

Poverty & Equity Brief

Middle East & North Africa

Islamic Republic of Iran

October 2020

There is no established official poverty line for Iran so in this brief it is measured using the international upper middle-income poverty line of \$5.50, expressed in US dollars at the 2011 PPP. Poverty fell in Iran between 2009 and 2013 by 5 percentage points to about 8 percent, before increasing to 12.9 percent in 2017. Multidimensional poverty, measured with indicators of access to education deficits (1 percent of school-aged children not enrolled and 4.4 percent of people living in a household where no adult completed primary education), lack of basic drinking water, sanitation and electricity infrastructure (respectively, 1.6 percent, 2.0 percent and non-existent in Iran), and daily consumption below US\$1.90 per person (almost non-existent), remained lower than 1 percent in 2017.

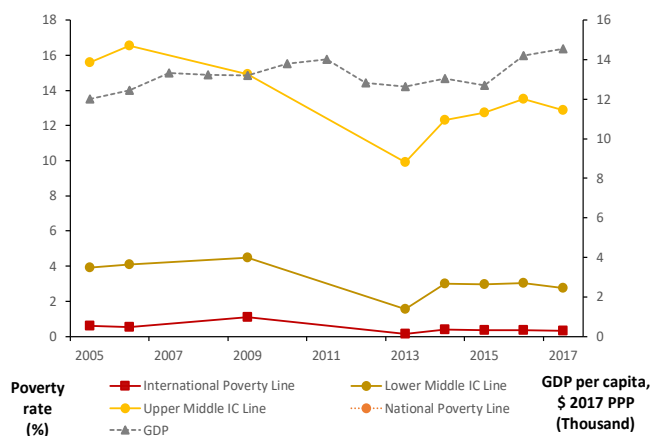
There are stark urban/rural differences, with much higher rural poverty headcount rates of about 30 percent, compared to about 7 percent in urban areas. Inequality, measured by the Gini index in per capita expenditure, fell sharply between 2009-2013 from 42.0 points to 37.4 points, but increased afterwards to 40.8 points in 2017.

Iran could not sustain positive growth in per capita expenditure for the bottom 40 percent of the population (negative growth rate of 0.13 percent) during 2014-2017 despite positive economic growth. This was partly due to the erosion in real terms of the universal cash transfers distributed to compensate for increasing energy prices after the subsidy reforms, and which represent a much larger share of the budget of poor households. Moreover, continued high inflation, including increased gasoline prices in 2019, economic slowdown and the impacts of the COVID-19 shock raise concerns for household welfare and poverty. The fall in labor market incomes alone can increase poverty in the short-term by 7 percentage points, with regional differences and households working self-employed in services sectors being more severely affected. Current government cash transfers, which were instrumental to reducing poverty during 2009-2013, can partly help compensate for the shock, but their mitigation impact is hindered by high inflation continuing to erode the real value of the benefits. Fiscal constraints may limit the scope for a wider response, but better targeting of cash transfers can help reduce the fiscal cost of mitigation measures.

POVERTY	Number of Poor (thousand)	Rate (%)	Period
National Poverty Line	N/A	N/A	N/A
International Poverty Line 25829.8 in Iranian rial (2017) or US\$1.90 (2011 PPP) per day per capita	273.5	0.3	2017
Lower Middle Income Class Poverty Line 43502.8 in Iranian rial (2017) or US\$3.20 (2011 PPP) per day per capita	2,214.5	2.7	2017
Upper Middle Income Class Poverty Line 74770.5 in Iranian rial (2017) or US\$5.50 (2011 PPP) per day per capita	10,392.5	12.9	2017
Multidimensional Poverty Measure		0.5	2017
SHARED PROSPERITY			
Annualized Consumption Growth per capita of the bottom 40 percent		-0.13	2014-2017
INEQUALITY			
Gini Index		40.8	2017
Shared Prosperity Premium = Growth of the bottom 40 - Average Growth		-2.01	2014-2017
GROWTH			
Annualized GDP per capita growth		3.69	2014-2017
Annualized Consumption Growth per capita from Household Survey		1.89	2014-2017
MEDIAN INCOME			
Growth of the annual median income/consumption per capita		0.95	2014-2017

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

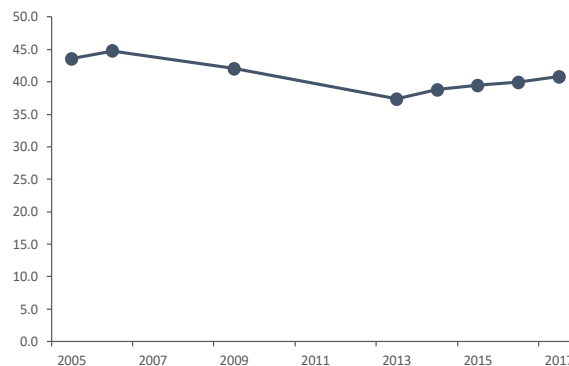
POVERTY HEADCOUNT RATE, 2005-2017



Source: World Bank using HEIS/MNAPOV/GMD

INEQUALITY TRENDS, 2005-2017

Gini Index



Source: World Bank using HEIS/MNAPOV/GMD

KEY INDICATORS

Distribution among groups: 2017	Upper Middle Income line(%)		Relative group (%)		Multidimensional Poverty Measures: 2017 (% of population)
	Non-Poor	Poor	Bottom 40	Top 60	
Urban population	93	7	30	70	Monetary poverty (Consumption) Daily consumption less than US\$1.90 per person 0.3
Rural population	70	30	69	31	
Males	87	13	40	60	Education At least one school-aged child is not enrolled in school 1.0 No adult has completed primary education 4.4
Females	87	13	40	60	
0 to 14 years old	81	19	51	49	Access to basic infrastructure No access to limited-standard drinking water 1.6 No access to limited-standard sanitation 2.0 No access to electricity 0.0
15 to 64 years old	89	11	37	63	
65 and older	89	11	34	66	
Without education (16+)	79	21	55	45	
Primary education (16+)	84	16	48	52	
Secondary education (16+)	91	9	34	66	
Tertiary/post-secondary education (16+)	97	3	15	85	

Source: World Bank using HEIS/MNAPOV/GMD

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

POVERTY DATA AND METHODOLOGY

There are no publicly available official poverty estimates for the Islamic Republic of Iran. The Household Expenditure and Income Survey (HEIS) has been conducted annually by the Statistical Center of Iran (SCI) since 1963 in rural areas and 1968 in urban areas. The unit record data from 1984 onwards are publicly available in Farsi. The survey is nationally representative and two-stage stratified across urban/rural areas of provinces. HEIS includes demographic and income information but its focus is on expenditure. The surveys collect expenditure information on more than 1,000 items. The recall period of expenditures for most items is the last month. For durables, certain education expenses, insurance expenditures, investment in housing and farms, and income components, the recall period is the last 12 months. As in most surveys of such type, income and expenditure data are self-reported. HEIS does not distinguish between how much is spent and how much is consumed and reports only expenditure on a particular item. For items which were not purchased, an estimated value is provided. The welfare aggregate used to report international poverty is based on the official aggregate containing gross expenditures constructed by SCI. It is not spatially deflated.

HARMONIZATION

The numbers presented in this brief are based on the MNAPOV database. MNAPOV is a new data collection effort enacted in 2014, and managed by MNATSD. It covers 36 surveys from 11 countries. Two data points (surveys) are available for each country, except Algeria. The database is organized in 3 modules following the Global Monitoring Database (GMD) Harmonization guidelines, 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.