Minimum Expenditure Basket (Cox' Bazar)

1. Rationale

The analysis on expenditures and vulnerability levels has shown that, even with the current level of assistance, households are increasingly getting indebted to be able to meet their food and non-food needs. Additionally, households are increasingly selling portions of their assistance (food and non-food) to be able to access other food and non-food products and service, deemed essential to them, yet not adequately available through the current assistance packages.

This context prompted a review of the current Minimum Expenditure Basket (MEB), which forms the basis of determining the cost of essential needs accessed through the market. The review was meant to provide evidence-based analysis that could inform discussions around revisions on the current MEB, whose value is 7,113 BDT per household per month. The current MEB was established using a rights-based approach by the national Cash Working Group.

The availability of detailed consumption and expenditure data on food and non-food items of Rohingyas and host communities from the second round of Refugee influx Emergency Vulnerability Assessment (REVA2) presented an opportunity to review the current MEB thresholds based on actual consumption behavior. The proposed approach considered a hybrid methodology to estimate essential needs, combining expenditure and consumption data with a rights-based perspective.

2. Methodology

Data

Data was collected between November – December 2018, by the World Food Programme (WFP), in collaboration with the Bangladesh Institute of Development Studies (BIDS), the International Food Policy Research Institute (IFPRI) and Action Against Hunger (AAH). Detailed consumption and expenditures (purchased, assistance, own production, credit) data for about 87 food items and 115 non-food items was collected.

Besides household data on consumption and expenditure, FAO/NUTVAL data on kcal by food items and WFP VAM price data were used. The MEB developed for Cox's Bazar in 2017 was also used for triangulation purposes.

3. Calculation of expenditure aggregates as a basis for the MEB

As a basis for the analysis, an expenditure aggregate (also called consumption aggregate) was calculated, comprised of a food and a non-food component. The food component included quantities of all food items consumed by the surveyed households, which were then valued at current market prices. For the non-food component, reported expenditures on nine (9) essential non-food groups, excluding expenditures on non-essential items[1]. A simple per-capita approach was applied to calculate the MEB, meaning that the average per capita monthly expenditure is multiplied by household size to arrive at the household size specific to MEB.

Choice of the reference group

When designing a MEB using expenditure data, the analysis looks at the typical food and non-food consumption behavior of a so-called reference cohort, meaning a group of households that are "just able to meet their essential needs". Selecting the best possible reference cohort is a crucial step of any expenditure

---

[1] 'relevant' (=essential) non-food groups, include fuel, cleaning/toiletries, transport, phone, clothes, home/housing related (like small repairs, mosquito nets), health, education, cooking equipment. Excluded are expenditures on gifts, social expenditures, leisure, jewellery and durables.

based MEB analysis. As much as possible, the reference cohort should give an accurate and unbiased depiction of how people just able to meet their essential needs are consuming, so that the MEB can mimic this pattern. There is no one rule for how to select the reference cohort. To identify the reference cohort for Cox' Bazar, the analysts applied a select criterion in different combinations and test their respective influence in a sensitivity analysis.

i.   Refugees and host communities: we include both refugees and host communities in the reference cohort, since the MEB is meant to be relevant for both groups.

ii. No in-kind assistance: receiving in-kind assistance is likely to have an influence on consumption behavior. A limited amount of food items in the basket available skews consumption in a specific direction that might not reflect how people would have consumed given a free choice. Furthermore, even if households have acceptable food consumption through assistance, non-food consumption might be kept to a survival minimum due to limited access, also given a skewed picture of consumption. For this reason, we limit the reference group to households that do not receive GFD

iii. Expenditure quintiles: we exclude the 1st (proxy for rich consumption) and 5th (proxy for poorest consumption) quintiles in order to limit the reference cohort to those households whose consumption patterns lie in the middle of the distribution. As a sensitivity analysis on this criterium we test excluding also the fourth quintile.

iv. Food consumption score: we include only those households that have a Food Consumption Score around the acceptable score threshold of 42 (between 35-80). As sensitivity analysis on this criterium, we test using only households with an FCS equal to or above 42.

Calculating the MEB

The MEB was established on basis of the costs of a food basket of 2100 kcal based on the average consumption pattern of the reference cohort, and their average non-food expenditures. Results are shown in Table 1[2]. Sensitivity analysis applying different variations of the selection criteria, revealed that across different iterations of the reference cohort, non-food expenditures vary much more than food consumption and that these expectedly go up, including for richer households. This resulted in the selection of the cohort who is just at the point where food consumption patterns are stable, and the share of food is not extremely high, as a very high share of food consumption is an indicator for vulnerability. This then was the selected reference cohort, with its consumption patterns chosen as the basis for the MEB.

The proposed computations revealed a MEB of 8681 BDT (for a 5-person household per month), with a food component of 66 percent and a non-food component of 34 percent. This result is higher than the current MEB, of 7,113 BDT, in particular in regard to food-needs. The behavior of refugees of incurring debt and selling assistance seems to support the finding that the current MEB may not be sufficient when considered as a reference for computing current transfer values.

Table 1: Calculated MEB based on the expenditure and right-based approaches

Reference cohort	Sample size	Food MEB		Non-food MEB		Total MEB *
		Value	Percent	Value	Percent	
Displaced (excl. in-kind ben.) + host community, q234, FCS 35-80**	610	5691	0.66	2990	0.34	8681

* BDT/month (household of 5 members), displaced exclude in-kind beneficiary (therefore includes cash recipients)

** q234 = only the 2nd, 3rd and 4th expenditures quintiles where included and extreme values excluded. Also, only HHs in the cohort with food consumption score above (or just below) the minimum acceptable threshold would be considered.

---

[2] Due to low economies of scale, and the need to keep the sample size large, we include households of all sizes (on a per capita basis). Robustness checks including only medium-sized households have been conducted.