

## Poverty & Equity Brief

East Asia & Pacific

# Lao People's Democratic Republic

October 2020

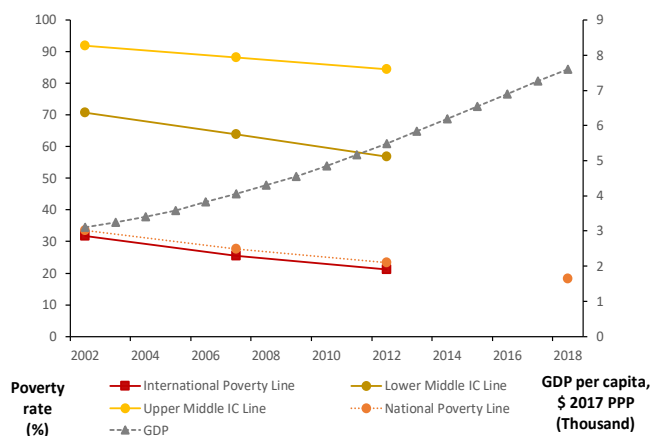
Poverty in Lao PDR has continued to fall. Recent estimates using a revised poverty methodology show that the national poverty rate declined by 6.3 percentage points between 2012 and 2018, from 24.6 percent to 18.3 percent. The decline was driven by rising farm incomes and remittances in the absence of nonfarm job creation. The lack of employment opportunities led to slow growth in household income and consumption. The average annual growth rate of consumption per capita was 3.3 percent, falling behind the average growth rate of GDP per capita of 5.6 percent. Inequality has risen, as growth was more favorable to the nonpoor. The average consumption per capita among the poorest quintile grew by 2 percent per year compared to the national average of 3.3 percent, and 4 percent for the richest quintile. The Gini index, a measure of inequality, increased from 36 in 2012 to 38.8 in 2018.

The COVID-19 pandemic is expected to partially reverse the poverty reduction of **2012–18**. Disruption of economic activities due to the pandemic and mitigation measures has impacted jobs and household income. Approximately 13 percent of jobs have been lost since the outbreak in March 2020. Among the hardest-hit areas are the most labor-absorbing sectors – hospitality, manufacturing and construction. 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 tight fiscal space has constrained the implementation of relief measures for vulnerable households and businesses.

POVERTY	Number of Poor (million)	Rate (%)	Period
National Poverty Line	1.3	18.3	2018
International Poverty Line 6700.4 in Lao kip (2012) or US\$1.90 (2011 PPP) per day per capita	1.4	21.2	2012
Lower Middle Income Class Poverty Line 11284.9 in Lao kip (2012) or US\$3.20 (2011 PPP) per day per capita	3.7	56.8	2012
Upper Middle Income Class Poverty Line 19396 in Lao kip (2012) or US\$5.50 (2011 PPP) per day per capita	5.4	84.4	2012
Multidimensional Poverty Measure		25.7	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

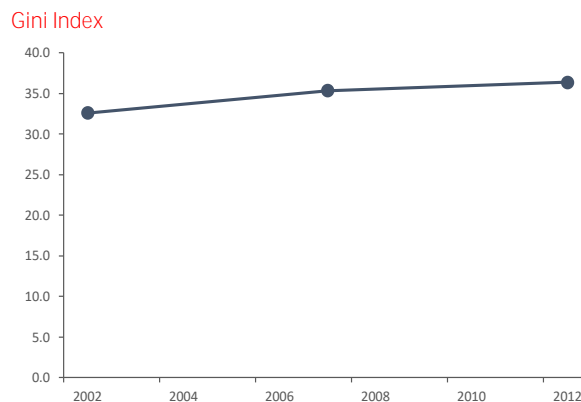
Sources: WDI for GDP, National Statistical Offices for national poverty rates, POVCALNET as of September 2020, and Global Monitoring Database for the rest.

## POVERTY HEADCOUNT RATE, 2002-2018



Source: World Bank using LECS/EAPPOV/GMD

## INEQUALITY TRENDS, 2002-2012



Source: World Bank using LECS/EAPPOV/GMD

## KEY INDICATORS

Distribution among groups: 2012	International Poverty Line(%)		Relative group (%)		Multidimensional Poverty Measures: 2012 (% of population)
	Non-Poor	Poor	Bottom 40	Top 60	
Urban population	91	9	22	78	<b>Monetary poverty (Consumption)</b> Daily consumption less than US\$1.90 per person 21.2
Rural population	74	26	47	53	
Males	79	21	40	60	<b>Education</b> At least one school-aged child is not enrolled in school 5.7 No adult has completed primary education 13.4
Females	79	21	40	60	
0 to 14 years old	72	28	49	51	<b>Access to basic infrastructure</b> No access to limited-standard drinking water 15.5 No access to limited-standard sanitation 32.1 No access to electricity 11.1
15 to 64 years old	82	18	36	64	
65 and older	80	20	38	62	
Without education (16+)	67	33	55	45	
Primary education (16+)	80	20	40	60	
Secondary education (16+)	91	9	22	78	
Tertiary/post-secondary education (16+)	95	5	11	89	

Source: World Bank using LECS/EAPPOV/GMD

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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. 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 methodology was revised in 2019 to update the poverty line and standardize the consumption aggregate. Previously, non-food consumption assumed a single-year lifespan for durables and excluded most lumpy durables and housing rent. The poverty line reflects a minimum threshold of 2,100 Kcal per person per day. The new national poverty line is 10 percent lower than the lower middle-income class poverty line (US\$3.2 (2011 PPP) per day per capita). The 2018 poverty estimates are therefore not comparable with the rates estimated in the previous years.

## 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.