



Poverty in Asian LLDCs: Progress, challenges and opportunities

EXPERT GROUP MEETING

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LLDCs face common challenges

- ▶ Limited or costly access to nearest sea ports;
- ▶ Highly constrained to compete in international markets due to high transport and transit costs;
- ▶ Highly vulnerable to international movements in commodity and other prices;
- ▶ A narrow manufacturing base with high concentration of few commodities/goods/services in export earnings;
- ▶ Natural resource-rich LLDCs have narrowly diversified economy with resource extraction as the main source of GDP, exports and national revenue;
- ▶ Non-resource rich LLDCs depend on labor-intensive exports, remittances and ODA to support their development efforts;
- ▶ Four LLDCs are also LDCs, several of them with high incidence of income poverty.

Recent progress in reducing poverty in LLDCs

- ▶ Several Asian LLDCs significantly reduced the number of people living on below \$1.90 a day (between 1990-2013): Armenia has reduced poverty to 1.8%, Azerbaijan to 0%, Bhutan to 1.5% (2017), Kazakhstan to 0%, Kyrgyzstan to 1.4%, Mongolia to 0.5%, Tajikistan to 4.8%;
- ▶ However, some Central Asian LLDCs, which had quite low levels of income poverty during the Soviet era, experienced initially significant uptick during the 1990s, as all of them went through major restructuring of their economies and institutions. For instance, Turkmenistan's incidence of income poverty stood at 51.4% (adjusted) in 1998 and Uzbekistan - at 62.1% (adjusted) in 2003;
- ▶ Among the LLDCs that are also LDCs, data indicate that incidence of income poverty remains quite high in Afghanistan (35.8% at national poverty line in 2011), Lao PDR (22.7% in 2012) and Nepal (15% in 2010).

Multidimensional Poverty: where do Asian LLDCs stand?

- ▶ *Multidimensional Poverty* takes a more comprehensive and integrated approach to the concept and nature of poverty and implementation strategies. SDGs are examples that underline the concept of multidimensional poverty;
- ▶ There are cases where multidimensional and income poverty rates may coincide; in others they can diverge;
- ▶ This approach too paints a mixed and varying picture of poverty and deprivation in the Asian LLDCs.

Multidimensional Poverty: where do Asian LLDCs stand?

- ▶ By this measure, the more successful LLDCs tend to come from Central Asia and East Asia;
- ▶ For example, Central Asian LLDCs as a whole have been on track in achieving several SDGs: quality education, gender equality, clean water and sanitation, affordable and clean energy, and sustainable cities and communities, all with positive impact on reducing poverty;
- ▶ Significant reductions in maternal mortality (per 100,000 live births, 2015) provide another example of the progress made by several Central Asian LLDCs: Armenia - 25, Azerbaijan - 25, Kazakhstan -12, Tajikistan - 32, Turkmenistan - 32, Uzbekistan - 36;
- ▶ As high maternal mortality mainly affects poor rural households, this progress has had a positive impact on reducing poverty;
- ▶ In contrast, several LLDCs which are also LDCs are struggling in reaching this SDG target: Afghanistan - 396, Bhutan - 146, Lao PDR - 197 and Nepal - 258.

Selected lessons learnt and way forward

- ▶ Growth matters but it needs to be pro-poor in having any significant impact on reducing poverty;
- ▶ Income poverty has gone down but inequality has increased in all LLDCs;
- ▶ Inequality appears to be driven by high economic growth, high export concentration (globalization) and technological upgrading;
- ▶ All LLDCs have put in place national development strategies with an overarching goal of reducing poverty;
- ▶ Increased investments in health, education, water, sanitation and other targeted programmes have helped reducing poverty in LLDCs;
- ▶ Social protection schemes particularly cash transfers and in-kind support have helped the poor and vulnerable groups but targeting support remains a challenge in reaching poor living in remote and difficult areas

Selected lessons learnt and way forward

- ▶ Asset formation, particularly land rights and access to credit have proven to be effective tools for reducing poverty particularly in rural areas;
- ▶ Conflict and fragility have proven to be difficult barriers in reducing poverty in several LLDCs;
- ▶ Structural transformation that facilitates transfer of surplus rural labor to labor-intensive export-oriented manufacturing industries helps reducing poverty;
- ▶ Greater participation of women, particularly first-time rural women migrants, in urban manufacturing activities have similar impact;
- ▶ Remittances are important in reducing poverty at household level but there is evidence to suggest that it can reduce household supply of labor;
- ▶ Public policy has a key role to play in reducing poverty, the effectiveness of which is strongly correlated with the quality of institutions and implementation capacity.

Thank you

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