

Poverty & Equity Brief

East Asia & Pacific

Lao People's Democratic Republic

April 2020

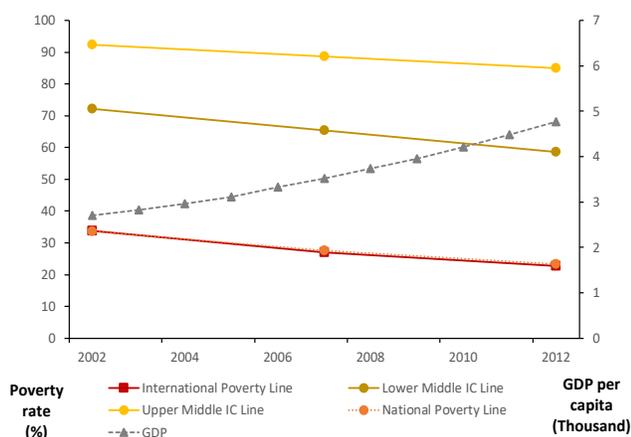
Lao PDR has made substantial progress in poverty reduction. Poverty halved from 46 to 23 percent between 1992 and 2012 and is expected to have further declined in recent years. However, the pace of poverty reduction has been slow despite high growth. Between 2007 and 2012, GDP per capita growth averaged around 6 percent a year, yet household consumption per capita and median income moderately grew at an average annual rate of 2.1 percent. Poverty measured using the lower middle-income class poverty line only fell by 7 percentage points and remained stubbornly high at 58.7 percent. A gradual decline in per-capita GDP growth since 2012 may have slowed down poverty reduction, unless growth has become more poverty reducing. Recurrent floods and droughts in recent years compounded by the recent COVID-19 outbreak could weigh negatively on progress against poverty. As a national lockdown and border closures are imposed, halting economic activities and breaking supply chains, households are expected to face abrupt disruptions to their income and consumption. Reverse migration from neighboring countries and from cities to villages means a significant loss in remittance income, making rural communities more vulnerable to the spread of the outbreak. Meanwhile, the country's limited fiscal space could constrain the implementation of rapid relief measures for vulnerable households and businesses.

Inequality is moderate but rising. The Gini index, a measure of inequality, steadily increased from 32.6 to 36.4 between 2002 and 2012 and is expected to have increased in recent years. The resource-driven growth disproportionately benefited the top of the income distribution as much of the economic activity associated with the resource sector and foreign investment was concentrated in specific areas and created limited spillovers to the rest of the economy. Meanwhile, agriculture which employs most poorer households was negatively affected by flooding and volatile commodity prices. Compounding this uneven distribution of growth benefits were vulnerability to health shocks, unequal access to public services and limited social protection schemes.

POVERTY	Number of Poor (million)	Rate (%)	Period
National Poverty Line	1.5	23.4	2012
International Poverty Line 6700.4 in Lao kip (2012) or US\$1.90 (2011 PPP) per day per capita	1.5	22.7	2012
Lower Middle Income Class Poverty Line 11284.9 in Lao kip (2012) or US\$3.20 (2011 PPP) per day per capita	3.8	58.7	2012
Upper Middle Income Class Poverty Line 19396 in Lao kip (2012) or US\$5.50 (2011 PPP) per day per capita	5.5	85.0	2012
Multidimensional Poverty Measure		27.1	2012
SHARED PROSPERITY			
Annualized Consumption Growth per capita of the bottom 40 percent		1.37	2007-2012
INEQUALITY			
Gini Index		36.4	2012
Shared Prosperity Premium = Growth of the bottom 40 - Average Growth		-0.71	2007-2012
GROWTH			
Annualized GDP per capita growth		6.25	2007-2012
Annualized Consumption Growth per capita from Household Survey		2.08	2007-2012
MEDIAN INCOME			
Growth of the annual median income/consumption per capita		2.12	2007-2012

Sources: WDI for GDP, National Statistical Offices for national poverty rates, POVCALNET as of February 2020, and Global Monitoring Database for the rest.

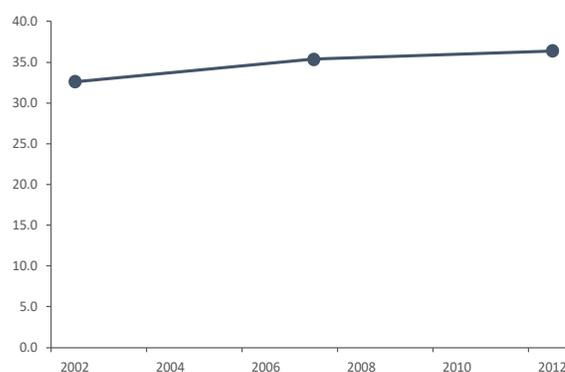
POVERTY HEADCOUNT RATE, 2002-2012



Source: World Bank using LECS/EAPPOV/GMD

INEQUALITY TRENDS, 2002-2012

Gini Index



Source: World Bank using LECS/EAPPOV/GMD

KEY INDICATORS

Distribution among groups: 2012	International Poverty Line (%)		Relative group (%)		Multidimensional Poverty Measures (% of people):	2012
	Non-Poor	Poor	Bottom 40	Top 60		
Urban population	90	10	22	78	Monetary poverty (Consumption)	
Rural population	72	28	47	53	Daily consumption less than US\$1.90 per person	22.8
Males	77	23	40	60	Education	
Females	77	23	40	60	At least one school-aged child is not enrolled in school	5.7
0 to 14 years old	70	30	49	51	No adult has completed primary education	13.4
15 to 64 years old	81	19	36	64	Access to basic infrastructure	
65 and older	79	21	38	62	No access to limited-standard drinking water	15.5
Without education (16+)	66	34	55	45	No access to limited-standard sanitation	32.1
Primary education (16+)	78	22	40	60	No access to electricity	11.1
Secondary education (16+)	90	10	22	78		
Tertiary/post-secondary education (16+)	95	5	11	89		

Source: World Bank using LECS/EAPPOV/GMD

Source: World Bank using LECS/EAPPOV/GMD

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

POVERTY DATA AND METHODOLOGY

The Lao Expenditure and Consumption Survey (LECS) is the primary source of poverty data. The survey is conducted at five-year intervals since 1992/93. The most recent round was completed in June 2019, a year later than scheduled due to government financing delays, but poverty estimates are yet to be disseminated. As a result, the latest poverty estimates are from the 2012/13 survey. The quality of the data is relatively good, but access is highly restricted. Public groups including government agencies only acquire at most 60 percent of the dataset. Often data must be purchased. National poverty is estimated with per capita consumption as the welfare aggregate. Per capita consumption is estimated using the "cost-of-basic needs" methodology including both food and non-food consumption. The poverty line reflects a minimum threshold of 2,100 Kcal per person per day. Non-food consumption includes durables in part but excludes housing rent. The national poverty line has been updated for changes in the cost of living since 2002. In 2012, the national poverty line was marginally higher than the international poverty line (US\$1.9 (2011 PPP) per day per capita) and 40.7 percent lower than the lower middle-income class poverty line (US\$3.2 (2011 PPP) per day per capita). Poverty trends using both the national and international poverty lines are consistent.

HARMONIZATION

The numbers presented in this brief are based on the EAPPOV database. EAPPOV is a database of socio-economic statistics constructed using microdata from household surveys in the East Asia and the Pacific (EAP) region and is managed by the East Asia & Pacific Team for Statistical Development (EAPSTD). As of January 2019, the collection includes 19 countries and 93 surveys. Harmonized surveys in the EAPPOV database are compiled into 4 modules following Global Monitoring Database (GMD) Harmonization guidelines. A subset of the harmonized variables form the basis of the GMD collection, including the welfare aggregate which is used for Global Poverty Monitoring. Terms of use of the data adhere to agreements with the original data producers.