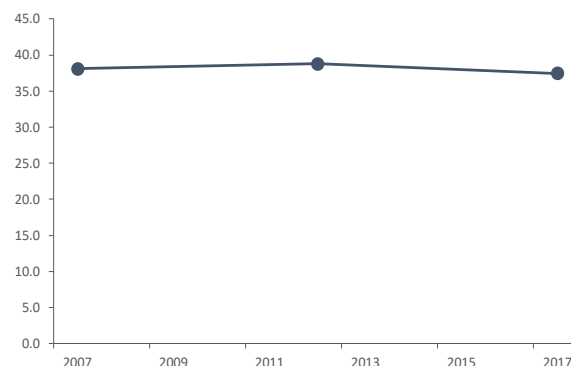
POVERTY HEADCOUNT RATE, 2007-2017



Source: World Bank using BLSS/SARMD/GMD

INEQUALITY TRENDS, 2007-2017

Gini Index



Source: World Bank using BLSS/SARMD/GMD

KEY INDICATORS

Distribution among groups: 2017	Lower Middle Income line(%)		Relative group (%)		Multidimensional Poverty Measures: 2017	(% of population)
	Non-Poor	Poor	Bottom 40	Top 60		
Urban population	98	2	13	87	Monetary poverty (Consumption)	
Rural population	83	17	53	47	Daily consumption less than US\$1.90 per person	1.5
Males	88	12	40	60	Education	
Females	88	12	40	60	At least one school-aged child is not enrolled in school	4.1
0 to 14 years old	87	13	43	57	No adult has completed primary education	40.8
15 to 64 years old	89	11	38	62	Access to basic infrastructure	
65 and older	84	16	49	51	No access to limited-standard drinking water	0.4
Without education (16+)	85	15	48	52	No access to limited-standard sanitation	14.3
Primary education (16+)	89	11	38	62	No access to electricity	1.9
Secondary education (16+)	94	6	25	75		
Tertiary/post-secondary education (16+)	98	2	10	90		

Source: World Bank using BLSS/SARMD/GMD

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Notes: N/A missing value, N/A* value removed due to less than 30 observations

POVERTY DATA AND METHODOLOGY

National poverty estimates in Bhutan are produced by the National Statistics Bureau (NSB), based on the Bhutan Living Standard Surveys (BLSS). Four rounds of BLSS have been conducted so far (2003, 2007, 2012 and 2017), but only the latest three should be used for comparable poverty estimates. Bhutan's national poverty line is an absolute poverty line based on the Cost of Basic Needs approach. This approach estimates the cost of a food bundle that provides a basic minimum level of food energy. The total poverty line is obtained by adding to the food component the cost of the basic non-food allowance. National poverty estimates are important inputs to Five-Year Plans by the Royal Government of Bhutan.

International poverty estimates for Bhutan are based on the international poverty lines of \$1.90 and \$3.20 per day in 2011 US dollars, converted to Bhutanese Ngultrum using the 2011 PPP. National poverty estimates are useful for comparisons over time within Bhutan or across different groups such as regions. International poverty estimates, on the other hand, should be used for comparisons across countries.

HARMONIZATION

The numbers in this report are based on SARMD. The South Asia Micro Database (SARMD) is a regional database of socio-economic indicators established in 2014 managed by SARTSD. It includes 40 surveys covering 8 countries. It follows the Global Monitoring Database (GMD) Harmonization guidelines, including the construction of the welfare aggregate which is used for the Global Poverty Monitoring. Terms of use of the data adhere to agreements with the original data producers.