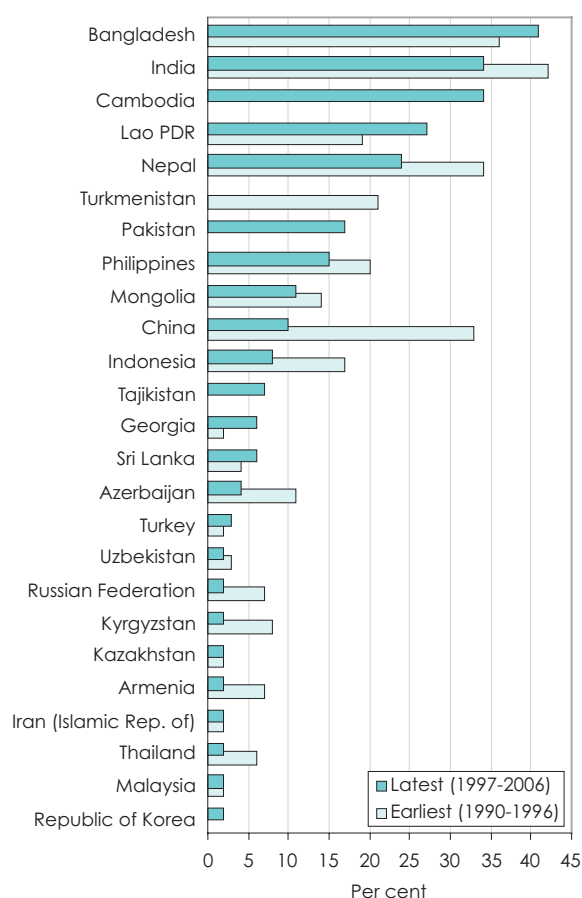


16. Poverty and inequality

Despite decades of solid economic growth leading to significant poverty reduction, income inequality has risen in many Asian and Pacific countries.

Out of the 20 countries for which trend data is available, 12 reduced the share of their population living below one dollar (PPP) per day, the international poverty line, between the early 1990s and mid-2000s.

Figure 16.1 Percentage of the population living below one dollar [1993 PPP] per day in Asia and the Pacific, 1990-2006



Among the subregions for which data is available, the largest poverty reduction occurred in Central Asia. In this subregion, Kyrgyzstan reduced the share of its population living below one dollar (PPP) per day by three quarters, dropping from 8 per cent in the early 1990s, to only 2 per cent by the mid-2000s. Armenia, Azerbaijan and the Russian Federation also experienced considerable decreases in the share of the population living in poverty. The only country in Central Asia where the share of the poor increased, from 2 to 6 per cent, was Georgia.

In East Asia, China registered an impressive reduction in poverty. About one third of China's

population lived below the one dollar (PPP) per day poverty line at the beginning of the 1990s, while according to the latest estimates, 1 in 10 Chinese lives below this line. This represents a reduction in poverty of 70 per cent, comparable to Thailand, where the share of the population living below one dollar (PPP) per day declined from 6 to 2 per cent.

India also registered a substantial decrease in poverty, although at a much lower rate compared with China and Thailand. Between 1993 and 2004, the proportion of Indians living below one dollar (PPP) per day fell from 42 to 34 per cent, a reduction of nearly 20 per cent. Similarly, Nepal experienced a sizable decrease in the share of the poor, from 34 per cent in 1996 to 24 per cent in 2004. In Bangladesh and Sri Lanka, however, the share of the population living below one dollar (PPP) per day increased during this period, rising from 36 per cent in 1992 to 41 per cent in 2000 in the former and from 4 per cent in 1990 to 6 per cent in 2002 in the latter country.

The one dollar (PPP) per day line is used to compare poverty incidence across countries on the basis of fixed purchasing power. The national poverty line, on the other hand, reflects the official minimum standard of living based on country-specific characteristics. Both level and trend assessments based on these two poverty lines for the same country do not always agree.

For instance, according to national poverty estimates, 68 per cent of the population in Azerbaijan lived in poverty in 1995, while only 50 per cent of the population was poor in 2001. This contrasts with the 11 and 4 per cent of the population of Azerbaijan living below one dollar (PPP) per day line in the same years. In other words, the national and international yard sticks give quite different pictures of poverty.

In the case of India, the poverty reduction rate is similar when international and national poverty lines are considered, respectively, between 1993 and 2004 and between 1994 and 2000. Yet, the two lines give different incidences of poverty: according to the latest national line estimates, the share of the poor is 29 per cent, but the international poverty line suggests 34 per cent.

The most significant divergence between the international and national poverty lines is registered by Thailand and Indonesia. According to the one dollar (PPP) per day line, the share of the poor decreased in both countries between the 1990s and

the 2000s, but national poverty line estimates show that the share has actually risen by 40 per cent in the case of Thailand, to 14 per cent of its total population, and by 69 per cent in the case of Indonesia, to 27 per cent of the population.

In line with the reduction in the incidence of poverty, the limited data show that poverty depth also diminished in some Asian and Pacific countries. Between the early 1990s and the early to mid-2000s, the poverty gap ratio declined in three out of the nine countries for which trend data exists, meaning that, for those living below the poverty line, the average distance to it was reduced. In the case of Kyrgyzstan, for instance, the poverty gap ratio dropped considerably, from over 3 per cent in 1993 down to 0.5 per cent in 2003.

In India, as well, significant progress was made in reducing the depth of poverty; the poverty gap ratio dropped by 27 per cent, from 11 to 8 per cent in just over a decade. In the Lao People's Democratic

Republic, on the other hand, the poverty gap ratio doubled, to 6 per cent, in 10 years.

Although poverty incidence and depth seem to be on the decline, inequality in income distribution has been on the rise. In many countries, the poorest 20 per cent of the population has seen its share of national consumption drop steeply.

In 12 out of 20 countries of the region for which trend data is available, the share of the poorest quintile in national consumption declined; there was some progress in the eight remaining countries. In Nepal and Sri Lanka, this share fell by over 20 and 22 per cent, respectively, from 7.5 to 6 per cent and from 9 to 7 per cent. Turkey, despite ranking as a middle-income economy with steady economic growth, registered a decrease in the share of the poorest quintile in national consumption by 8.6 per cent in less than a decade.

In the case of South-East Asia, the share of national consumption of the poorest quintile in the Lao People's Democratic Republic and the Philippines fell by 15.6 and 8.5 per cent, respectively, between the early 1990s and the early 2000s. Meanwhile, Viet Nam, Thailand and Indonesia recorded an increase in the share of the poorest quintile in national consumption by 25, 12.5 and 7.7 per cent, respectively, between the early 1990s and the early to mid-2000s.

Figure 16.2 Share of the poorest quintile in national income or consumption in Asia and the Pacific, 1990-2006

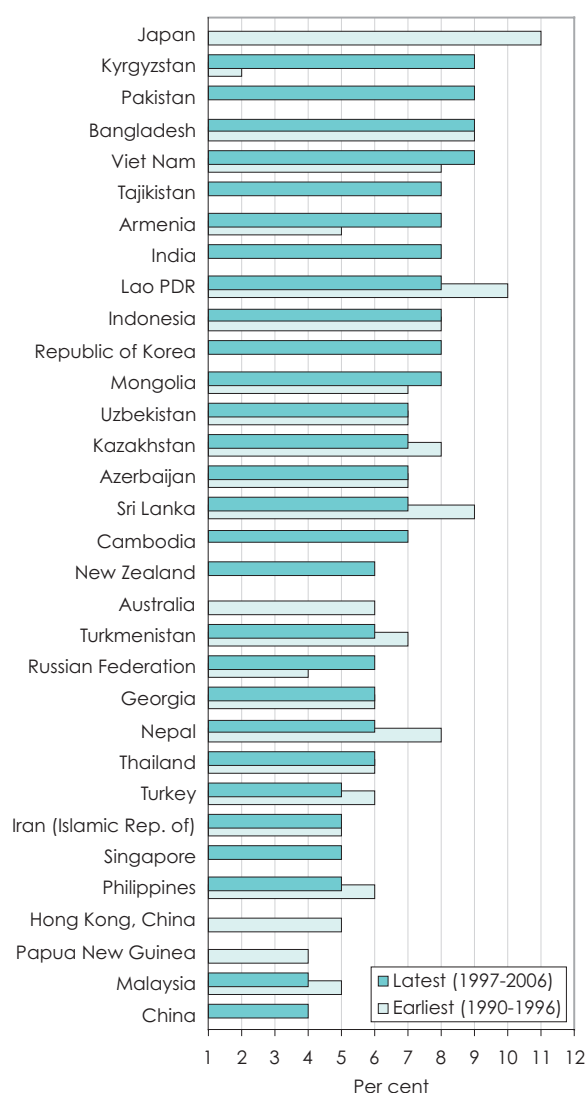
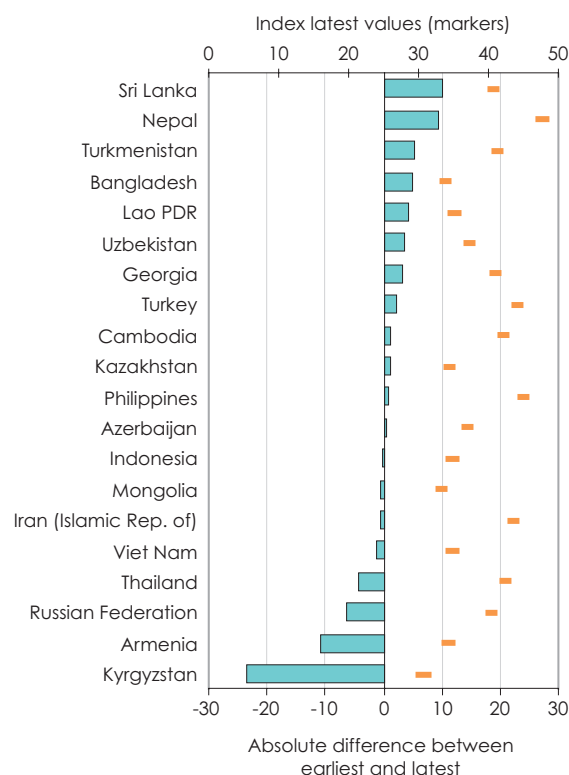


Figure 16.3 Gini index and change between earliest (1990-1997) and latest (1998-2005) periods in Asia and the Pacific



These trends are confirmed by a more comprehensive measure of inequality, the Gini index. In the past, Gini indices across the Asian and Pacific region have been considerably lower than in other parts of the world indicating lower income inequality. This, however, is no longer the case.

The bars in figure 16.3 show that, in the past decade or so, inequality rose in 11 out of 20 countries in the region. The increases were steepest in Sri Lanka and Nepal, where the Gini index increased by more than 10 points. This in line with the decrease in the share in national consumption of their poorest quintiles, as mentioned above. The Philippines and Turkey had smaller increases in their Gini indices, but the values are still over 40. Even in Thailand, where the Gini

index decreased between 1992 and 2002, the value, at 42, is still high.

Among Central Asian countries, Kyrgyzstan, Armenia and the Russian Federation experienced a substantial reduction in their Ginis. In the case of Kyrgyzstan, the index dropped by over 40 per cent, making it the lowest among all Asian and Pacific countries analysed, even the Republic of Korea, which has a Gini index of 32.

The highest level of inequality among all the countries of the region is currently found in Nepal, with China not far behind. Both have Gini indices close to 50, similar to those of Latin American countries, which are usually among the world's highest.

Population living below \$1 a day (percentage): The percentage of the population living on less than \$1.08 a day at 1993 international prices. The one dollar a day poverty line is compared to consumption or income per person and includes consumption from own production and income in kind. This poverty line has fixed purchasing power across countries or areas and is often called an "absolute poverty line" or measure of extreme poverty. *Source:* United Nations Millennium Development Goals Indicators, (online database, accessed in July 2007).

Population living below the national poverty line (percentage): The proportion of the national population whose incomes are below the official threshold set by the national Government. National poverty lines are not comparable across countries and may not be comparable over time. They are often defined as the level of income required for having sufficient food or food plus other necessities for survival. *Source:* United Nations Millennium Development Goals Indicators, (online database, accessed in July 2007).

Poverty gap (ratio): The mean distance separating the population from the poverty line (with the non-poor being

given a distance of zero), expressed as a percentage of the poverty line. *Source:* United Nations Millennium Development Goals Indicators, (online database, accessed in July 2007).

Share of poorest quintile in income or consumption (percentage): The share of income or consumption in national consumption accrued by the poorest quintile of the population, expressed as a percentage. If the income or consumption were equally distributed, the share would be 20 per cent. *Source:* United Nations Millennium Development Goals Indicators, (online database, accessed in July 2007).

Gini index: Gini coefficient multiplied by 100. The extent to which the distribution of income (or consumption expenditure) among individuals or households within an economy deviates from a perfectly equal distribution. An index value of 0 corresponds to perfect equality (all earn the same income) and a value of 100 to perfect inequality (one person receives all the income). *Source:* World Bank, *World Development Indicators*, (online database, accessed in May 2007).

16.1 Poverty

	Population living below \$1 a day		Population living below the national poverty line	
	Percentage		Percentage	
	Earliest	Latest	Earliest	Latest
East and North-East Asia				
China	33.0 (90)	9.9 (04)	6.0 (96)	4.6 (98)
DPR Korea				
Hong Kong, China				
Macao, China				
Mongolia	13.9 (95)	10.8 (02)	36.3 (95)	36.1 (02)
Republic of Korea		2.0 (98)		
South-East Asia				
Brunei Darussalam				
Cambodia		34.1 (97)		35 (04)
Indonesia	17.4 (93)	7.5 (02)	15.7 (96)	27.1 (99)
Lao PDR	18.6 (92)	27.0 (02)	45.0 (93)	38.6 (98)
Malaysia	2.0 (92)	2.0 (97)		
Myanmar				
Philippines	19.8 (91)	14.8 (03)	40.6 (94)	36.8 (97)
Singapore				
Thailand	6.0 (92)	2.0 (02)	9.8 (94)	13.6 (98)
Timor-Leste				
Viet Nam				28.9 (02)
South and South-West Asia				
Afghanistan				
Bangladesh	35.9 (92)	41.3 (00)	51.0 (96)	49.8 (00)
Bhutan				
India	41.8 (93)	34.3 (04)	36.0 (94)	28.6 (00)
Iran (Islamic Rep. of)	2.0 (90)	2.0 (98)		
Maldives				
Nepal	34.4 (96)	24.1 (04)	41.8 (96)	30.9 (04)
Pakistan		17.0 (02)	28.6 (93)	32.9 (99)
Sri Lanka	3.8 (90)	5.6 (02)	20.0 (91)	
Turkey	2.4 (94)	3.4 (03)	28.3 (94)	27.0 (02)
North and Central Asia				
Armenia	6.7 (96)	2.0 (03)		50.9 (01)
Azerbaijan	10.9 (95)	3.7 (01)	68.1 (95)	49.6 (01)
Georgia	2.0 (96)	6.5 (03)		54.5 (03)
Kazakhstan	2.0 (93)	2.0 (03)	34.6 (96)	
Kyrgyzstan	8.0 (93)	2.0 (03)		41.0 (03)
Russian Federation	7.0 (96)	2.0 (02)	30.9 (94)	
Tajikistan		7.4 (03)		
Turkmenistan	20.7 (93)			
Uzbekistan	3.3 (93)	2.0 (03)		27.5 (00)
Pacific				
American Samoa				
Cook Islands				
Fiji				
French Polynesia				
Guam				
Kiribati				
Marshall Islands				
Micronesia (F.S.)				
Nauru				
New Caledonia				
Niue				
Northern Mariana Is.				
Palau				
Papua New Guinea			37.5 (96)	
Samoa				
Solomon Islands				
Tonga				
Tuvalu				
Vanuatu				
ESCAP Developed Economies				
Australia				
Japan				
New Zealand				
ESCAP				
LLDC				
LDC				
SIDS				
ASEAN				
SAARC				
Central Asia				
Low-income				
Middle-income				
High-income				
Africa				
Latin America & Carib.				
North America				
Europe				
Other Asia-Pacific				
World				

16.2 Inequalities

	Poverty gap		Share of poorest quintile in income or consumption		Gini index	
	Ratio		Percentage			
	Earliest	Latest	Earliest	Latest	Earliest	Latest
East and North-East Asia						
China		2.1 (04)		4.3 (04)		46.9 (04)
DPR Korea						
Hong Kong, China			5.3 (96)		43.4 (96)	
Macao, China						
Mongolia		2.2 (02)	7.3 (95)	7.7 (02)	33.2 (95)	32.8 (02)
Republic of Korea				7.9 (98)		31.6 (98)
South-East Asia						
Brunei Darussalam						
Cambodia				6.4 (04)	40.4 (97)	41.7 (04)
Indonesia	2.7 (93)	0.9 (02)	7.8 (93)	8.4 (02)	34.4 (93)	34.3 (02)
Lao PDR	3 (92)	6.1 (02)	9.6 (92)	8.1 (02)	30.4 (92)	34.6 (02)
Malaysia	0.5 (92)		4.6 (92)	4.4 (97)	47.7 (92)	
Myanmar						
Philippines	4.2 (91)	2.9 (03)	5.9 (91)	5.4 (03)	43.8 (91)	44.5 (03)
Singapore				5.0 (98)		42.5 (98)
Thailand	0.5 (92)	0.5 (02)	5.6 (92)	6.3 (02)	46.2 (92)	42.0 (02)
Timor-Leste						
Viet Nam			7.2 (93)	9.0 (04)	35.7 (93)	34.4 (04)
South and South-West Asia						
Afghanistan						
Bangladesh	8.8 (92)		9.4 (92)	8.6 (00)	28.3 (92)	33.4 (00)
Bhutan						
India	10.7 (93)	7.9 (04)		8.1 (04)		36.8 (04)
Iran (Islamic Rep. of)	0.5 (90)		5.2 (90)	5.1 (98)	43.6 (90)	43.0 (98)
Maldives						
Nepal		5.4 (04)	7.5 (96)	6.0 (04)	37.7 (96)	47.2 (04)
Pakistan		3.1 (02)		9.3 (02)		30.6 (02)
Sri Lanka	0.7 (90)	0.8 (02)	9.0 (90)	7.0 (02)	30.1 (90)	40.2 (02)
Turkey		0.8 (03)	5.8 (94)	5.3 (03)	41.5 (94)	43.6 (03)
North and Central Asia						
Armenia		0.5 (03)	5.4 (96)	8.5 (03)	44.4 (96)	33.8 (03)
Azerbaijan			6.8 (95)	7.4 (01)	36.0 (95)	36.5 (01)
Georgia		2.1 (03)	6.1 (96)	5.6 (03)	37.1 (96)	40.4 (03)
Kazakhstan	0.5 (93)	0.5 (03)	7.5 (93)	7.4 (03)	32.7 (93)	33.9 (03)
Kyrgyzstan	3.3 (93)	0.5 (03)	2.5 (93)	9.0 (03)	53.7 (93)	30.3 (03)
Russian Federation		0.5 (02)	4.5 (96)	6.1 (02)	46.2 (96)	39.9 (02)
Tajikistan		1.3 (03)		7.9 (03)		32.6 (03)
Turkmenistan	5.3 (93)		6.9 (93)	6.1 (98)	35.4 (93)	40.8 (98)
Uzbekistan	0.5 (93)	0.5 (03)	7.3 (93)	7.2 (03)	33.3 (93)	36.8 (03)
Pacific						
American Samoa						
Cook Islands						
Fiji						
French Polynesia						
Guam						
Kiribati						
Marshall Islands						
Micronesia (F.S.)						
Nauru						
New Caledonia						
Niue						
Northern Mariana Is.						
Palau						
Papua New Guinea			4.5 (96)		50.9 (96)	
Samoa						
Solomon Islands						
Tonga						
Tuvalu						
Vanuatu						
ESCAP Developed Economies						
Australia			5.9 (94)		35.2 (94)	
Japan			10.6 (93)		24.9 (93)	
New Zealand				6.4 (97)	36.2 (97)	
ESCAP						
LLDC						
LDC						
SIDS						
ASEAN						
SAARC						
Central Asia						
Low-income						
Middle-income						
High-income						
Africa						
Latin America & Carib.						
North America						
Europe						
Other Asia-Pacific						
World						