POVERTY & INEQUALITY
Poverty

The Lao PDR remains one of the 48 least developed countries (LDC) of the world. Although its average gross domestic income of $1,700 per capita in 2015 is above the minimum of $1,242 needed to graduate from this status, the country is lagging behind in terms of other LDC graduation criteria, including human assets and economic vulnerability. However, with an average GDP growth of 7% per annum over the last decade, the Lao PDR is one of the fastest growing economies in Asia, and the country is on track for reaching its ambitious goals of graduating from LDC status in the early 2020s. Indeed, by 2017, the country had fulfilled two of the three criteria for graduation (having reached the requisite levels in terms of Gross National Income per capita and Human Assets Index, but not yet in terms of the Economic Vulnerability Index).

The increasingly commercial use of natural resources, particularly land, water, minerals, and the country’s rich forest resources, is an important driver of growth in the Lao economy. Natural resource extraction is fuelled by an increase in foreign direct investment made possible by changes in national investment policies and ongoing regional integration. This macroeconomic growth has certainly contributed to progress in many aspects of development in the Lao PDR, including the significant decrease in overall poverty rates over the past decade.

Nonetheless, poverty in its various dimensions remains widespread, and benefits and economic gains made nationally are unequally distributed across different segments of the population.
Measuring poverty

Although the census provides highly relevant insights into a wide range of aspects of socio-economic development, as illustrated in the previous chapters of this atlas, census information does not itself serve to measuring certain aspects of monetary poverty directly.

To monitor progress in poverty reduction in a standardized manner, every 5 years over the past 25 years the LSB has conducted extensive household sample surveys. These Lao Expenditure and Consumption Surveys (LECS) enumerate a large number of variables from a nationally representative sample of households to assess different aspects of living standards for each surveyed household, and give a fairly comprehensive picture of the livelihoods of each of these households.

Combining such detailed household information from the sample survey with the information of all households in the census, detailed estimates of household poverty can be generated.

Such high-resolution poverty estimates for the Lao PDR were first developed using the PHC 2005 in combination with LECS data from 2003 (see Epprecht et al., 2009), and then later again using the LECS data from 2013 and the latest census data from 2015 (Coulombe et al., 2016). The combination of these datasets allows for a detailed poverty analysis across the country for both 2005 and 2015, and provides the basis for an analysis of trends in poverty across space and time presented here.
Spatial patterns in 2015

According to the latest high-resolution estimates of household poverty developed based on the results of the PHC 2015 and household living standards information from the LEGS V of 2013, poverty rates are lowest in towns and in lowland areas of the country, while they are highest in south-eastern Lao PDR. Poverty rates remain particularly high in Savannakhet, Savannakhet, and Bolikhamsay Provinces (compare Map 11.1). Villages with high and low poverty rates appear to be geographically clustered, though there are very strong welfare disparities across space, ranging from areas where almost every household is poor, to places where hardly any household is below the poverty line.

While Map 11.1 presents poverty in terms of the share of the village population that is below the national poverty line, Map 11.2 reveals the distribution of the absolute number of poor people across the country. Locations with the highest poverty rates are typically more remote mountainous areas with comparatively low population densities (compare Map B1.1), whereas over three quarters of the country’s poor people do actually live in more accessible, denser populated lowland areas (see Maps A2.1, A2.2 and B1.1).

The largest absolute numbers of poor people are found in Savannakhet and Saravane Provinces, as well as along the Mekong River valley in Champasak Province, whereas relatively few poor people live in northern Lao PDR (Maps 11.1 and 11.2).

The rather low population density in the poorest areas of the country presents a challenge for the provision of public services, as greater investments are needed to reach fewer people in remote, sparsely populated areas compared to more densely populated areas. Furthermore, it is more difficult to place sufficiently trained government staff or to establish quality service provision in areas with sub-standard public services. On the other hand, in areas where most people are poor, programs that benefit the entire local population still primarily serve the poor.
In areas where only a small share of the population is poor, programs that benefit the entire population would primarily reach the non-poor. The lower cost of reaching more accessible areas (with low poverty rates but still high numbers of poor) can therefore be compared to the higher cost either of providing services that go to mainly the non-poor, or of selectively identifying and targeting the poor only.

As such, poverty alleviation efforts require different targeting approaches in high density or high incidence areas.

**Dynamics between 2005 and 2015**

The Lao PDR has achieved a significant reduction in poverty, decreasing the national poverty rate by about ten percentage points within one decade to roughly 25% in 2015. Within the same time, the total number of poor also decreased by 16%, despite an increase of the total population by 20%.

These achievements can be attributed in part to the GoL and development partners’ efforts to reduce poverty in the poorest areas of the country, but also to the general macro-economic improvements, from which mostly people in the better off lowland areas were able to benefit.

Nonetheless, there are significant differences in how much poverty alleviation progress has been made across the country. In most parts of the Lao PDR, poverty rates indeed decreased significantly, with the highest rates of progress achieved in Attapeu and Sekong Provinces. Still, in several areas, poverty rates, as well as the number of poor, have actually increased. Much of the increase has occurred in the central and western parts of Saravane Province, where poverty rates and the absolute number of poor have increased significantly (Maps I2.2 and I2.3).
Inequality

Growing inequalities among different segments of a society is a common undetected side effect of economic growth, and the Lao PDR is no exception to this. Inequalities have grown in the country between the two censuses, although to a lesser extent than in other countries in the region. The GoL, together with its international development partners, has put considerable emphasis on the universal provision of public services, and disparities in access to such services have decreased. However, the quality of those services is often low, particularly in remoter areas, where it can be difficult to recruit and retain sufficiently trained staff.

While many entrepreneurs and well-connected business people have managed to benefit from recent economic growth, creating a small but very wealthy elite and a well off middle class, a large number of poor have lost land and access to important natural resources, which has resulted in increasing wealth disparities throughout the country. Indeed, the ongoing transfer of land from private households to companies is a major driver of new forms of poverty in rural areas, effectively creating an emerging class of landless poor. Wealth inequality within a given population is based on the distribution of the wealth of all members of that population. The most commonly used measure of inequality is the Gini coefficient, which ranges from 0 (where everybody is at the same level of wealth), to 1, (where one person holds all of the wealth and the rest of the population has nothing). We use household per capita expenditure figures estimated for the development of the poverty maps in this chapter to calculate wealth inequality within each village.
Spatial patterns in 2015

Inequality in the Lao PDR is relatively low compared to other countries at similar stages of development. Map 13.1 presents the Gini coefficient for each village. Typically, inequality is greater in urban areas than in rural places. Vientiane Capital City, for instance, is shaded reddish-orange, implying a higher level of inequality there compared to most of the rural areas of northern and central Lao PDR. Inequality within villages appears particularly low in Huaphan Province, whereas a comparatively high degree of inequality within villages – roughly equivalent to the levels observed in Vientiane Capital City – is evident throughout the four southernmost provinces of Champasak, Attapeu, Saravanh, and Boloun. The stark contrast between village-level inequality in those rural areas and rural villages in central and northern Lao PDR is striking, and does come out as quite a surprising pattern.

Dynamics between 2005 and 2015

Overall, inequality in the Lao PDR has increased only slightly over the past ten years, with a national Gini coefficient of 0.33 in 2005 and 0.35 in 2015, while the increase was rather small in rural areas overall, inequality increased substantially in urban areas between 2005 and 2015, from a Gini coefficient of 0.32 to 0.36.

In rural areas, however, we observe significant changes in both directions – increases and decreases in inequality – and both in very geographically distinct areas: in several mountainous areas in central Lao PDR along the border with Vietnam, wealth inequality decreased significantly (Map 13.2). Incidentally, these are areas that also experienced an increase in poverty rates, and are today among the poorest areas in the country. This implies that in those areas, people who were not poor in 2005 fell into poverty in the subsequent years, while people who were poor in 2005 remained poor, resulting in an overall decrease in inequality, but a lower level of overall welfare. While one typically expects decreasing poverty to come at the cost of increasing inequality, we have here decreasing inequality at the cost of increasing poverty.

All of the four southernmost provinces experienced a marked increase in inequality between 2005 and 2015, resulting in the highest levels of rural inequality in 2015. In Saravanh, both inequality and poverty rates typically increased, and are now among the highest in the Lao PDR. Inequality mostly increased with decreasing poverty rates in the other three southernmost provinces (Attapeu, Champasak, and Sakhong), which are now among the country’s better-off rural areas.

Huaphan Province has both the lowest current level of inequality and exhibited the strongest decrease in inequality since 2005 of any province in the Lao PDR.

The contrast across provinces in terms of both current levels of inequality and change since 2005 are striking. Further research is required to shed light on the degree to which state policies shaped these patterns, and to glean important insights into what specific policies were able to most affect overall equality.