

Laos

research evidence for policy



Analysis of census and survey data showed that ethnic minority households in Laos tend to be significantly poorer than Lao-Tai households. Among Laos's ethnic minorities, however, households headed by women are less likely to be below the poverty line than those headed by men. Photo: Michael Epprecht (2011)

Targeting poverty in Laos: How well do current approaches reach the poor?

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The case study featured here was conducted in: Laos

Policy message

- Targeting districts with high poverty rates is a popular way to tackle poverty. But a focus on poor areas may miss a large share of the poor, many of whom actually live in better-off areas.
- A two-pronged approach in poverty targeting is required in Laos. This should focus on (1) the most disadvantaged, remote areas with high poverty rates, as well as (2) poor households and social segments in better-off areas that have large numbers of poor people. These are typically urban and peri-urban areas.
- Sound national information systems and new analytical techniques can provide the information policymakers need to target the poor more effectively.

- Funds for poverty reduction are limited, so allocating them effectively is important in development planning. A common way to do this is to plot the distribution of poor people on maps, and then to target poverty-alleviation efforts at areas with the largest incidences of poverty. But this is a crude approach that risks missing a large share of the poor. This issue of *evidence for policy* shows how careful analysis of detailed spatial information – in this case in Laos – can reveal patterns that are not immediately obvious. That can lead to better, more precise targeting well beyond a purely geographic focus on poor areas, and to more differentiated and spatially integrated development planning.

Reaching the poor: current approaches in Laos

- Despite impressive economic growth rates in the last decade, Laos is still one of the poorest countries in Southeast Asia. The government recognises poverty alleviation as a task of utmost importance. Nonetheless, targeted poverty assistance has a relatively short history in the country: it began only in the early 2000s, when researchers used household survey data and provincial information to identify a set of poor districts, which were listed in the National Growth and Poverty Eradication Strategy (NGPES) as priority areas. Although they were originally intended as a tool for the initial years of NGPES (2003–5), the map and list of poor districts has re-

mained the guiding tool for poverty targeting over the past decade.

The national Lao Expenditure and Consumption Surveys (LECS) are the principal sources of information for monitoring progress and for poverty analyses at the regional and national levels. More recently, “small-area estimation” techniques have been applied in a study in Laos by the Centre for Development and Environment (CDE) of the University of Bern. The study combines information from LECS III (2002/3) and data from the Lao Population and Housing Census (2005) (Epprecht et al 2008), resulting in high-resolution estimates of household welfare, so facilitating better analysis and targeting.

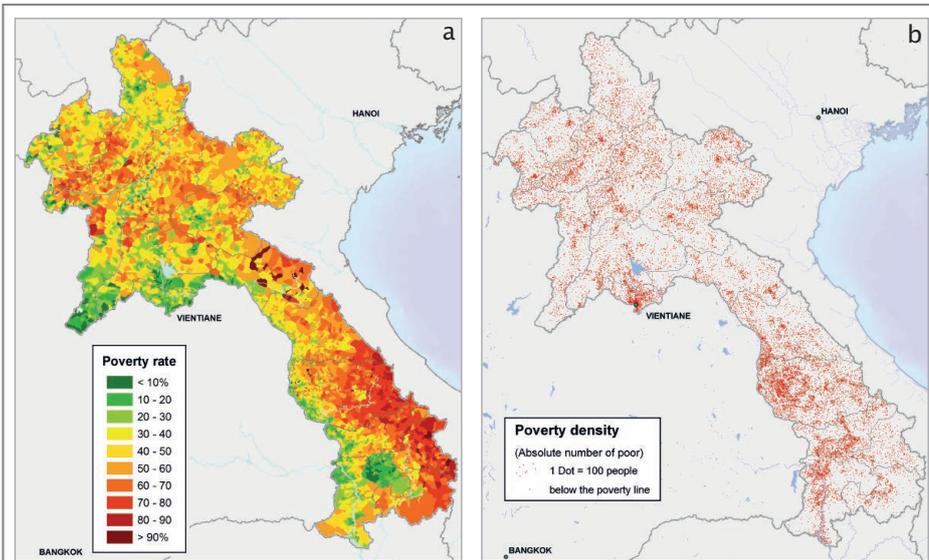


Figure 1. Laos: poverty rate (a); poverty density at village level (b).

Poverty is unevenly distributed in Laos: most people in the mountainous areas are poor, while the lowland areas have smaller percentages. But since the lowlands are where most people live, they are also home to most of the nation's poor.

Featured case study

Where have the poor been reached?

An analysis of Lao Expenditure and Consumption Survey (LECS) data of 2002/3 and 2007/8 allows broad insights into the dynamics of poverty reduction in Laos over the recent past. While there was a marked reduction of poverty in the country overall, there were clear differences in progress among the different regions.

Although poverty rates fell during the 5-year period by about 6% in rural and about 3% in urban areas, progress in remote upland areas was particularly slow. Most of the poverty reduction took place in rural lowland and mid-altitude areas, which are typically more easily accessible.

Despite the overall decline in urban poverty rates, the number of urban poor people increased by 12%. This is clearly due to the ongoing urbanisation process, whereby poor rural migrants make a big contribution to population growth in the towns and cities, and thereby to a general shift of poverty from rural to urban areas.

- **Where are the poor?**
- Figure 1a shows the percentage of a given village population that is estimated to be below the national poverty line. It shows sharp geographic disparities, with low poverty rates across most of the lowlands, contrasting with typically high poverty rates in mountainous areas of the country.
- But if we plot the absolute number of poor in each village, we see a very different pattern (Figure 1b): the highest concentrations of poor people are found in the lowland areas, which typically have low poverty rates. Much of the uplands, which have a very high poverty rate, is in fact home to only comparatively few poor people.
- This apparent contradiction is rooted in the uneven distribution of the population across the country. The population density is high in the lowland, urban, and peri-urban areas. The mountainous areas are sparsely populated. This means that even if only 10% of the total population of densely populated areas are below the poverty line, the absolute number of poor people there is still higher than that in the sparsely populated uplands, where almost everyone is poor.
- This contrast between poor areas versus poor populations has important implications for poverty targeting. Focusing on remote areas where most people are poor requires different approaches than targeting the

comparatively easily accessible areas where most poor people live.

Who are the poor?

Given these contradicting spatial patterns of poverty, it is all the more important to ask who the poor are. In terms of ethnicity, the majority group, the Lao-Tai ethno-linguistic family, accounts for 68% of the households in Laos, with ethnic minorities (Mon-Khmer, Sino-Tibetan, and Hmong-Mien) making up the remaining 32%. Overall, 22% of the Lao-Tai are considered poor, compared to 59% of minority households (Figure 2).

Maps of the village-level poverty rates among ethnic-minority and Lao-Tai households reveal two main patterns. The first is the well-known tendency for geographic separation of ethnicities (see also Messerli et al 2008): the Lao-Tai reside primarily in the lowlands (Figure 3a), while ethnic minorities populate most of the upland areas (Figure 3b).

Second, these maps show that the overall spatial patterns of poverty across the nation are the same for both the ethnic minorities and the Lao-Tai. Although minority households overall are distinctly poorer than the Lao-Tai, the local poverty rates are similar, particularly in the southern part of the country (low in the lowlands and high in the uplands). In the north, there is more divergence between the two groups: the Lao-Tai tend to be clearly better off than the ethnic minorities, irrespective of location there.

Among the Lao-Tai, there is no difference in poverty rates between households headed by women and by men (both are 22%). But for other ethnic groups, households headed by men are more likely to be poor (poverty rate = 60%) than those headed by women (45%), as seen in Figure 2.

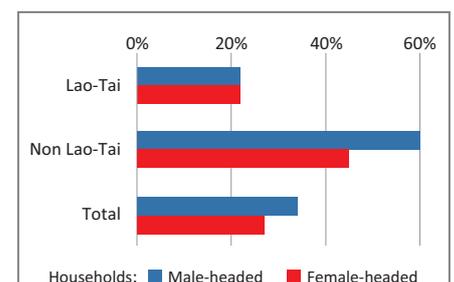


Figure 2. Poverty rates among the Lao-Tai and other ethno-linguistic groups in Laos by sex of the head of the household.

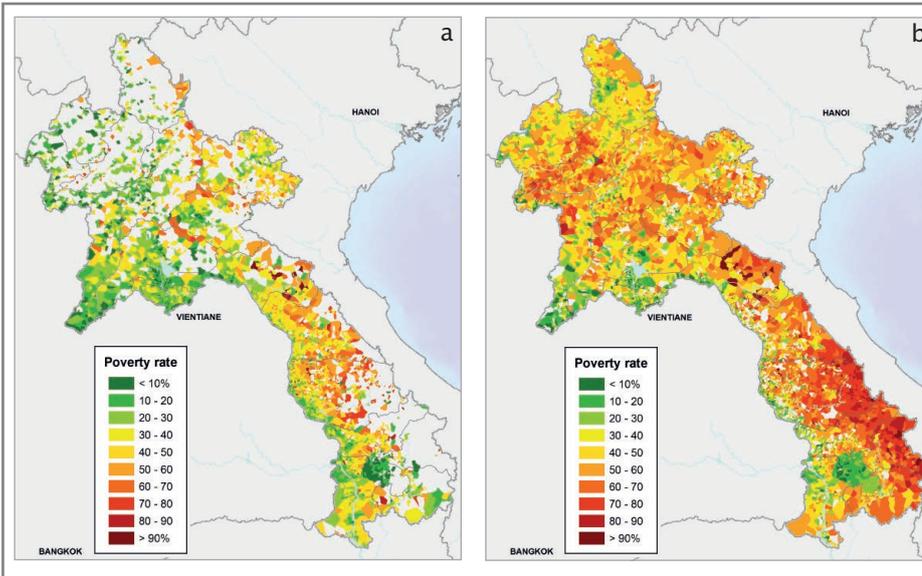


Figure 3. Spatial patterns of poverty among the ethnic majority (a) and the minorities (b) at village level.

Laos's ethnic majority, the Lao-Tai, tends to live in the lowlands (a), while most of the uplands is dominated by ethnic minorities (b).

In the north, the Lao-Tai tend to fare better than the minorities, while in the south the patterns of poverty among the Lao-Tai and the minorities are similar (that is, in villages where both groups live).

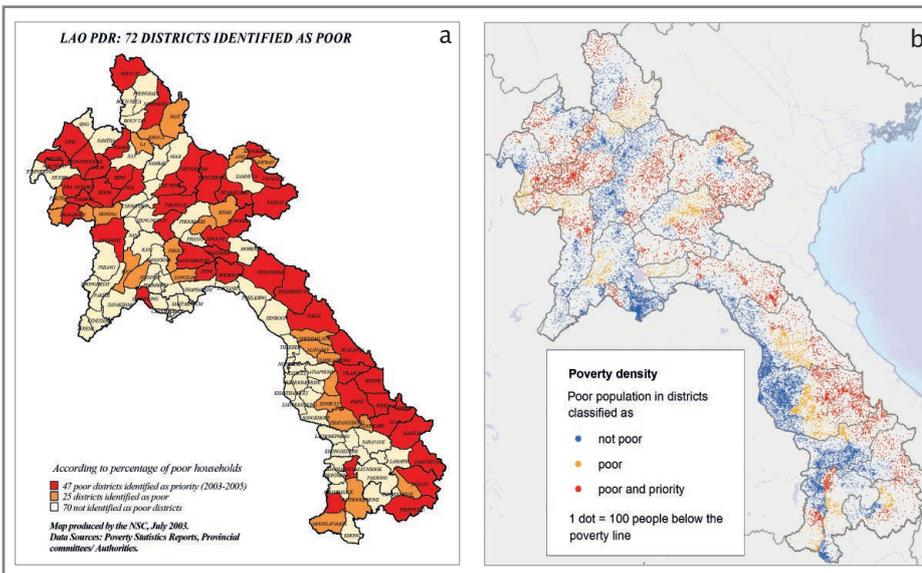


Figure 4. (a) Districts identified by the government of Laos as priority poor (in red) and non-priority poor (orange).

(b) Poverty density (absolute numbers of poor) in priority poor districts (red), non-priority poor districts (orange), and non-poor districts (blue).

The main Lao poverty reduction strategy identifies, out of 142 districts, 72 districts as poor; 47 of these were high priority. The analysis shows that based on the uneven distribution of the population, only one-third of the nation's poor live in high-priority areas. Over half live in districts identified as "not poor".

Is current poverty targeting reaching the poor?

Some sectoral programmes target specific households in given areas (such as the Ministry of Health's Health Equity Funds) – so-called household targeting. But the main mechanism for poverty targeting in Laos is geographic, based on priority districts identified in the National Growth and Poverty Eradication Strategy. How well does district-based targeting reach the poor?

It turns out that it misses the majority of them. Figure 4a shows the 72 districts identified as poor (including 47 also identified as high-priority, shown in red). But over half of the nation's poor people do not live in these districts (Figure 5). Most of the poor in fact live in the lowlands and along the Mekong (the blue areas in Figure 4b), where they miss out on all assistance under this national poverty targeting mechanism.

Figure 5 reveals additional details: Most of the poor live in non-poor or non-priority poor areas. Priority poor areas are home to only half of the poor ethnic-minority households, and only 20% of poor households headed by women.

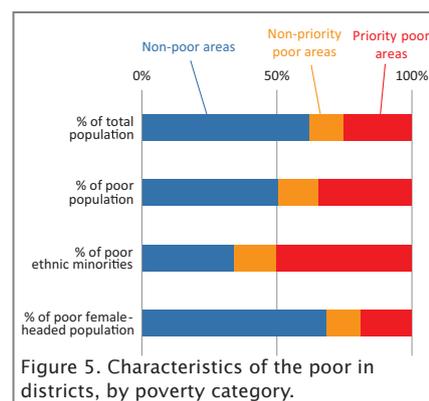


Figure 5. Characteristics of the poor in districts, by poverty category.

Definitions

Poverty line here refers to the village-level poverty line used in the analysis of the 2002/3 Lao Expenditure and Consumption Survey (LECS III). It is the per capita expenditure (including the value of home production and adjusted to regional and seasonal price differences) required to purchase 2,100 kcal per person per day using the food basket of households in the third quintile, plus a non-food allowance equal to what these households spend on non-food items.

Poverty rate: percentage of the population living below the poverty line.

Poverty density refers to the absolute number of poor people in a given area. Often, areas with a high poverty rate tend to be sparsely populated, so have a fairly low poverty density. Areas with a lot of people, on the other hand, often have comparatively low poverty rates but still have a high poverty density.



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Policy implications of NCCR North-South research

Introducing an improved, two-pronged strategy to target poverty

In sparsely populated, remote upland areas, the incidence of poverty is highest. Nevertheless, most poor people in Laos live in areas classified as less poor. To deal with this, a two-pronged targeting strategy is required.

- In remote upland areas, most beneficiaries will be poor, meaning potentially fewer resources are spent on non-poor households by pro-poor programmes targeted at poor areas as a whole. A regional development approach including basic infrastructure or improved service delivery projects seems most appropriate in such areas.
- In more densely populated areas, a lot of poor people live alongside better-off people. In such areas, poverty-alleviation programmes should be targeted at individual households that need assistance. Examples include exemptions from social service fees for disadvantaged social segments, and support for rural-urban migrants.

National policies rely on the necessary data being available to identify populations and areas in particular need. Statistical and geographic information system (GIS) techniques, using data from, for example, national censuses and household sample surveys to identify areas as well as particular social groups, can significantly support governments to make informed policy decisions.

This approach requires considerable capacities in building, analysing, updating, and managing a substantial national database. In view of the importance of accurate targeting of poverty, the government should ensure that the necessary capacities are further developed and maintained.

Further reading

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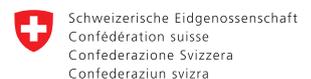
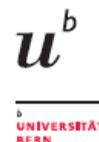
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