

COUNTRY POVERTY BRIEF

EAST ASIA & PACIFIC

LAO PDR

October 2017

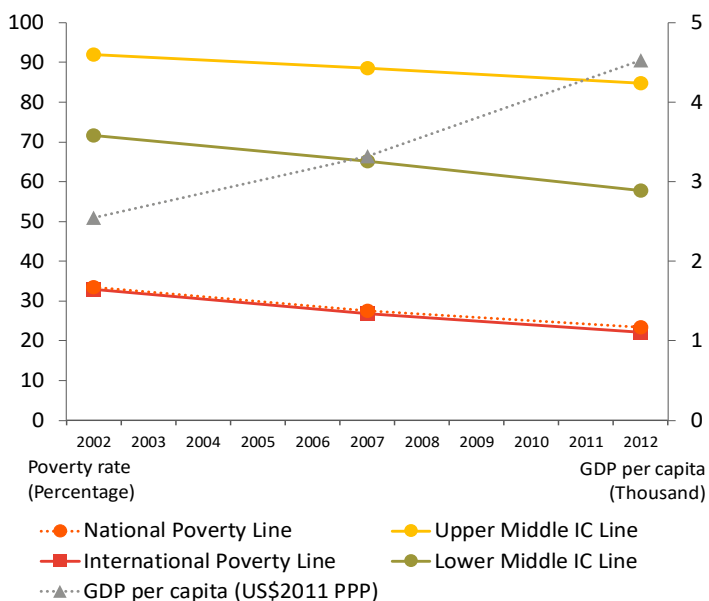
POVERTY		Rate (Number of Poor)	Period
National Poverty Line		23.2% (1.5 million)	2012
International Poverty Line 6633.1 in Local Currency Unit or US\$1.90 (2011 PPP) per day per capita		22.7% (1.5 million)	2012
Lower Middle Income Class (IC) Poverty Line 11171.6 in Local Currency Unit or US\$3.20 (2011 PPP) per day per capita		58.5% (3.8 million)	2012
Upper Middle Income Class (IC) Poverty Line 19201.2 in Local Currency Unit or US\$5.50 (2011 PPP) per day per capita		85.0% (5.5 million)	2012
SHARED PROSPERITY			
Income or Consumption growth of the bottom 40 percent		1.5%	2007-2012
INEQUALITY			
Gini Coefficient		0.36	2012
Shared Prosperity Premium	Difference between the income or consumption growth of the bottom 40 percent and that of the average	-0.7pp	2007-2012
GDP GROWTH			
Annualized GDP per capita growth		6.4%	2007-2012

Sources: WDI, EAPTS using LECS/EAPPOV/GMD. National poverty lines are provided by national statistical offices.

PROGRESS ON POVERTY AND EQUITY

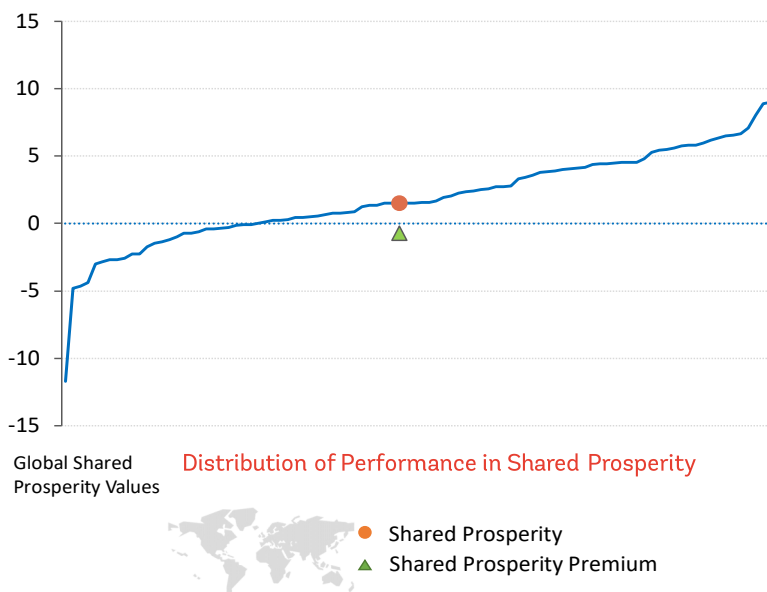
Poverty in Lao PDR declined gradually over the past years, despite very high growth. During 2007-12, poverty measured at the lower middle income class poverty line fell by 7 percentage points to 58.5%. Economic growth in Lao PDR has so far been natural resource driven, with limited job creation. Hence could not trickle down into improvements in welfare of ordinary households in the absence of redistributive social policies. High household vulnerability to agriculture and health shocks compounded this. The shared prosperity premium for the 2007-2012 period was therefore -0.7%. Inequality has been on the rise, but with a Gini coefficient of about 0.36, the level of inequality is still comparable to other countries in the Mekong region. While less favorable to the poor, less of the gains from growth have been captured by households in general as consumption grew by only a third of GDP per capita. Growth is expected to moderate to 6.5% in 2017, but there is evidence of economic restructuring that promises to make growth more pro-poor. New companies entered the two special economic zones, creating jobs. A good harvest and some recovery in commodity prices gave a boost to agriculture exports, also linked to a production restructuring characterized by increased participation of traditionally small scale farming households in the production of export linked commodities. These factors point to better economic opportunities and significant improvements in welfare in rural and urban areas. Poverty base on the lower middle income class poverty line is therefore projected to decline further to 44% in 2017.

POVERTY HEADCOUNT RATE, 2002-2012



Source: World Bank using LECS/EAPPOV/GMD

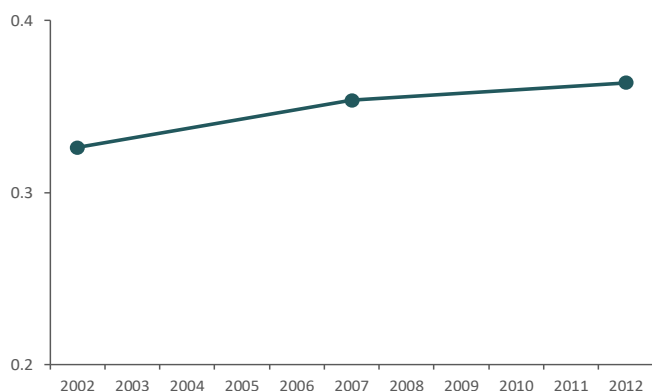
SHARED PROSPERITY AND SHARED PROSPERITY PREMIUM, 2007-2012



Source: World Bank using LECS/EAPPOV/GMD

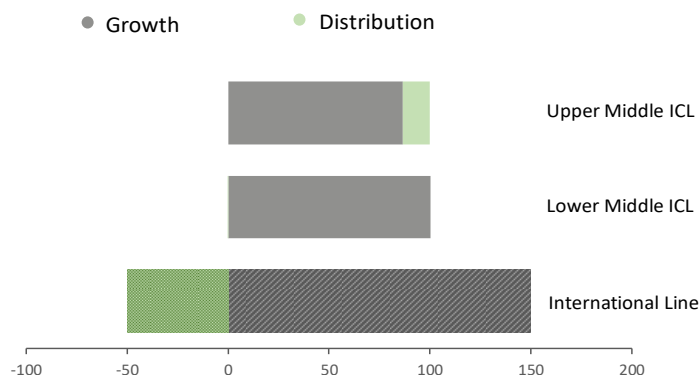
INEQUALITY TRENDS, 2002-2012

Gini Coefficient



Source: World Bank using LECS/EAPPOV/GMD

% CONTRIBUTION TO POVERTY CHANGE, 2007-2012



Source: World Bank using LECS/EAPPOV/GMD

POVERTY DATA AND METHODOLOGY

Data availability in Lao PDR is a challenge. The Lao Expenditure and Consumption Survey is the primary source of poverty data. It is conducted every 5 years, the latest being in 2012/13. The quality of the data is relatively good but access is highly restricted. Most people, including government agencies, only receive 60% of the data at best; often data must be purchased. National poverty is estimated using the cost of basic needs approach, with household welfare measured using consumption data collected using a 30-day diary. The consumption aggregate partially includes durables and excludes housing rent. Both the consumption aggregate and poverty estimates for the last 3 rounds of the survey are comparable. The national poverty line has only been updated for cost of living changes since 2002, based on the changes in the cost of the poverty basket. The international poverty line estimates are generated from the same consumption aggregate as national estimates, using the CPI to inflate (deflate) the 2011 PPP based poverty line into the survey year prices. Poverty trends using both the national and international poverty lines are consistent. The point estimates are very different however, with those based on the lower middle income class poverty line (\$3.2/day in 2011PPP) being more than double the national poverty estimates which are instead closer to the International Poverty Line estimates. Imputations for the 2011 PPP conversion factors are a major source of the difference, as Lao PDR uses an imputed PPP.

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 April 2017, the collection includes 19 countries and 78 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.