Boao Forum for Asia
Asia Poverty Reduction Report 2020
Asia Poverty under Globalization Changes and Public Crises

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ASIA POVERTY REDUCTION REPORT 2020

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Foreword

To date, poverty has remained a thorny issue shared by all human beings and one of the biggest challenges confronting the world. *The Sustainable Development Goals Report 2020* issued by the United Nations suggests that due to the COVID-19 pandemic, the global poverty rate is expected to increase for the first time since records began, with 71 million people falling into extreme poverty again. On the 75th anniversary of the UN and at the outset of the Decade of Action on the Sustainable Development Goals, unprecedented challenges lie ahead of the path to global poverty reduction.

It is a common wish and obligation of people all over the world to eradicate poverty. The Boao Forum for Asia (BFA), a platform for high-level political-business dialogue, reaffirms its commitment to the common development of Asia and the world by gleaning Asian wits and raising Asian voices. Based on this mentality, the BFA Academy, along with the team led by Prof. Li Xiaoyun from China Agricultural University, launched the *Asia Poverty Reduction Report*. The report compiles the situation of Asian poverty and summarises Asia's accomplishments and challenges in poverty reduction for reference to all developing countries.

In last year's *Asia Poverty Reduction Report 2019*, the research team, for the very first time, summed up the poverty reduction situation of 47 Asian countries in total, which broke the traditional sub-regional limits, and analysed the challenges and achievements of these countries in poverty reduction. On such basis, *Asia Poverty Reduction Report 2020* updates the data from the previous report and proposes 4 poverty reduction models typical of Asia, namely the state-led poverty reduction model, the sector-wide pro-poor growth-driven poverty reduction model, the processing-industry-driven poverty reduction model, and the welfare-transfer poverty reduction model. By analysing the advantages and disadvantages of each model in a systemic manner, this report summarises the precious experience in Asia poverty reduction that will serve as a reference to countries and regions concerned.

The theme of this year's report "Asia Poverty under Globalization Changes and Public Crises" points to the two key subjects, the COVID-19 effect to Asia and the poverty reduction strategies of China, which is the BFA's host country, amid the pandemic. As rapid eco-social transformations are taking place in the region, Asian countries have much to improve in infrastructure construction, public services, and contingency management capabilities compared with other developed regions. As a result, disadvantaged groups are particularly vulnerable to the negative impact of public health crisis. Due to the pandemic that

erupted this year, grave impact to the employment of the poor is becoming the most evident factor in Asia affecting the poverty situation in the region.

Among Asian countries, China has the largest population and territory, as well as the largest number of people out of poverty. Despite its economic slowdown incurred by the pandemic, China prevailed on the virus with its immediate measures to contain the pandemic. The credit is due to the prompt economic resurgence. China proceeded with the fight against poverty employing intensified support for impoverished areas and the poor, and is expected to finish its fight against extreme poverty as planned by the end of this year. The secular issue about absolute poverty besetting China for thousands of years is about to be resolved. This is both a preeminent achievement and a historical milestone in humanity's struggle against poverty that is worth studying and learning from.

Development holds the key and serves as the foundation for solving most of the problems of the Asian developing countries, which also serves as a guarantee for poverty eradication. What the Boao Forum for Asia has done so far is all about fostering and serving development. The Forum will continue the discussion of poverty eradication in its annual conference and other future events and pay closer attention to the sustainable development process. By promoting the exchange of knowledge in relevant fields, we will eventually improve people's livelihood and the well-being in Asia.

LI Baodong

Secretary-General
Boao Forum for Asia

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Introduction

Context

The Asian region experiences the most robust social and economic transformation in the context of globalization. Since the 1960s, Asia has created the miracle of economic development after the Second World War and embarked on the path of modernization, especially in Asian developing countries. Singapore and Republic of Korea have become developed countries, and Maldives, China, Sri Lanka, Azerbaijan, Armenia and Turkmenistan have achieved the middle-income status. China in its rapid development has especially not only changed the development landscape of Asia, but also, together with other Asian countries such as India, turned into the most important force that alters the world's economic pattern.

Besides the sustained economic growth, the economic and social transformation in Asia is also highlighted by poverty reduction. Unlike Sub-Saharan Africa, Asia displays the mode of intricately entwined growth and poverty reduction. Despite the varied performance of Asian countries at different stages in both economic growth and poverty reduction, the region as a whole has been characterized by varying degrees of pro-poor growth. Most Asian countries have maintained economic growth of more than 4 % in 2019 and have been improving social protection measures to benefit the poor in the process of economic growth. Taking China as an example, the incidence of poverty under the current national standard dropped from 5.7 % in 2015 to 0.6 % in 2019[1], whereas the per capita net income of the country's registered poor households increased from RMB 3,416 in 2015 to RMB 9,808 in 2019, with an average annual increase of 30.2 %.[2]

Along with growth and poverty reduction, Asian region also witnesses the increasingly intensified income inequality to different extents. Though the gap in income inequality among Asian countries is wide, in general, the aggravated inequality is a major challenge for the sustainable development of Asia. Asia, the most populous region in the world, is also a diversified region in nationality, culture and religion. Over the previous course of development, Asian countries suffered various problems, and internal political turbulence and race conflicts posed grim influence over their sustainability. The rising inequality is becoming one of the root causes of populism, extreme nationalism, anti-globalization and other waves compromising Asian development. Though Asia has made admirable progress in

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1   More than 10 million people will be lifted out of poverty nationwide each year, and extreme poverty will come to a historic end. Source: People's Daily, 2020-10-03. Retrieved 3 October 2020, from http://news.southcn.com/china/content/2020-10-03/content_191546193.htm

2   Xi Jinping: speech at the conference on decisive victory to win battle against poverty. Source: Xinhua News Agency, 2020-03-06. Retrieved September 30, 2020, from http://www.gov.cn/xinwen/2020-03/06/content_5488175.htm

poverty reduction, it still records the highest number of poor people and the highest headcount ratio of poverty, just following Sub-Saharan Africa. The increasingly intensified income inequality is severely disrupting the sustainable economic growth and the further alleviation of poverty.

Since the 21st century, along with the changes in the global economic pattern, the trend of globalization has also started to change. The expedited economic and social transformation in Asia mostly occurred in the era of globalization in the 20th century, when the change of global economic structure, the industrial transformation, the transfer of technologies, the flow of capital, and especially the adjustment of manufacturing and labor-intensive industries globally as a result of the economic restructuring of developed countries all presented opportunities for the development of Asian countries. In the 21st century, the previous series of globalization conditions helpful for Asian development are undergoing changes. The formation of the new-type structural relationship disrupts the previous trend of globalization continuously. The adjustments in trade, investment and flow revolving around China's position in globalization are altering the picture of Asian development. As the alteration directly involves manufacturing and labor-intensive industries that are critical for Asia, it will pose major influence over the status of poverty in the region. In fact, the changing pattern of globalization is becoming a prominent variable for Asian development and local poverty reduction.

Asia is under the fastest economic and social

transformation in the world. The course is most significantly reflected by the rapid urbanization and industrialization, which results in the increasing mobility. Meanwhile, developing countries in Asia have come so far today from the poor and less developed status over the past few decades. Infrastructure, public services and social governance capacity in the region is far from enough to respond to the various crises arising from the fast economic and social transformation. Frequent natural disasters such as tsunamis and earthquakes remain the major public hazard threatening Asian sustainability. At the same time, Asia also faces the challenge of major public health crises, such as the avian influenza that first broke out in Southeast Asia in 2006, the SARS that hit China in 2003, and the COVID-19 prevailing in the early 2020. Despite its stronger capacity to social governance compared with Sub-Saharan Africa and its capability of rapid response to public security crises, Asian region remains susceptible to the profound influence of public health security incidents. The spread of the coronavirus in 2020 has posed grim impact on tourism, services and transportation in Asia. As a result, poverty in Asian countries has rebounded to different degrees. Poverty becomes the most direct adverse social impact generated by COVID-19.

It is noteworthy that despite the profound influence of COVID-19 on Chinese economy and its negative impact on China's efforts in eradicating absolute poverty in rural areas by the end of 2020, the country has created solid economic and institutional conditions for continuously reducing and eradicating rural

absolute poverty through the tough battle against poverty over the past few years. Therefore, the pandemic is unlikely to shake the fundamentals of eliminating rural absolute poverty, although it still undermines the stability and sustainability of the results of the battle against poverty in China. In other Asian areas, the pandemic seriously undermines employment of the poor, and the poor, especially the poor elderly and the poor with diseases, is more vulnerable to its impact. Currently, COVID-19 has become the most direct influencing factor for poverty changes in Asia.

This report is prepared to:

1. Introduce the status of poverty and income inequality in Asia;
2. Display the outcomes of poverty reduction in Asia;
3. Summarize the modes and experience of poverty reduction in Asia;
4. Outline the latest challenges for poverty reduction in Asia.

Methods used in this report:

This report is prepared primarily based on comparative analysis. While comparing the poverty situation in different countries, we use the World Bank poverty line of US$ 1.9 per day and US$ 3.2 per day (in 2011 PPP), in addition to relevant data in the United Nations progress reports on the Sustainable Development Goals and in the Multidimensional Poverty Report of the United Nations Development Programme. Due to unavailability of systematic research data on the impact of COVID-19 on the Asian region during the preparation of the report, the analysis over the influence of the pandemic on poverty in Asia is relatively fragmented and unsystematic on the basis of combination of currently available researches.

CHAPTER 1

General Characteristics of Poverty in Asian Countries

By the extent of economic development, 47 Asian countries are categorized into high-income countries, including developed ones such as Japan, the Republic of Korea and Singapore and resource-abundant ones such as Qatar and United Arab Emirates, middle-income countries such as China and India, and low-income countries such as Afghanistan and Nepal. Measured by per-capita gross national income (GNI), the majority of Asian countries fall in and above the upper-middle income category. However, poverty in Asian countries is also typed differently. This chapter will introduce their poverty status based on income poverty.

1.1 Income Grouping of Asian Countries

The part firstly introduces the grouping of Asian countries by income, focuses on change of their grouping by the high-, middle- and low-income standard, and displays the general status of poverty in Asia.

In this report, 47 Asian countries are covered[3]: Afghanistan, Armenia, Azerbaijan, Bahrain, Bangladesh, Bhutan, Brunei, Cambodia, China, Georgia, India, Indonesia, Iran, Iraq, Israel, Japan, Jordan, Kazakhstan, Kuwait, Kyrgyzstan, Laos, Lebanon, Malaysia, Maldives, Mongolia, Myanmar, Nepal, the Democratic People's Republic of Korea, Oman, Pakistan, Palestine, the Philippines, Qatar, Saudi Arabia, Singapore, the Republic of Korea, Sri Lanka, Syria, Tajikistan, Thailand, Timor-Leste, Turkey, Turkmenistan, United Arab Emirates, Uzbekistan, Vietnam, and Yemen.

The 47 Asian countries can be grouped according to different criteria. Four countries are members of the Organization for Economic Cooperation and Development (OECD), including Japan, the Republic of Korea, Israel and Turkey. There are 11 low-income food-deficit countries in Asia, including Afghanistan, Bangladesh, the Democratic People's Republic of Korea, India, Kyrgyzstan, Nepal, the Syrian Arab Republic, Tajikistan, Uzbekistan, Viet Nam

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3   The website of China Consular Affairs (http://cs.mfa.gov.cn/zggmcg/ljmdd/yz_645708/) lists 46 countries in Asia. With the addition of China, the total is 47.

and Yemen. Changes in composition include the exclusion of Pakistan and the entry of Viet Nam, as Pakistan graduated based on the net food exporter criterion, while Viet Nam was added to the list due to the fact that it failed to meet the three criteria for exclusion from the classification.[4] There are nine Asian LDCs, including Afghanistan, Bangladesh, Bhutan, Cambodia, Laos, Myanmar, Nepal, Timor-Leste and Yemen.[5]

(1) Grouping Standard of the World Bank

Since 1987, the World Bank has adopted per-capita GNI to categorize the income of countries across the world with the purpose of determining different loan measures for different countries (see Figure 1.1 for the grouping standard of income). Based on per-capita GNI (current US dollars, converted from local currencies with the mapping method), the current economies are categorized into four income groups: low income, lower-middle income, upper-middle income and high income (see Block Diagram1.1 for the specific identifying thresholds).

Block Diagram 1.1 How to Identify the Thresholds of Income Grouping?

In the late 1970s, the World Development Report first adopted the similar grouping, but the category of the countries was inconsistent. "Developing economies" was divided into low-income and middle-income ones; "industrialized" countries were used to define OECD member states; other economies were listed as "overcapitalized oil exporters" and "centrally planned economies".

The thresholds of low-income, middle-income and high-income countries were identified in 1989, mainly based on the pre-determined operation thresholds. The definite benchmark of US$ 6,000 per capita in 1987 was used to identify high income and middle income, and the choice meant that all the previously listed "industrialized" countries were included into the group of high income. Low-income countries mainly referred to those with "preference for infrastructure projects" regarding loans.

The thresholds are updated once every year when the World Bank's accounting year starts (July 1st) and subject to adjustment according to inflation. Currently, inflation is measured by the change of SDR deflator[6], a calculated deflator based on inflation measures of the economies (China, Japan, the United Kingdom,

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4   FAO, Low-Income Food-Deficit Countries (LIFDCs) - List for 2018. Retrieved 30 September 2020, from http://www.fao.org/coun-tryprofiles/lifdc

5   UN Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (UNOHRLLS), Least Development Countries. Retrieved September 30, 2020, from http://unohrlls.org/about-ldcs/

6   SDR, short for Special Drawing Rights, refers to rights to converting "freely usable" currencies. It was created by the IMF in 1969 as a supplementary reserve asset and constitutes international reserves together with gold, foreign exchange and other reserve assets. SDR is also used by the IMF and some other international institutions as a unit of account. https://datahelpdesk.world-bank.org/knowledgebase/articles/378829-what-is-the-sdr-deflator.

the United States, and the Euro Area today) represented in the basket of currencies that are used in SDRs of the International Monetary Fund (IMF).

Source: The website of the World Bank.

Figure 1.1 World Bank's Standard for Income Grouping
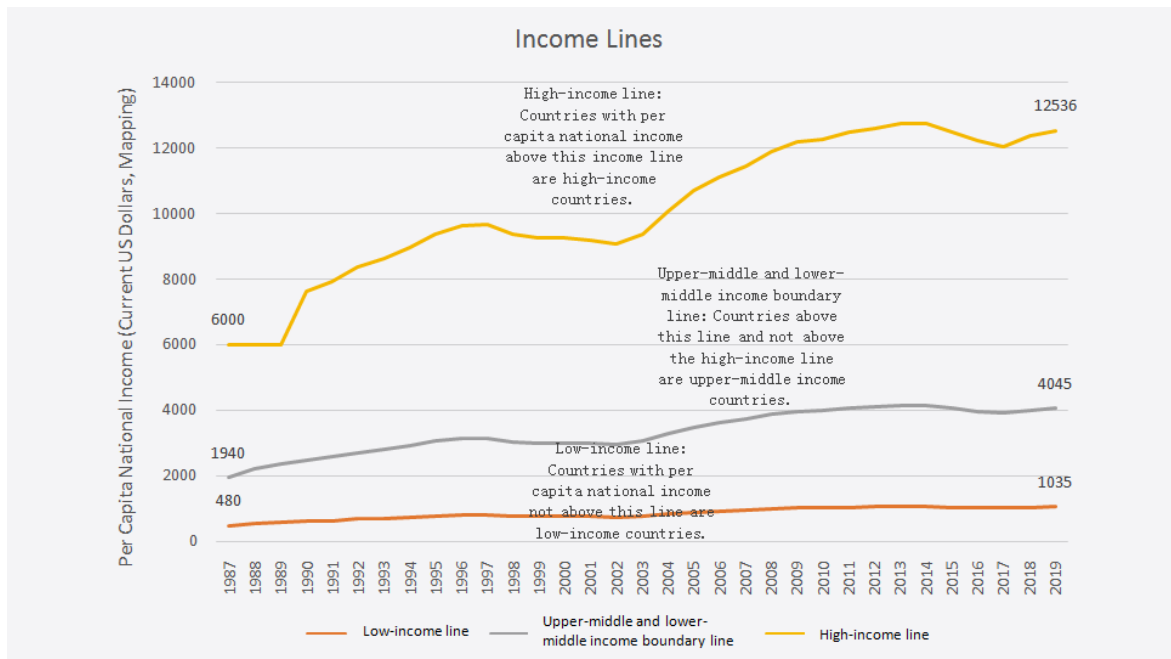
Source: The data of the World Bank[7].

(2) Per-capita GNI of Asian Countries

Poverty levels do not necessarily depend on GNI, because the pattern of income distribution also poses profound influence, but still, per-capita GNI is the most fundamental variable that affects poverty levels. According to the World Bank's statistical methods and dimensions, in 2001, there were 21 low-income countries, 12 lower-middle income countries, 4 upper-middle income countries and 9 high-income countries in Asia. By 2019, there were still 5 low-income countries and 15 lower-middle income ones, but the number of upper-middle income and high-income countries was increased to 15 and 11 respectively (Table 1.1). As more countries turned from low-income status to middle-income status, Asian countries presented a positive picture of aiming higher and climbing upwards in terms of per-capita GNI.

Compared with 2018, positions of three countries were changed, namely Nepal, Indonesia

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7   World Bank Country and Lending Groups. Retrieved September 30, 2020, from https://datahelpdesk.worldbank.org/knowledgebase/articles/906519.

and Sri Lanka. Per-capita GNI of Nepal was increased from US$ 970 in 2018 to US$ 1,090 in 2019, lifting the country from low-income to lower-middle income status. In 2019, Nepal's remittance from off-farm employment accounted for one fourth of its gross national product (GNP) (25.4%)[8], and this might be a major driver for the rising per-capita GNI. Indonesia, with per-capita GNI growing from US$ 3,850 to US$ 4,050, ascended from a lower-middle income country to an upper-middle income one. In 2019, amid the global turbulences and a series of destructive natural disasters, the coordinative and prudent macro-economic policies paved a solid path for Indonesian stable economic growth[9]. Sri Lanka descended from an upper-middle income country to a lower-middle income one as its per-capita GNI dropped from US$ 4,040 in 2018 to US$ 4,020 in 2019. Its GNP grew only by 2.6% in 2019[10], and this was the underlying cause of the drop of its per-capita GNI.

It can be seen that the development of Asian countries was unbalanced and showed the trend of grim differentiation. In 2019, the highest level in per-capita GNI (US$ 63,410 in Qatar) was 117 times the lowest (US$ 540 in Afghanistan). Among different income groups, the gap between the highest and the lowest per-capita GNI was obvious, reported at 4.1 times (high-income countries), 2.6 times (upper-middle income countries) and 3.9 times (lower-middle income countries).

To sum up, though Asia has made noticeable progress in economic development, throughout the course of development, lower-middle income countries need continue to develop economy, promote per-capita GNI to further rise, and make great efforts in increasing the income of the bottom 40% of the population, so as to realize common prosperity and avoid the "middle-income trap".

Given the low headcount ratio of extreme poverty in high-income countries and the lack of systematic statistics over the years, this part only introduces the current status of income poverty in middle- and low-income countries in Asia.

Table 1.1 Per-capita GNI of Asian Countries in 2019

Unit: Current Price in US$ of 2019

No.	Country	Per-capita GNI	No.	Country	Per-capita GNI	No.	Country	Per-capita GNI
High-income 12536 and above			16	Kazakhstan	8,810	32	Vietnam	2,540

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8   World Bank (2020). Poverty & Equity Brief South Asia: Nepal April 2020.

9   World Bank (2019). Indonesia Maintains Steady Economic Growth in 2019. https://www.worldbank.org/en/news/press-release/2019/07/01/indonesia-maintains-steady-economic-growth-in-2019.

10   Asia Development Bank (2020). Basic Statistics 2020. April 2020. https://data.adb.org/dataset/basic-statistics-asia-and-pacific.

#	Country	Value	#	Country	Value	#	Country	Value
1	Qatar	63,410	17	Lebanon	7,600	33	India	2,130
2	Singapore	59,590	18	Thailand	7,260	34	Bangladesh	1,940
3	United Arab Emirates	43,470	19	Turkmenistan*	6,740	35	Timor-Leste	1,890
4	Israel	43,290	20	Iraq	5,740	36	Uzbekistan	1,800
5	Japan	41,690	21	Iran**	5,420	37	Pakistan	1,530
6	Kuwait*	34,290	22	Georgia	4,740	38	Cambodia	1,480
7	Republic of Korea	33,720	23	Armenia	4,680	39	Myanmar	1,390
8	Brunei	32,230	24	Azerbaijan	4,480	40	Kyrgyzstan	1,240
9	Saudi Arabia	22,850	25	Jordan	4,300	41	Nepal	1,090
10	Bahrain	22,110	26	Indonesia	4,050	**Low-income 1035 and below**		
11	Oman	15,330	**Lower-middle income 1036-4045**			42	Tajikistan	1,030
Upper-middle income 4046-12536			27	Sri Lanka	4,020	43	Yemen*	940
12	Malaysia	11,200	28	The Philippines	3,850	44	Afghanistan	540
13	China	10,410	29	Mongolia	3,780	45	Syria	-
14	Maldives	9,650	30	Bhutan*	2,970	46	Democratic People's Republic of Korea	-
15	Turkey	9,610	31	Laos	2,570	47	(Palestine)	-

Source: Data of the World Bank's World Development Indicators (2020/7/1).

Note: ** refers to data in 2017; * refers to data in 2018. No data is available for Syria, the Democratic People's Republic of Korea and Palestine.

1.2 Current Status of Poverty in Middle- and Low-income Asian Countries

On September 10, 2020, the World Bank released revised estimates of the global poverty headcount based on 2011 PPPs for the time span of 1981 to 2017 (and in some cases 2018), clarifying the widely used measure of the international poverty line by World Bank, including US$1.90 and US$3.20 per day at 2011 PPPs.[11] Since the latest World Bank data,

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11   World Bank PovcalNet: an online analysis tool for global poverty monitoring. Retrieved September 30, 2020, from http://iresearch.worldbank.org/PovcalNet/home.aspx

in which many countries are omitted, are updated to 2018, we apply accessible data from the UN Sustainable Development Solutions Network (SDSN)[12] to illustrate the income poverty profile of Asian countries (based on an extreme poverty line of $1.90 and a moderate poverty line of $3.20, respectively).[13]

Measured by the US$ 1.90 per person per day standard, Asian countries perform better in their poverty reduction efforts. As shown by statistics of the Sustainable Development Solutions Network (SDSN) (Table 1.2), currently in Asian countries as of the first half of 2020, the headcount ratio of extreme poverty is around 1.6%, decreased by 0.25% compared with the year before, and absolute poverty

has been generally eradicated. According to the latest data by SDSN[14] released on June 30, 2020, there are 66.74 million people in extreme poverty in middle- and low-income Asian countries. In the same period, the headcount ratio of extreme poverty in Sub-Saharan Africa is 40.17% and there are 449 million people in poverty, a striking contrast to Asian countries.

Measured by the US$ 3.20 per person per day standard, the headcount ratio of poverty in middle- and low-income Asian countries is 14.56% and there are 604 million people in poverty. By the same standard, the poverty headcount ratio in African countries is 65.07% and there are 727 million people in poverty.

Table 1.2 Poverty Headcount Ratio and Population in Poverty in Asian Countries in 2020

Unit: 1,000 Persons, %

Country	Total Population	US$ 1.9 Standard		US$ 3.2 Standard	
		Poverty Headcount Ratio	Population in Poverty	Poverty Headcount Ratio	Population in Poverty
India	1,380,004	2.30	31,740	24.61	339,619
Indonesia	273,524	3.65	9,984	22.19	60,695
Bangladesh	164,689	4.28	7,049	31.01	51,070
Pakistan	220,892	0.86	1,900	20.70	45,725
China	1,439,324	0.20	2,879	1.96	28,211

12   The UN Sustainable Development Solutions Network (SDSN) was established in 2012 under the auspices of the UN Secretary-General. For more information, see the website: https://www.sdgindex.org/. Browsed date September 9, 2020.

13   The World Bank's $1.9 poverty line is usually used to measure extreme poverty, $3.2 and $5.5 poverty line have been respectively used to measure poverty in low-middle and upper-middle-income countries since 2017 (see URL: http://datatopics.worldbank.org/world-development-indicators) /themes/poverty-and-inequality.html). Since both the SDSN data and the ADB's Key Indicators 2020 data currently refer only to the $1.9 and $3.2 criteria, these two poverty lines are also used in this report instead of $5.5.

14   SDSN Sustainable Development Report 2020: The Sustainable Development Goals and Covid-19. Jun 30, 2020. Retrieved September 9, 2020, from https://www.sustainabledevelopment.report/

The Philippines	109,581	3.13	3,430	22.10	24,217
Nepal	29,137	6.81	1,984	33.03	9,624
Uzbekistan	33,469	6.79	2,273	28.66	9,592
Myanmar	54,410	2.14	1,164	13.81	7,514
Iraq	40,223	1.11	446	14.48	5,824
Iran	83,993	0.21	176	4.19	3,519
Vietnam	97,339	0.63	613	3.54	3,446
Turkmenistan	6,031	26.56	1,602	54.08	3,262
Laos	7,276	8.91	648	36.20	2,634
Cambodia	16,719	0.18	30	12.30	2,056
Sri Lanka	21,413	0.27	58	7.96	1,704
Tajikistan	9,538	1.51	144	11.59	1,105
Kyrgyzstan	6,524	0.82	53	15.56	1,015
Jordan	10,203	0.41	42	9.19	938
Timor-Leste	1,318	28.13	371	69.21	912
Georgia	3,989	2.75	110	12.70	507
Armenia	2,963	0.72	21	6.51	193
Mongolia	3,278	0.32	10	4.25	139
Bhutan	772	0	-	10.49	81
Maldives	541	1.26	7	7.60	41
Kazakhstan	18,777	0.01	2	0.11	21
Thailand	69,800	0	-	0.01	7
Malaysia	32,366	0	-	0.02	6
Lebanon	6,825	0.02	1	0.06	4
Total Population	4,144,918		66,738		603,683
Proportion of Population in Poverty			1.61%		14.56%

Source: Sorted based on the data of SDSN 2020.

Poverty in Asian countries is mainly reflected in the following areas.

First, generally speaking, poverty in Asia differs from country to country in headcount ratio and the way it is manifested.

In South Asia where the poverty rate is universally regarded high, the headcount ratio of extreme poverty in Bhutan has fallen to zero, thanks to the government's efforts to enhance people's wellbeing and its attention paid to poverty. It reflects Asian countries' common aspiration to aim higher and climb upward. In 2020, the headcount ratio of extreme poverty in middle- and low-income Asian countries ranges from 0 to 28.13% by the US$ 1.9 per day standard. Three countries, namely Thailand,

Malaysia and Bhutan, have zero headcount ratio of poverty against this standard. These three countries are distributed in the groups of upper-middle income and lower-middle income, revealing the varying degree of poverty reduction progress in different income groups, instead of cross-country poverty convergence.

Against the US$ 1.9 per person per day standard, 11 countries record a poverty headcount ratio of higher than 2%. To be specific, the ratio of Timor-Leste and Turkmenistan are 28.13% and 26.56% respectively; the ratio of nine countries such as Myanmar and India fall between 2.14-8.91%, and the ratio of other countries all lies below 2%.

**Figure 1.2 Poverty Headcount Ratio of Asian Countries
under US$ 1.9 and US$ 3.2 Standards (%) in 2020**

Standard of US$ 3.2 Per Day
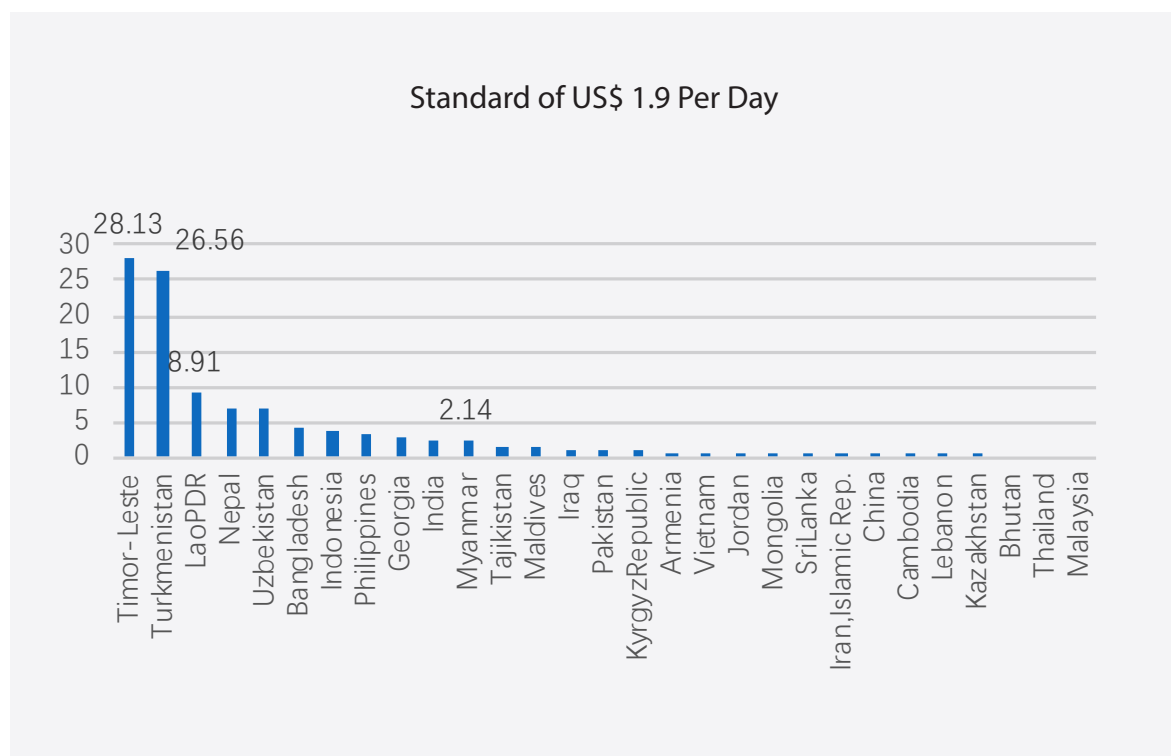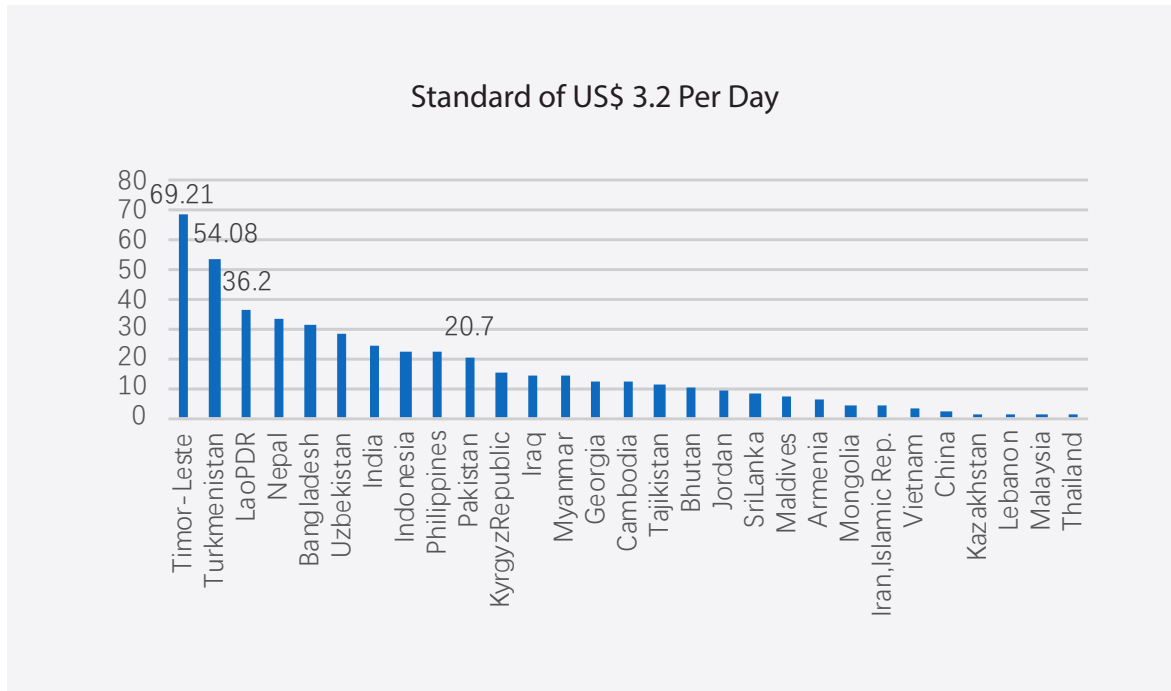
By the US$ 3.2 per day standard, 10 countries register a poverty headcount ratio higher than 20% and among them, Timor-Leste and Turkmenistan report it at 69.21% and 54.08% respectively. Timor-Leste, a country gaining independence in the new century (2002), has a weak foundation in infrastructure and governance by government, and its Human Development Index in 2017 was 0.43, far below the average 0.63 of East Asia & Pacific. The economic growth mode predominated by domestic development hasn't been established in the country[15]. For Turkmenistan, its high poverty headcount ratio is closely related with its economic system, as the tight administrative control and the dominant role played by public sectors in economic activities obstructs the development of private sectors. Though private sectors are gradually increasing their share in economic sectors, public sectors and state-owned monopoly still keep in control the economy and regular labor market. Foreign direct investment remains limited, expect in the hydrocarbon industry[16].

The ratio of eight countries such as Pakistan and Laos ranges in 20.7-36.2%, and that of other countries all stays below 20%.

As revealed in Figure 1.2, under the two different standards, among the top ten countries with the highest poverty headcount ratio, nine countries overlap, with the exception of Pakistan under the US$ 3.2 standard replacing Georgia under the US$ 1.9 standard.

Second, poverty in Asia is concentrated mainly in six countries, including India, Indonesia, Bangladesh, Pakistan, China and the Philippines.

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15 Retrieved September 9, 2020, from website of the World Bank at https://www.worldbank.org/en/country/timor-leste/overview.

16 Retrieved September 9, 2020, from the website of the World Bank at https://www.worldbank.org/en/country/turkmenistan/overview.

According to Table 1.3, in 2020, the population in poverty of the six countries accounts for 85.38% of poor population of middle- and low-income Asian countries under the US$ 1.9 standard and 91.03% under the US$ 3.2 standard. Of these, India has 31.74 million people living in poverty under the $1.9 standard, taking up to 47.56 % of the total population of the six countries under the same poverty line, while the proportion rises to 56.26 % under the $3.2 standard. Because of the large population in China, under the expectation of eradicating rural absolute poverty by 2020, there are still 2.88 million population living under the $1.9 standard to be calculated in the total population in poverty of Asia.

Table 1.3 Percentage of Six Asian Countries with the Largest Number of Poor Populations in Asia in 2020

Unit: 1000 persons, %

Country	US$ 1.9 Standard		US$ 3.2 Standard	
	Population in poverty	Percentage of the total population	Population in poverty	Percentage of the total population
India	31,740	47.56%	339,619	56.26%
Indonesia	9,984	14.96%	60,695	10.05%
Bangladesh	7,049	10.56%	51,070	8.46%
Pakistan	1,900	2.85%	45,725	7.57%
China	2,879	4.31%	28,211	4.67%
The Philippines	3,430	5.14%	24,217	4.01%
Subtotal	56,982	85.38%	549,537	91.03%
Total population	66,738	100.00%	603,683	100.00%

Source: data sorted out of figure 1.2.

Third, as the poverty standard is raised from US$ 1.9 to US$ 3.2, the number of people in poverty has surged. Population in poverty under the US$ 3.2 standard is 10.7 times that under the US$ 1.9 standard in India, 9.8 times in China and 24.1 times in Pakistan. Therefore, the number of people in poverty in middle- and low-income countries in Asia is very sensitive to the rise of poverty standards.

In general, China will eradicate absolute poverty under the current national poverty standard this year, however, the pace of poverty reduction in Asian countries is highly likely to be slowed down by external influences such as COVID-19 pandemic. As China has been contributing greatly to the poverty reduction progress in Asia, along with the decrease of Chinese population in extreme poverty, the outlook of poverty reduction in Asia depends largely on the efforts of South Asian countries, such as India, Bangladesh and Pakistan, and in South-East Asian countries, such as Indonesia and the Philippines. In terms of the shifts in

globalization, poverty reduction in Asia is likely to slow down after 2020, and is even to be exacerbated by COVID-19. In particular, India, whose poverty reduction progress has a considerable impact on that of Asia as a whole, has the largest number of poor people in Asia. The World Bank in India remarked the fact that, "The world will only be able to eliminate poverty if India succeeds in lifting its citizens above the poverty line."[17]

1.3 Summary

National income in Asian countries is differentiated, but over the past decade, the trend of income convergence is increasingly clear and the number of low-income countries is dropping year by year. In general, Asian countries are ascending from low-income to middle-income status.

As driven by globalization, Asian countries experience robust economic growth and also make admirable progress in poverty reduction. By 2019, measured by the US$ 1.9 international standard, except for Timor-Leste, Turkmenistan and Laos, the majority of Asian developing countries had reduced their poverty headcount ratio below 2%. In some sense, Asian countries are coming to the new stage of eradicating absolute poverty. In this process, China is the most important contributor. Against the US$ 1.9 standard, the headcount ratio of absolute poverty in China was reduced to 0.5% in 2016 and expectedly approached 0% in 2019. Asian countries are generally about to enter the era towards achieving Sustainable Development Goal 1 (eradicate all forms of poverty) by 2030.

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17   Retrieved September 30, 2020, from the website of the World Bank in India at https://www.worldbank.org/en/country/india/overview

CHAPTER 2

Income Inequality and Poverty in Asian Countries

Asia is experiencing rapid economic growth, and rapid economic and social transformation is almost the basic characteristic of most Asian countries. As introduced in Chapter 1, over the past few decades of economic growth and social transformation, Asia is different from Sub-Saharan Africa in one area: synchronized economic growth and poverty reduction. Meanwhile, the worsening income inequality is another major characteristic of Asia that comes with its economic growth and poverty reduction. Changes in economic growth, poverty reduction and income inequality are intricately entwined. In general, intensified income inequality not only undermines economic growth, but also obstructs the course of poverty reduction in a sense that it further solidifies the structure of class differentiation and prevents people from joining another class. Because of the aggravated income inequality, poverty reduction in many Asian countries in rapid economic growth has been adversely affected to various extents.

2.1   Income Inequality in Asia

Unequal wealth distribution among countries has been a focus of research for economists since the beginning of the discipline. When the public generally pays attention to the negative economic and social outcomes as a result of income inequality, the academic circle hasn't found out the severity of such outcomes. Moderate inequality might be able to promote economic growth, but in the final analysis, the equality pursued by people is more about equality of opportunities and that of identity (social roles) among group members, because these may be the root causes of economic or wealth inequality.

In order to understand the manifestations of income inequality, it's necessary to learn about its concepts (Block Diagram 2.1) and dimensions first. As defined by Sin Yeekoh (2020)[18], inequality encompasses distinct yet overlapping economic, social, and spatial dimensions.

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18   Sin Yeekoh (2020). Inequality. International Encyclopedia of Human Geography (Second Edition), 269-277. Retrieved September 30, 2020, from https://www.sciencedirect.com/science/article/pii/B9780081022955101969.

Block Diagram 2.1 Inequality

Inequality refers to the phenomenon of unequal and/or unjust distribution of resources and opportunities among members of a given society. The term inequality may mean different things to different people and in different contexts. Moreover, **inequality encompasses distinct yet overlapping economic, social, and spatial dimensions.** Debates about inequality are further complicated by the disjuncture between the moral ethics of equity and social justice, on the one hand, and the normative idea of "deservingness," on the other hand. In recent years, there has been increasing awareness of inequalities that are observable within social groups, in addition to those across social groups. This awareness has led to an increasing realization that inequality is systemic and entrenched in various socioeconomic and political structures.

Source: Sin YeeKoh (2020).

UN Secretary-General Antonio Guterres has cited in the 2020 New Year's Message that wars, climate crisis, gender-based violence and persistent inequality made the world behind schedule on meeting the deadlines of its 2030 Agenda for Sustainable Development. The 2019 SDG Report[19] showed momentum for positive change, but identified several areas that need urgent collective action: the climate crisis, human suffering, quality education, and gender discrimination.[20] It's shown that persistent inequality is intertwined in economic, social and spatial dimensions and 2020 will be a year full of challenges.

Aart Kraay, Director of Research at the World Bank, said: "Inequality has been a hot topic for research for decades. While we've made many notable advances in this field, there is still much work to be done, not only to track inequality but also to better understand how the rules of the global economy can help drive inclusive growth."[21]

(1) Income Inequality

One basic topic in social sciences is the influence of wealth equality on economic growth. In its study, researchers generally use income to represent wealth. Currently, it's generally believed academically that income inequality acts as a burden on growth of GNP (Block Diagram 2.2).

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19 Retrieved September 30, 2020, from https://unstats.un.org/sdgs/report/2019/

20 Farhana Haque Rahman (2020). 2020: a Year Full of Danger. Retrieved September 30, 2020, from http://www.ipsnews.net/2020/01/2020-year-full-danger/

21 Feature Story October 23, 2019. Yes, Global Inequality Has Fallen. No, We Shouldn't Be Complacent. Retrieved September 30, 2020, from https://www.worldbank.org/en/news/feature/2019/10/23/yes-global-inequality-has-fallen-no-we-shouldnt-be-complacent

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Block Diagram 2.2 Why Less Inequality Benefits All

The gap between rich and poor keeps widening. Growth, if any, has disproportionally benefited higher income groups while lower income households have been left behind. This long-run increase in income inequality not only raises social and political concerns, but also economic ones. It tends to drag down GDP growth, due to the rising distance of the lower 40% from the rest of society. Lower income people have been prevented from realizing their human capital potential, which is bad for the economy as a whole.

Source: OECD (2015)[22] .

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(2) Manifestation of Income Inequality in Asia

The Gini coefficient (a value ranging from 0 to 1) is usually used to measure a country's income equality, which is a common international analysis index to comprehensively investigate the wealth or income distribution disparities among residents in a country. It shows the share of total wealth or total income by population category. The higher the Gini coefficient means that the inequality worsened and the greater the share of high-income earners in total income. This is also a widely concerned issue of the international community.

The latest data from the World Bank's "World Development Indicators on Income or Consumption Distribution" shows that for the 32 Asian countries for which recent Gini coefficient data (2010-2018) are available, the years in which the Gini coefficient calculated varies, but the income distribution in these Asian countries can be roughly described. Four of these countries see Gini coefficients higher than 40, namely the Philippines, Turkey, Malaysia and Iran, whereas most of the countries with Gini coefficients below 0.4 (Figure 2.1). As the Gini coefficient has not been able to reflect the full picture of income distribution of a country, it is thus used only for comparisons between countries and then also an overview for this chapter.

The data shows that these Gini coefficients are closely related to the countries' development stage, which means that at the factor-driven development stage, the Gini coefficients are often lower, while at the efficiency-driven stage, the Gini coefficients become higher. In the case of China's development, for example, at the beginning of the reform and opening up, in order to concentrate on the use of limited resources, the state allowed some people to get rich first, thus adopting an unbalanced

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22   OECD (2015). In It Together: Why Less Inequality Benefits All. OECD Publishing, Paris. Retrieved September 30, 2020, from https://doi.org/10.1787/9789264235120-en.

23   World Bank (n.d.) Distribution of Income or Consumption (Table 1.3). Retrieved October 1st, 2020, from the website of the World Bank at http://wdi.worldbank.org/tables.

development strategy, with coastal areas obtaining more policy support. With the passage of time, the inequality between different regions of China has gradually emerged. Therefore, this kind of inequality has been gradually generated by economic growth and should be adjusted in due course. In Indonesia, income inequality started to rise at the beginning of the 21st century, as well-educated people with better skills rapidly migrated to cities and were paid higher due to the market demand, triggering the birth of a relatively large consumer class. The poorly educated struggles in the low-income industries and most of them live in rural areas. In Sri Lanka, as the government promotes the liberalistic market principles, wealth is soon occupied by the elite class as a result of the popularized privatization, depriving the large agricultural population of land and access to dividend of economic develop-

ment. In the Philippines, the old problems with agricultural development make it difficult for the broad agricultural population to reduce poverty and increase income, and meanwhile, the economic development policies practiced by the government target only main services such as export-oriented ones, real estate and retails, and fail to benefit the agricultural population and the low-income population.

Similar to the distribution of the poor in the world, the impoverished population in Asia is mainly concentrated in rural areas. Around 79% of the world's poor population lives in rural areas, where the poverty headcount ratio is 17.2%, more than three times the ratio of urban areas (5.3%). Take China for example, the poor are concentrated in rural areas and the poverty reduction work also mainly targets rural population in poverty.

Figure 2.1 Gini Coefficient of Some Asian Countries in Different Years (2010-2018)
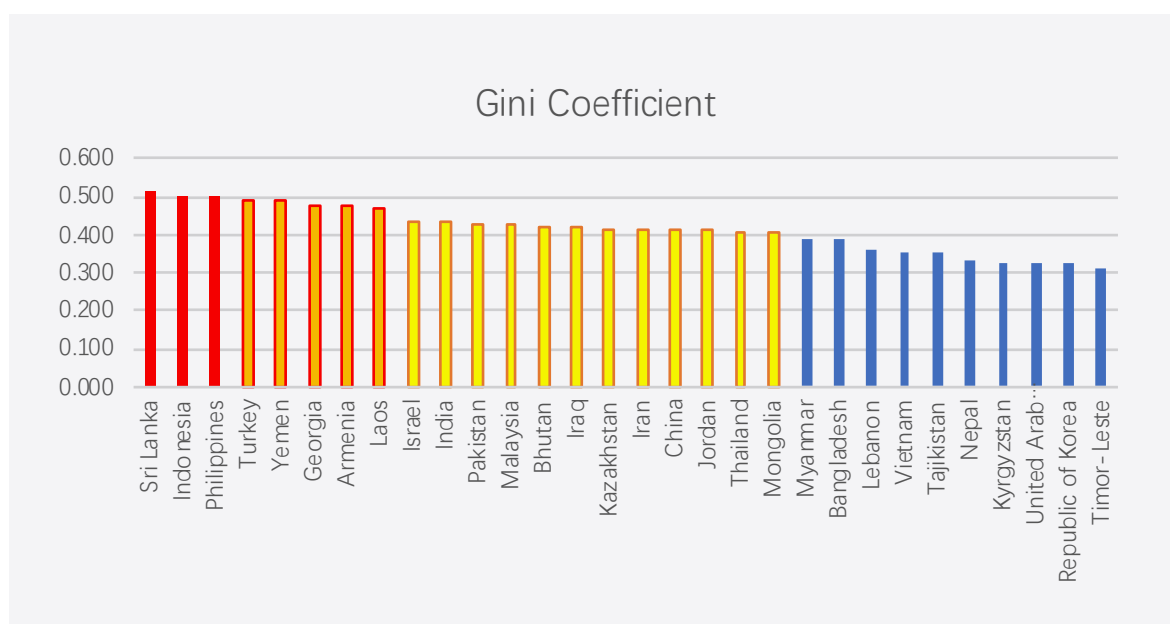
Source: Sorted based on the data of the "World Development Indicators Table 1.3".

The 2017 Sustainable Development Goals Report points out that the richest one percent in Thailand controls 58 percent of the country's wealth; in Indonesia, the four richest men there have more wealth than the poorest 100 million people; in Vietnam, 210 of the country's super-rich earn more than enough in a year to lift 3.2 million people out of poverty; in Malaysia, while only 0.6 percent of its 31 million people are living under the poverty line, 34 percent of the country's indigenous people and seven percent of children in urban low-cost housing projects live in poverty; in the Philippines, the average annual family income of the top 10 percent is estimated at US$14,708 in 2015, nine times more than the lowest 10 percent at US$1,609[24]. Using data on household consumer durables from the Asian Barometer Survey, some scholars have examined the evolution of inequality, poverty and welfare in six countries of Southeast Asia: Cambodia, Indonesia, Malaysia, the Philippines, Thailand and Vietnam. The results show that wealth inequality is higher in Cambodia, Indonesia and the Philippines and lower in Vietnam, Thailand and Malaysia. When calculating multidimensional poverty indices, scholars obtained a similar classification of countries, finding that welfare is generally higher in Vietnam, Thailand and Malaysia and lower in Cambodia, Indonesia and the Philippines[25]. It can be seen that even in the many countries with obvious income inequality, people's feelings about how much welfare they enjoy differ from person to person.

In India, income inequality is reflected not only by the wide income gap between urban and rural areas, but also by the worsening problems in health, education, tribes and caste. The disparities are also striking across India's states and at the local level. Another dimension where India stands out is gender-based inequality. The disadvantaged position of women is very visible in the labor market, and their income is generally lower than men. But the true extent and impact of gender inequality remains difficult to establish because most economic indicators are household-based and they therefore mask the intra-household inequality between genders.[26]

Data on Gini coefficient of Asian countries is derived from different years, making it difficult to make comparison across countries, and therefore technically speaking, the levels of Gini coefficient are not comparable. However, we are still able to summarize the income inequalities in Asian countries into three types. The first is the income inequality under transformation. Most Asian developing countries are under rapid economic and social transformation and ascending from lower-middle income to upper-middle income status, with China about to become a high-income country. Such fast transformation triggers the in-

24   Southeast Asia's Widening Inequalities. The ASEAN Post Team, 17 July 2018. Retrieved September 11, 2020, from https://theaseanpost.com/article/southeast-asias-widening-inequalities

25   J. Deutsch, et., al. (2020). Asset Indexes and the Measurement of Poverty, Inequality and Welfare in Southeast Asia. *Journal of Asian Economics.* https://doi.org/10.1016/j.asieco.2020.101220.

26   Policy Brief: Inequality in India on the Rise. Retrieved September 11, 2020, from https://www.wider.unu.edu/publication/inequality-india-rise

come inequality in a large scale and intensifies the inequality. The second is the equality under less-developed economy, which is mainly concentrated in countries with lower Gini coefficients such as Nepal, Kyrgyzstan and Timor-Leste. The countries, at a low level of economic development, haven't experienced large-scale and profound industrialization and urbanization, thus displaying the general equality as a result of the narrow urban-rural gap and the limited income universally. The third is the equality under high income. Countries such as Republic of Korea have finished large-scale industrialization and urbanization and are thus featured by high level of economic and social development, coordinated urban and rural development with a narrow gap, and less income inequality, generally running ahead of other Asian countries in Gini coefficient.

The Gini coefficient reflects the inequality of income distribution within a country. The income disparities are also great among Asian countries due to the differences in production efficiency among countries caused by different resource endowments and governance effects among Asian sub-regions and even in the same sub-regions.

In the dimension of regional per-capita national income growth, the income of Asia, excluding high-income countries, has plunged. Take East Asia and the Pacific as an example. In 2019 the whole region's per-capita national income was US$ 11,726; if high-income countries were excluded, the income of middle- and low-income countries was US$ 8,299, only 70.8% of the region's average (Figure 2.2). Even within the middle- and low-income countries of Asia, per-capita national income across countries also shows major disparities.

Generally speaking, per-capita national income of middle- and low-income Asian developing countries surpassed Africa in 1994 and started to take off in the 21st century when the Millennium Development Goals were implemented and China joined the WTO. It was in this period that China made extraordinary progress in poverty reduction, which was closely related with the rapid economic growth of China and Asian countries at the time. Asia realized the Millennium Development Goals in 2015, i.e. to reduce the poverty headcount ratio by half on the basis of the 1990 level by 2015. However, amid such fast-economic development and rising wage income, regional and individual income disparities were accumulated.

Figure 2.2 Comparison of Per-capita GDP between Asian and African Countries

Per-capita National Income by Region: Current US Dollars
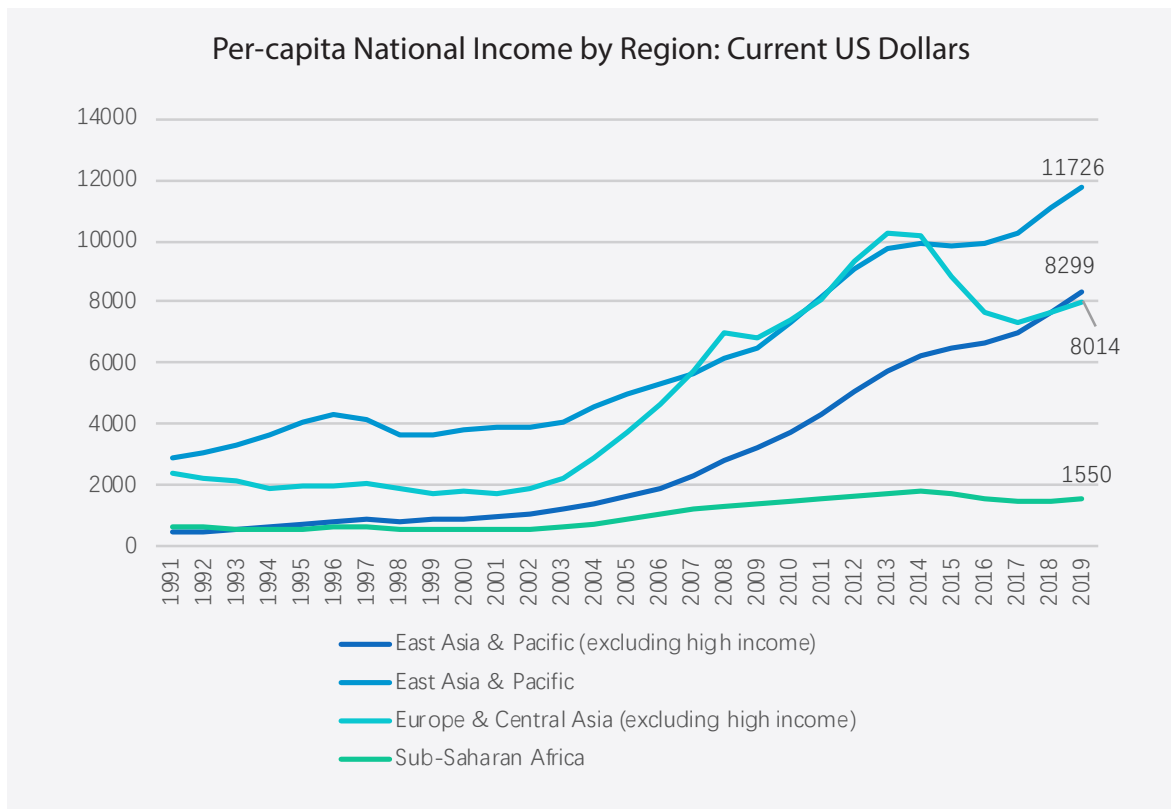
Source: Data of the World Bank's World Development Indicators 2020.

(3) Opportunity Inequality and Low Social Mobility

Inequality of opportunities is the root cause of inequality of wealth or income, and it causes differences in individual income in the short term and will result in low mobility of the en-tire society in the long run. The Global Social Mobility Report 2020 of the World Economic Forum[27] lists six dimensions of social mobility: intra-generational mobility, intergenerational mobility, absolute income and relative income mobility, and absolute educational and rela-tive educational mobility (Block Diagram 2.3).

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27   Retrieved September 11, 2020, from http://www3.weforum.org/docs/Global_Social_Mobility_Report.pdf

Block Diagram 2.3 Different Dimensions of Social Mobility

◇ **Intra-generational mobility:** The ability for an individual to move between socio-economic classes within their own lifetime.

◇ **Intergenerational mobility:** The ability for a family group to move up or down the socio-economic ladder across the span of one or more generations.

◇ **Absolute income mobility:** The ability for an individual to earn, in real terms, as much as or more than their parents at the same age.

◇ **Absolute educational mobility:** The ability for an individual to attain higher education levels than their parents.

◇ **Relative income mobility:** How much of an individual's income is determined by their parents' income.

◇ **Relative educational mobility:** How much of an individual's educational attainment is determined by their parents' educational attainment.

Source: The Global Social Mobility Report 2020 of the World Economic Forum.

Developed high-income countries are high in social mobility, while middle- and low-income ones are generally low. According to the ranking of 82 participating countries by score by the World Economic Forum, among Asian countries (Table 2.1), Japan ranks highest in mobility, followed by Singapore and Republic of Korea, while India, Bangladesh and Pakistan in South Asia come last. It shows that social mobility is closely related with the development stage of a country, and low social mobility negatively affects economic growth, inequality and social cohesion (Block Diagram 2.4).

Table 2.1 Global Ranking by Social Mobility (n=82)

Ranking	Country	Score	Ranking	Country	Score
15	Japan	76.1	61	The Philippines	51.7
20	Singapore	74.6	67	Indonesia	49.3
25	Republic of Korea	71.4	72	Laos	43.8
43	Malaysia	62.0	76	India	42.7
45	China	61.5	78	Bangladesh	40.2
50	Vietnam	57.8	79	Pakistan	36.7
55	Thailand	55.4	1	Denmark	85.2

Source: World Economic Forum 2020.

Block Diagram 2.4 The Negative Impact of Low Social Mobility on Economic Growth, Inequality and Social Cohesion

In the Fourth Industrial Revolution, human capital is the driving force of economic growth, and frictions that prevent the best allocation of talent and impede the accumulation of human capital may significantly limit growth. **Inequalities of opportunity and low social mobility underpin such frictions, and also hinder the drivers of productivity.** For example, a recent impact assessment estimates the cost of low levels of social mobility on the economic growth of the United Kingdom. According to this analysis, low social mobility will cost the UK economy £140 billion a year over the period to 2050, amounting to £1.3 trillion in lost GDP over the next 40 years. The same study also estimates that even modest increases in social mobility could increase the UK's GDP growth by 2–4% a year. In high-income economies, increasing the level of social mobility could therefore act as an important lever to re-launch economic growth in a context of stagnating productivity growth and median income growth as well as the technological and climate transitions underway.

Source: The Global Social Mobility Report 2020 at the World Economic Forum.

2.2 Relationship between Poverty and Income Inequality

Poverty and income inequality are intricately entwined. Also, they are both related with economic growth, jointly having a bearing on economic growth and poverty reduction. Distribution of economic resources and income necessarily involves equality between primary distribution and secondary distribution of wealth, while poverty reduction is related with not only distribution, but also distributable income, which ultimately depends on the level of economic development. This part will explain the relationship between income inequality and economic growth and between economic growth and poverty reduction.

(1) Relationship between income inequality and economic growth is related with a country's development stage.

The relationship between income inequality and economic growth cannot be generalized. When a country is lifted out of extreme poverty and ascends to the developed status, people pay greater attention to social mobility than income inequality, but for emerging economies with a increasing GNI , income inequality is significantly influential in a negative way. However, no unified criteria on trade-offs between economic growth and income re-distribution is available. For low-income countries, long-term income inequality will hinder their poverty reduction efforts.

First, the developed world generally believes in Kuznets' inverted U curve theory, but this method is limited in the way that it cannot explain how long the inequality will last. Kuznets (1955) draws the research conclusion that the relationship between income inequality and economic growth is shaped as an inverted U curve[28]. The curve indicates that at the early stage of economic growth, when people start to migrate from rural to urban areas and from agricultural to other sectors, inequality rate gradually climbs until it hits the peak. At the final stage of economic growth, inequality rate gradually drops to the bottom. The curve is later named Kuznets curve.

However, the World Bank estimates in Poverty and Shared Prosperity 2016 that the Gini coefficient of global inequality fell from 0.67 in 2008 to 0.62 in 2013. Prior to this, inequality steadily rose from the early 19th century until 1988, and then plateaued for two decades[29]. For a single country, without the intervention of external policies, it's difficult to predict when the turning point of the inverted U curve on income inequality will show up and when income inequality will start to ease. For developed countries, despite its existence, income inequality will not bring violent fluctuations of economic growth. Thus, in the short run, this inverted U curve, in which the Gini coefficient falls after a sustained climbing period of low to high growth, is largely absent.

Second, in emerging economies, income inequality may have zero direct economic impact, but may generate social or political problems that have a bearing on economic growth. When scholars are studying the relationship among growth, distribution and re-distribution of 29 emerging economies globally, researches find that in the long run, inequality significantly hampers growth[30]. Due to the deepened globalization and urbanization, the development of China over the past two decades has worsened the income inequality, which has the striking manifestation of intensified regional inequality, such as among the east, the middle and the west of the country. The flow direction of domestic capital and foreign direct investment and the trade activities both have widened such regional inequality. The case is similar in India, where disparities are widened among different areas of the country and so is the income gap between urban and rural areas. In the two countries, the redistribution policies fail to effectively ease the magnified inequality arising from the development of market economy.

At the stage of economic rise, various structural problems are highlighted. If unfair income distribution cannot be corrected, it may trigger social problems or even coup and generate serious economic consequences. But as for what to pursue, economic growth or fair development, no unified standard is available for

28   Kuznets, S. (1955). Economic Growth and Income Inequality. *American Economic Review,* 1, 1-28.

29   Feature Story October 23, 2019. Yes, Global Inequality Has Fallen. No, We Shouldn't Be Complacent. Retrieved September 30, 2020, from https://www.worldbank.org/en/news/feature/2019/10/23/yes-global-inequality-has-fallen-no-we-shouldnt-be-complacent

30   M. Suresh Babu, Vandana Bhaskaran, & Manasa Venkatesh (2016). Does Inequality Hamper Long Run Growth? Evidence from Emerging Economies. *Economic Analysis and Policy,* 52, 99–113.

countries as their realities differ.

Third, for lower-middle income and low-income developing countries, the high level of initial inequality limits the effectiveness of economic growth in poverty reduction. On a given level of economic growth, inequality as a result of the growth directly intensifies poverty.[31]

It can be concluded that the relationship between inequality and economic growth poses different influence on different countries at different development stages.

(2) Economic growth helps poverty reduction, but this will change as inequality is intensified.

Economic growth is helpful for poverty reduction generally, but not necessarily, and the key lies in capacity of a country in reducing poverty through growth. The traditional "trickling-down effect" believes "when the river rises, the boat floats high" and the poor at the bottom similarly benefits from economic growth, but such views have almost no empirical support. By analyzing global consumption distribution from 1993 to 2001, Peter Edward (2006) demonstrates that half of the increase in global consumption in the 1990s benefited the developed world populations. The other main beneficiary was China's population—the number of Chinese in extreme poverty fell and a new global middle-class emerged. Elsewhere, the per-capita consumption of the poor

rose at half the global average rate. Growth did help the poor, but it was much better for the rich. The analysis suggests that relying on growth to reduce poverty is rather inefficient; more direct state interventions seem more effective. These insights are poorly illustrated by global indices, such as Gini coefficients[32]. As for the development of China, some scholars point out it is because China did not follow the "orthodox" economic advice:

> The last two decades, which witnessed expansion of globalization, are, in terms of overall growth and income convergence between poor and rich countries, vastly less successful than the preceding two decades. The attempt to explain divergence of incomes by "eliminating" the countries with "bad" policies and focusing solely on those with "good" policies is flawed because the successful countries and China in particular, did not follow the orthodox economic advance (Milanovic, 2003)[33].

In fact, China just adopted practical policies closely in line with its actual conditions. Despite the rapid economic growth and poverty reduction, inequality in Asia worsened during the last two decades. A cross-country empirical analysis suggests that fiscal redistribution, monetary policy aimed at macro stability, and structural reforms to stimulate trade, reduce unemployment and increase productivity are important determinants of inclusive growth.

31   Augustin Kwasi Fosu (2017). Growth, Inequality, and Poverty Reduction in Developing Countries: Recent Global Evidence. *Research in Economics, 71,* 306–336.

32   Peter Edward (2006). Examining Inequality: Who Really Benefits from Global Growth? *World Development, 34 (10),* 1667–1695.

33   Milanovic, B. (2003). The Two Faces of Globalization: Against Globalization as We Know It. *World Development, 31 (4),* 667–683.

The main policy implication of the analysis is that there is still room to strengthen such policies in Asia. In particular, the effect of expanding fiscal redistribution on inclusive growth could be sizeable in emerging Asian regions.[34]

An earlier study uses a data set of 126 intervals from 60 developing countries to analyze the growth elasticity of poverty, that is, how much does poverty decline in percentage terms with a given percentage rise in economic growth. It finds that while economic growth does reduce poverty in developing countries, the rate of poverty reduction depends very much on how economic growth is defined and the status of income inequality.[35]

There is a wide range of relationships between income growth and poverty reduction. For the majority of countries, income growth seems to be a reasonable reflection of the observed poverty reduction. A number of countries, however, exhibits strong income growth but low poverty reduction, and vice versa. As the two most populous nations and "emerging giants", China and India have registered substantial poverty reductions since 1981, but the rate of decrease is much larger for China than for India. Income growth in India has been rather minimal despite its substantial per-capita GDP performance. Thus, India's progress in poverty reduction is relatively low. Especially since the mid-1990s, this has been a common scene. In many countries, initial income inequality differences and disparities in income levels crucially determine how poverty reduction is impacted by income and inequality growths. Lower-inequality and higher-income countries exhibit greater abilities to transform a given growth rate to poverty reduction. Such countries will also enjoy larger inequality elasticity, suggesting that increasing inequality may exacerbate poverty in these countries more than in low-income countries. Conversely, low-income countries will require greater efforts on both income growth and decreases in inequality to reduce their poverty levels. Despite major differences in the roles of income and inequality in changes in the poverty picture since the early 1990s, 80% countries have registered poverty reduction. On average, nearly all of this success could be attributable to income growth rather than inequality changes.[36] Recent research shows income inequality has a negative impact on economic growth. However, when we account for both inequality and poverty, the negative effect of inequality on growth appears to be concentrated amongst countries with high poverty rate. This would argue for policies targeted at alleviating poverty even if they have no effect on income inequality.[37]

34   Chie Aoyagi & Giovanni Ganelli (2015). Asia's Quest for Inclusive Growth Revisited. *Journal of Asian Economics,* 40, 29–46.

35   Richard H. Adams Jr. (2004). Economic Growth, Inequality and Poverty: Estimating the Growth Elasticity of Poverty. *World Development, 32 (12),* 1989–2014.

36   Augustin Kwasi Fosu (2017). Growth, Inequality, and Poverty Reduction in Developing Countries: Recent Global Evidence. *Research in Economics,* 71, 306–336.

37   Robert Breunig & Omer Majeed (2020). Inequality, Poverty and Economic Growth. *International Economics, 161*, 83–99.

To sum up, the relationship between economic growth and poverty reduction in a country differs across development stages; during the same period, it diverges as well among different developing countries. Whether the growth promotes poverty reduction or not ultimately depends on a country's capacity to take proper policy measures to translate the growth into poverty reduction progress through primary distribution or secondary distribution. Among factors with possible influence on increase or decrease of income inequality, the most prominent ones are political, economic and demographic factors. Especially under the combined influence of multiple factors such as technological changes, (anti-)globalization, wars and pandemics faced by all the countries, there is no cure-all for future changes. This is a challenge for Asian countries in their course of poverty reduction, but also an opportunity for enhancing institutional and capability readiness and improving the post COVID-19 resilience.

2.3 Urban-rural Development Gap and Poverty in China

China resumed the college entrance examination system in the late 1970s, when people in countryside could study their way into college and then join government for work. The college enrollment was expanded since 1999, promoting more people to change their identity and position through education. In the early 1990s, as restrictions on labor migration were lifted, such as the annulled grain coupon system, rural labor force could freely find a job in cities and earn wage income, as productivity is greatly released. However, along with the rapid economic development, income inequality became prominent and Gini coefficient reached the peak 0.49 in 2008. Afterwards, the government adopted a series of measures, such as abolishing agricultural tax, reducing/exempting tuition for students from rural impoverished families, promoting poverty alleviation in poor areas and expanding the coverage of social insurance for rural residents. As a result, the level of inequality was eased after 2013, and the Gini coefficient was decreased slightly in recent years, yet staying at the high level above 0.4. Li Shi et al. (2020) points out that China is a developing country under incomplete transition and the reason for the fact that income inequality brought by the rapid economic growth hasn't triggered social turmoil is that people have enjoyed concrete benefits from the development. Whether the Gini coefficient has reached the peak of Kuznets inverted U-curve and can further drop or not depends on the ongoing political and economic reform measures taken by the government, such as the household registration system reform for migrant workers that has been lagging behind.[38]

As shown in Table 2.2, in 2019, the per-capi-

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38   Shi Li, Terry Sicular, & Finn Tarp (2020). Inequality in China: Development, Transition, and Policy. Retrieved September 11, 2020, from https://www.aeaweb.org/conference/2020/preliminary/1962

ta disposable income of rural residents nationwide was RMB 16,021[39], and the income of rural residents in impoverished areas was RMB 11,567[40]; the income of farmers in the east, middle and west[41] was RMB 19,989, RMB 15,290 and RMB 13,035 respectively, with the income in the east being 1.17 times and 1.53 times that in the middle and west. The regional disparities in farmers' income cause the regional difference in the number of people in poverty to a great extent. China's distribution of population in poverty still shows a distinct regional characteristic. Since the tough battle against poverty was launched, the poverty headcount ratio in all regions has been considerably decreased, and the rate in the west is greater than the east. However, in terms of the absolute number of population in poverty, the regional characteristic of poverty persists. More than half of the rural population in poverty is concentrated in the west. According to Figure 2.3, in 2019, there were 3.23 million people in poverty in rural areas in the west, accounting for 58.6% of total population in poverty, 1.81 million in the middle, 32.8% of the total, and 470,000 in the east[42], only 8.5% of the total.

Table 2.2 Per-capita Disposable Income of Farmers by Region in 2018-2019 (RMB Yuan)

Year	Nationwide	East (RMB Yuan)	Middle (RMB Yuan)	West (RMB Yuan)	Northeast (RMB Yuan)	Areas in Poverty
2018	14617	18286	13954	11831	14080	10371
2019	16021	19989	15290	13035	15357	11567

Source: cited from Wei Houkai & Huang Bingxin (2019).[43]

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39   Retrieved September 11, 2020, from the website of National Bureau of Statistics at http://data.stats.gov.cn

40   National Bureau of Statistics. Statistical Bulletin on National Economic and Social Development in 2019 of China. Retrieved September 11, 2020, from http://www.stats.gov.cn/tjsj/zxfb/202002/t20200228_1728913.html.

41   According to the categorization standard in the China Statistical Yearbooks, China is here divided into four areas including the west, the middle, the east, and the northeast. The northeast covers the three provinces of Heilongjiang, Jilin and Liaoning; the east covers the ten provinces and municipalities of Beijing, Tianjin, Hebei, Shanghai, Jiangsu, Zhejiang, Fujian, Shandong, Guangdong and Hainan; the middle covers the six provinces of Shanxi, Anhui, Jiangxi, Henan, Hubei and Hunan; the west covers the twelve provinces and municipalities of Inner Mongolia, Guangxi, Chongqing, Sichuan, Guizhou, Yunnan, Tibet, Shaanxi, Gansu, Qinghai, Ningxia and Xinjiang.

42   According to the categorization for rural poverty monitoring by the National Bureau of Statistics, the east covers 11 provinces and municipalities including Beijing, Tianjin, Hebei, Liaoning, Shanghai, Jiangsu, Zhejiang, Fujian, Shandong, Guangdong and Hainan. The middle covers 8 provinces including Shanxi, Jilin, Heilongjiang, Anhui, Jiangxi, Henan, Hubei and Hunan. The west covers 12 provinces and municipalities including Inner Mongolia, Guangxi, Chongqing, Sichuan, Guizhou, Yunnan, Tibet, Shaanxi, Gansu, Qinghai, Ningxia and Xinjiang.

43   Wei Houkai & Huang Bingxin (2019). Green Book of Rural Area: Analysis and Forecast on China's Rural Economy (2019-2020). Beijing: Social Sciences Academic Press, 2019.

Figure 2.3 Regional Distribution of Poverty in China (2019)
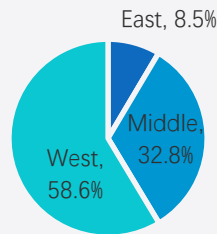
Source: Data on rural poverty monitoring in 2020 of the National Bureau of Statistics.

Because of the persistence of the urban-rural dual system, urban-rural disparities in China have always been one of the major characteristics of inequalities in development and income. According to Figure 2.4, over the past five years, in cities, rural areas and rural impoverished areas, per-capita disposable income of residents has all been rising, and the urban-rural income ratio and the income ratio between rural areas and rural impoverished areas are both declining. This indicates that the urban-rural gap and the gap inside rural areas are both narrowing and the latter is no longer obvious. However, the urban-rural income ratio was decreased from 2.75 in 2014 to 2.64 in 2019 by a rather limited margin. This is partially caused by the wide disparity at the starting point and implies that compared with the income gap inside rural areas, the urban-rural gap is more prominent and highly structural.

Figure 2.4 Disposable Incomes of Urban and Rural Residents in China (2014-2019)
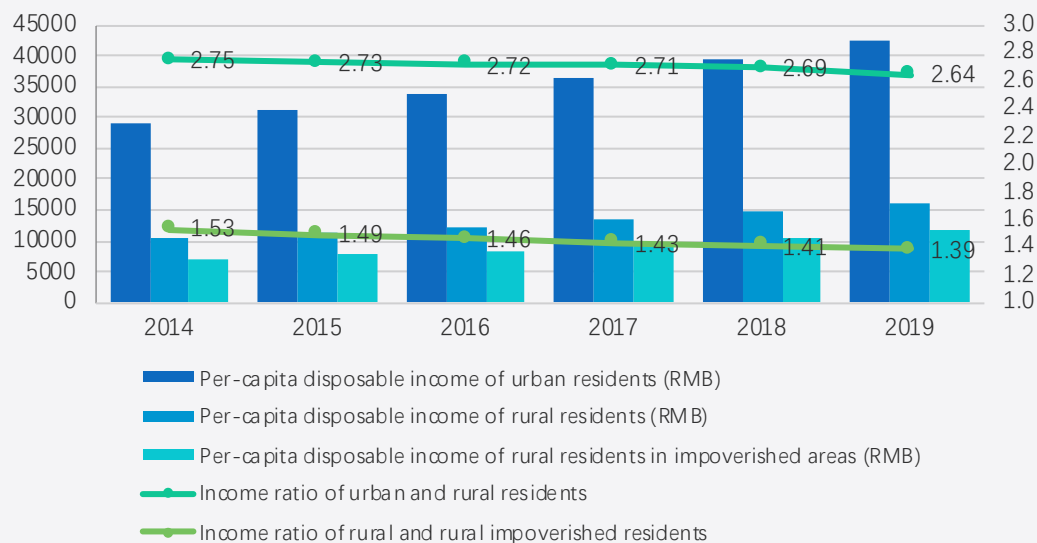
Source: Data of the National Bureau of Statistics.

Moreover, the disparity in provision of social public services is also an important influential factor for the balanced social development of China. China launched the targeted poverty alleviation in 2012 and the all-round rough battle against poverty in 2015, and took "sufficient food and clothing, and access to compulsory education, basic medical services and housing security" as goal of poverty alleviation, directly aiming at the core issue of public service provision that had been bothering rural areas. A series of educational promotion measures were taken, such as popularizing compulsory education and "waiving miscellaneous fees, supplying free textbooks, and granting living allowances" in impoverished areas, effectively easing the burden on farmers and substantially increasing the enrollment of compulsory education and high school education. However, the enrollment of colleges and technical secondary schools in rural areas in poverty is still lower than the average level nationwide. Preschool education is especially a short board of education in rural impoverished areas. According to statistics in 2017, kindergartens remained unavailable in 400,000 administrative villages out of the total 590,000 across the country[44]. In terms of preschool education for children, the gap across regions and between urban and rural areas remains wide. Besides, urban and rural areas are still segmented in medical services and social security. From 2010 to 2014, China's urban-rural ratio in health expenses dropped from 3.48 to 2.52[45], indicating a positive change in rural medical care and health development. However, the medical service problem in rural areas, especially those in poverty, is no longer about quantity but about quality. Though most impoverished villages have set up clinics, many are in need of fixed and trained doctors and necessary medical devices.

In general, under China's current rural absolute poverty standard, statistically significant rural absolute poverty is close to eradication. Of course, undeniably, the COVID-19 that broke out at the beginning of 2020 will intensify the risk of falling back to poverty, but this is unlikely to fundamentally reverse China's progress in poverty reduction. Rural absolute poverty being about to be eradicated also means China is coming into a new era of poverty with relative poverty as main manifestation. The poverty picture in China will generally be more complicated than ever before. First, disappearance of rural population in absolute poverty under the current poverty standard means rural relative poverty featured by urban-rural inequality and inequality inside rural areas will become prominent. Second, given the lasting industrialization, urbanization and overall social transformation in China, and especially given the urban-rural gap in social public services, rural population that has migrated to urban areas still faces the risk of reducing to poverty. It is predicable that after 2020, China's poverty picture previously featured by rural poverty will be changed to one featured by the coexistence of rural relative poverty and urban and

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44   China Development Research Foundation (2020). Report on the Development of Preschool Education in Western China. *Journal of East China Normal University (Educational Sciences),* 1, 97-126.

45   Source: The data of the National Bureau of Statistics.

rural poverty under transformation. In fact, long before the rural absolute poverty is eradicated, the rural poverty picture has already started the qualitative change.

2.4 Summary

Asia is not the region most unequal in income globally, and Gini coefficients of the Asian countries most unequal in income all lie below 0.55, lower than Africa, Latin America and other regions with higher Gini coefficients. Generally speaking, income inequality in Asian countries is categorized to three types: inequality under transformation, equality under less-developed economy and equality under high income. The majority of Asian developing countries fall in the category of inequality under transformation.

The intensified income inequality is a by-product of economic growth in Asian countries and also an important characteristic of Asian economic and social development. It poses a continuous influence over economic growth and poverty reduction in the region, and the poverty reduction performance in many Asian countries has been cancelled out to a great extent by the widened income inequality. This is illustrated by the fact that the headcount ratio of multidimensional poverty in Asia is higher than absolute poverty. The experience of China shows that under continuous economic growth, as inequality is intensified, the course of poverty alleviation and eradication will be undermined. Therefore, strong government intervention is needed to ease the income inequality.

CHAPTER 3

Progress of Asian Countries in Poverty Reduction

As introduced in Chapter 1, measured by the income poverty index, Asian countries have made encouraging progress in poverty reduction, and the current headcount ratio of extreme poverty is only 1.85%[46], which equals basic eradication of absolute poverty. But unlike poverty convergence in Africa[47], poverty manifestations in Asia have been differentiated, with the poverty headcount ratio differing greatly even in the same sub-region and the population in poverty being relatively concentrated. Besides, measured by the multidimensional poverty index, more than half of the world's population in multidimensional poverty is concentrated in Asia to a sharp contrast with the status of income poverty, reflecting a grim challenge for Asia in poverty reduction in non-income dimensions.

In view of this, this chapter first reviews the progress of Asian countries in poverty reduction under the income poverty standard and the multidimensional poverty standard, and then analyzes poverty-related social development changes, including upgrading of infrastructure and public services and improvement of human capital.

3.1 Progress of Asia in Poverty Reduction

Estimates by the World Bank suggest that in 2015, global headcount ratio of extreme poverty was 10%, and the number of extremely poor people — those who lived on US$ 1.90 per day or less — fell to about 736 million.[48] In 2019, the ratio was roughly 8.23%[49], and global extreme poverty showed a downward trend. Looking back at 1990, the poverty headcount ratio of the time was 35.3% and up to 1.7 bil-

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46 Retrieved September 11, 2020, from https://www.sdgindex.org/reports/sustainable-development-report-2019/

47 Yusi Ouyang, Abebe Shimeles, & Erik Thorbecke (2019). Revisiting Cross-country Poverty Convergence in the Developing World with a Special Focus on Sub-Saharan Africa. *World Development, 117*, 13–28.

48 Retrieved September 11, 2020, from https://www.worldbank.org/en/understanding-poverty

49 Retrieved September 11, 2020, from https://www.worldbank.org/en/topic/poverty/brief/projected-poverty-impacts-of-COVID-19

lion people lived in extreme poverty. Over the course of poverty reduction, Asia, especially East Asia, has been leading. In 1990, more than half of the world's extremely poor (52.08%) lived in East Asia and the Pacific, and only fewer than 1 in 7 (14.67%) were in Sub-Saharan Africa (Figure 3.1). By 2015, East Asia and the Pacific had 27.7% of the world's population, but only 6.39% of its population in poverty, and China had been the biggest contributor to this progress. On the contrary, Sub-Saha-

ran Africa was home to 13.67% of the world's population, but concentrated with over half of the world's poor population (56.19%).[50] Over these 25 years, though South Asia was always home to around 30% of the world's population in extreme poverty, the absolute number of the population had been rapidly dropping since this century, decreased from 554 million in 2002 to 216 million in 2015. As predicted by the World Bank, 9 in 10 of the world's extremely poor people will live in Sub-Saharan Africa.[51]

Figure 3.1 Share of the World's People in Extreme Poverty by Region (%)
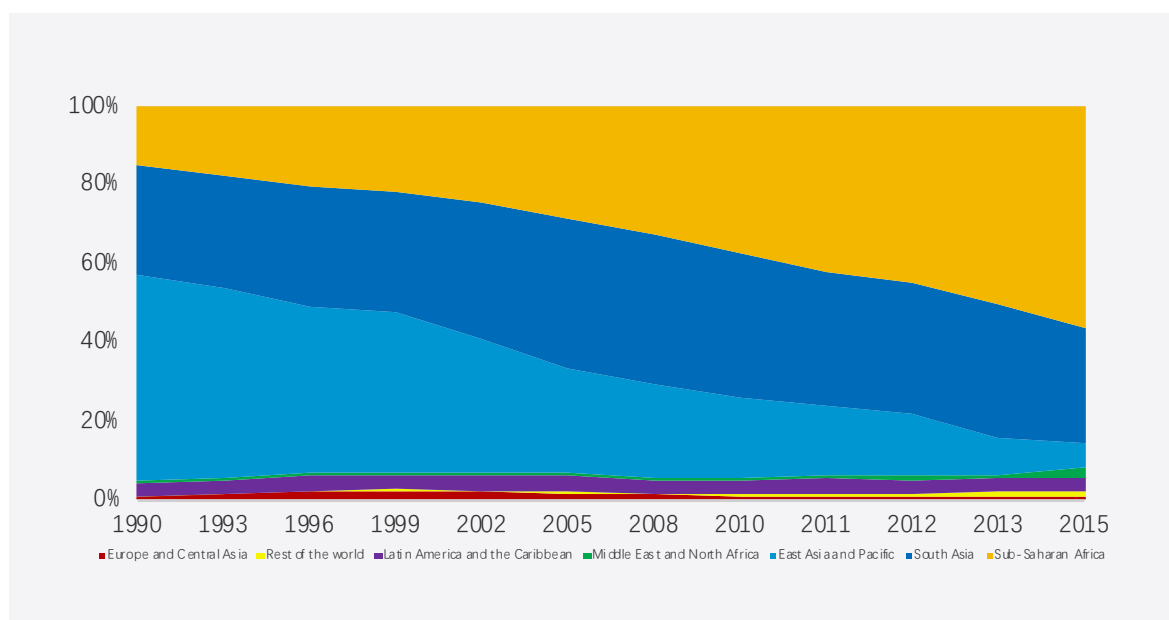
Source: Data of the World Bank's World Development Indicators and PovcalNet.

However, the COVID-19 pandemic in 2020 hampers the poverty reduction progress of the world, including Asia, badly, and may even reverse the current dynamics. Estimates of the World Bank suggest that the pandemic may increase the world's extremely poor popula-

tion by 70 million to 100 million and elevate the global headcount ratio of extreme poverty by 0.6 to 1 percentage point. The new poverty will be concentrated in countries with high extreme poverty headcount ratio and large poor population, with half expected to concentrate

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50   Retrieved September 11, 2020, from http://datatopics.worldbank.org/world-development-indicators/stories/where-do-the-worlds-poorest-people-live-today.html

51   Retrieved September 11, 2020, from https://www.worldbank.org/en/understanding-poverty

in South Asia and more than one third in Africa.[52] China, as the world's most populous country with a sizable poor population in absolute number, has laid a solid foundation for poverty reduction thanks to its efforts in effective poverty alleviation over the past few years. COVID-19 is unlikely to reverse its basic trend of eliminating absolute poverty.

3.2 Progress of Asian Countries in Reducing Extreme Poverty

(1) Progress of Low-income Countries

The poverty reduction progress of Asian countries is analyzed here by income group. First, in low-income countries, poverty data is available on three countries: Tajikistan, Yemen and Nepal. Tajikistan has a weak economic foundation and a simple economic structure. The series of political and economic crises after the disintegration of the Soviet Union in 1991 and the years of civil wars traumatized its national economy, which didn't start to recover until the end of the 1990s. The country also issued its new currency in this century and gradually stabilized and refined its financial system. According to Figure 3.2, the headcount ratio of extreme poverty in Tajikistan fell from 54.4% in 1999 to 4.8% in 2015 by a

great margin, which was synchronized with the national economic recovery. Nepal, one of the world's least developed countries, has an agricultural population of 80% of the total, is weak in the industrial foundation and small in size, and highly depends on foreign aid. Since the 1990s, the country started to practice the market-oriented liberalistic economic policies, but the results were insignificant due to the changeable political situation and weak infrastructure, and currently, tourism makes its pillar industry. According to the available data only for three years, its headcount ratio of extreme poverty dropped from 61% in 1995 to 15% in 2010 by a significant margin, but the space of improvement remained large. In Yemen, a typical resource-based country, oil is its pillar industry. Shortly after the Republic of Yemen was founded after the unification of South Yemen and North Yemen in the 1990s, the initial poverty headcount ratio was not high, only 7.4% in 1998, but it started to climb over recent years and hit 18.8% in 2014 due to the complex domestic political and religious problems, non-stop civil unrests and especially the further escalated conflicts in 2015. In general, the low-income Asian countries have made some progress in poverty reduction and still face major challenges under differentiated development.

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52   Retrieved September 11, 2020, from https://www.worldbank.org/en/topic/poverty/brief/projected-poverty-impacts-of-COVID-19

Figure 3.2 Changes of Poverty Headcount Ratio of Low-income Asian Countries under US$ 1.9 Standard (%)
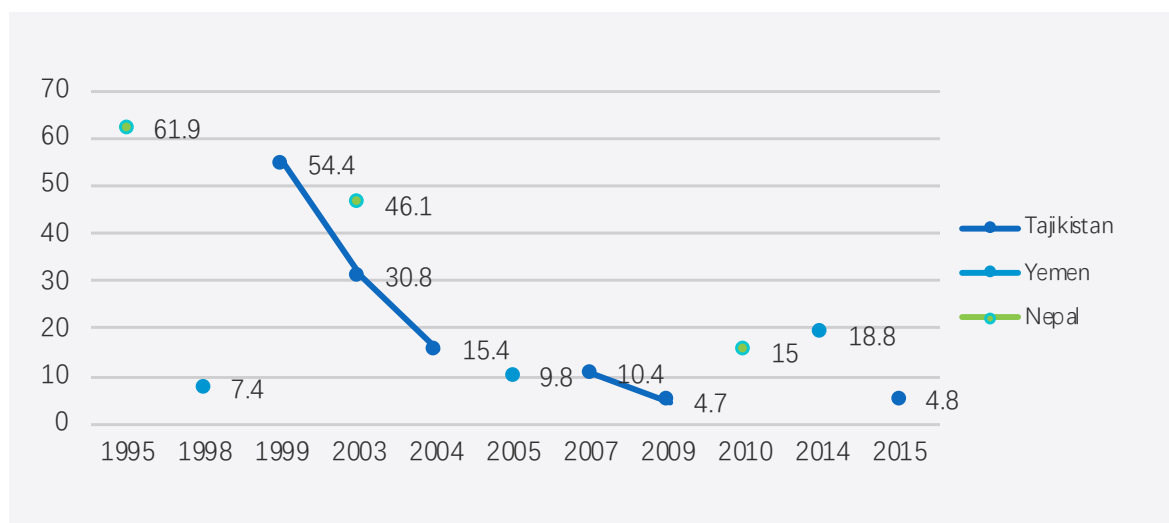
Source: Data of the World Bank's World Development Indicators and PovcalNet.

(2) Progress of Lower-middle Income Countries

Historical data is available on 12 out of 14 lower-middle income countries, and among them, data on Uzbekistan is not updated. By analyzing the data of the remaining 11 countries (Figure 3.3), we find the lower-middle income countries have made extraordinary achievements in poverty reduction and are marching towards the goal of eradicating absolute poverty, as exhibited in three areas.

First, in all of the 11 countries with available data, the headcount ratio of extreme poverty declined over the past 10-20 years. The greatest drop was recorded by Indonesia, whose ratio was decreased from 66.7% in 1998 to 4.6% in 2018 by 62 percentage points. The remaining countries were ranked by rate of decrease in the descending order as Vietnam (33.6 percentage points in 20 years), Laos (29.7 percentage points in 15 years), Kyrgyzstan (29.1 percentage points in 19 years), Mongolia (24.7 percentage points in 20 years), Bangladesh (20 percentage points in 16 years), Pakistan (19.5 percentage points in 17 years), India (17 percentage points in 7 years), Bhutan (16.1 percentage points in 14 years), Timor-Leste (15.3 percentage points in 13 years) and the Philippines (7.8 percentage points in 15 years).

Second, in this income group, the decrease of number of people in extreme poverty is also enormous. Among the 11 countries, India (1.354 billion), Indonesia (266 million), Pakistan (200 million), Bangladesh (166 million), the Philippines (106 million) and Vietnam (96 million) are all populous countries, ranking among the top 15 globally. The poverty reduction progress in these countries means substantial decline in the absolute number of people in poverty.

Third, some countries have basically eradicated extreme poverty, marking major periodical achievements in the course of poverty reduction. To be specific, the headcount ratio of ex-

treme poverty has dropped below 2% in four countries: Mongolia (0.5% in 2018), Kyrgyzstan (1.5% in 2017), Bhutan (1.5% in 2017) and Vietnam (1.9% in 2018). These countries are quite close to eliminating absolute poverty. Besides, Pakistan (3.9% in 2015), Indonesia (4.6% in 2018) and the Philippines (6.1% in 2015) also keep a sound record in poverty reduction and are gradually approaching the goal of eradicating absolute poverty.

Figure 3.3 Changes of Poverty Headcount Ratio of Lower-middle Income Asian Countries under US$ 1.9 Standard (%)
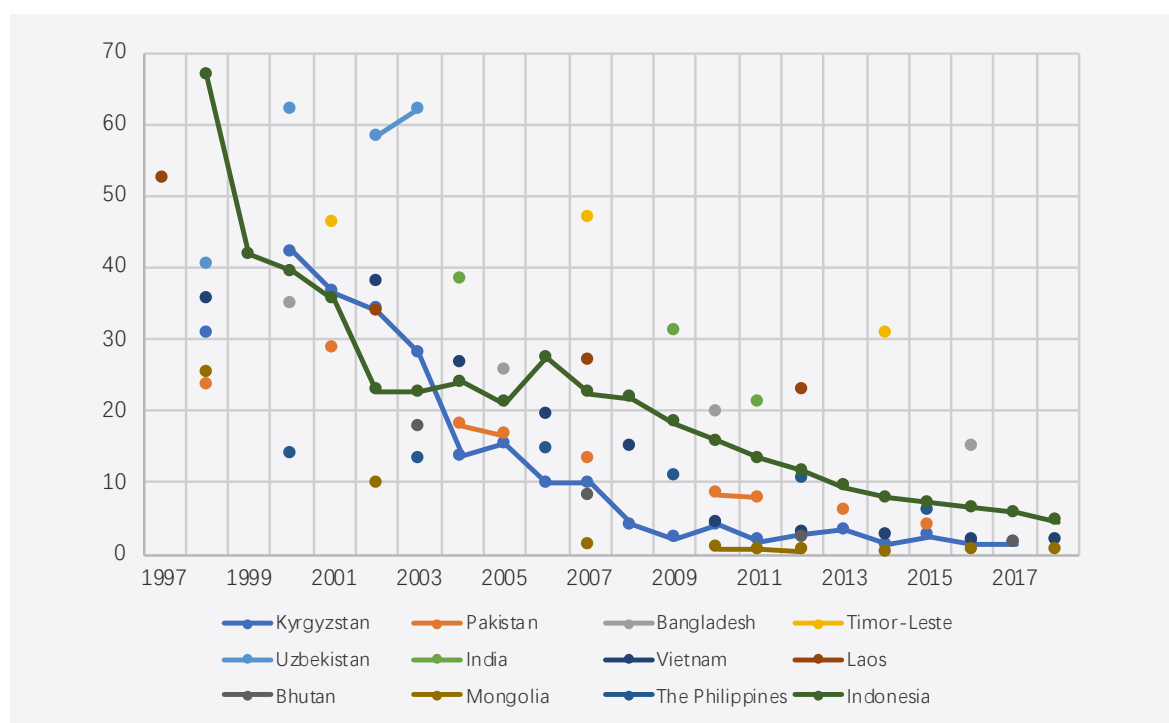
Source: Data of the World Bank's World Development Indicators and PovcalNet.

(3) Progress of Upper-middle Income Countries

In the upper-middle income Asian countries, the progress in poverty reduction is more than obvious. As shown in Table 3.1, except for Turkmenistan and Maldives with no available data since 2010, ten countries have cut their headcount ratio of extreme poverty to less than 1%, basically eradicating absolute poverty, and another three countries also reduced the ratio within 5%, not far from eradicating extreme poverty. But it's worth noticing that this result is based on a relatively high starting point. In most upper-middle income countries in Asia, the headcount ratio of extreme poverty was already not very high in the 1990s or the beginning of the 21st century, and thus their drop of the ratio is smaller than their lower-middle income counterparts in the region. China is an exception, with its poverty headcount ratio decreased from 41.7% in 1996 to 0.5% in 2016 by a margin only after Indonesia in the lower-middle income group. Generally speak-

ing, the upper-middle income countries have basically addressed and have started shifted, or have been shifting, their focus onto relative poverty alleviation. High-income Asian coun-

tries have come into the era of relative poverty with the main objective of reducing disparities far earlier and it will not be elaborated here.

Table 3.1 Changes of Poverty Headcount Ratio of Upper-middle Income Asian Countries under US$ 1.9 Standard (%)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Azerbaijan	7.3						2.7	0	0	0	0	
Sri Lanka	8.8							8.3				3.8
Georgia		5.5	16.3	14.6	18.7	19.4	19.4	10.5	10.7	10.1	10.9	10.5
Jordan			1.6					1.1				0.3
Armenia					16.9		19.3	15.1	11.4	7.9	4.5	3.2
Iraq												2.1
Iran				2.6							0.4	0.4
Thailand		2.2		1.5	2.5	2.5		1.1		0.8		0.7
Turkmeni-stan				51.4								
Lebanon												
Kazakhstan		6.3					10.3	6.8	4.6	2.3	6.9	0.6
Maldives								10				
China		41.7			40.2			31.7			18.5	
Turkey								2.5	4.2	2.2	2.6	1.9
Malaysia	1.8		0.4							0.4		

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Azerbaijan												
Sri Lanka			2.4			1.9				0.8		
Georgia	11.8	10.4	10.3	12.2	11.3	8.6	6.6	5	3.8	3.9	5	4.5
Jordan		0.1		0.1								
Armenia	2.8	1.4	1.9	1.9	2.2	1.6	2.2	2.3	1.9	1.8	1.4	2.1
Iraq						2.5						
Iran			1				0.1	0.2	0.3	0.3	0.3	
Thailand	0.3	0.1	0.2	0.1	0	0.1	0	0	0	0	0	0
Turkmeni-stan												
Lebanon					0							
Kazakhstan	0.3	0.1	0.2	0.1	0	0	0	0	0	0	0	
Maldives			7.3							0		
China		14.8		11.2	7.9	6.5	1.9	1.4	0.7	0.5		
Turkey	1.4	0.6	0.9	0.8	0.3	0.3	0.3	0.3	0.3	0.2	0.2	0.1
Malaysia	0.5	0.5			0.1		0		0			

Source: Data of the World Bank's World Development Indicators and PovcalNet.[53]

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53   The data is updated as of September 8, 2020.

3.3 Progress of Asian Countries in Reducing Multidimensional Poverty

Poverty, which is multi-dimensional, involves not only income/consumption, but also access to infrastructure and public services and acqui-sition of corresponding living and working abilities. In order to get a comprehensive picture on Asia's poverty reduction progress, this part will review the multidimensional poverty changes in lower-middle income and middle-income Asian developing countries.

Table 3.2 Changes of Multidimensional Poverty Headcount Ratio of Low-income and Middle-income Asian Countries (%)

Upper-middle income countries	Year	Multidimensional poverty headcount ratio %	Year	Multidimensional poverty headcount ratio %	Change (percentage point)
Turkey	2011	6.6			
China	2013	12.5	2018	4.0	-8.5
Maldives	2011	5.2	2019	0.8	-4.4
Kazakhstan	2011	0.6	2018	0.5	-0.1
Turkmenistan	2016	6.7	2018	0.4	-6.3
Thailand	2011	1.6	2018	0.8	-0.8
Iraq	2011	14.2	2019	8.6	-5.6
Armenia	2011	1.1	2018	0.2	-0.9
Jordan	2010	2.7	2019	0.4	-2.3
Sri Lanka	2011	5.3			
Azerbaijan	2011	5.3	2018	4.9	-0.4
Lower-middle income countries	**Year**	**Multidimensional poverty headcount ratio %**	**Year**	**Multidimensional poverty headcount ratio %**	**Change (percentage point)**
Indonesia	2011	20.8	2018	7.2	-13.6
The Philippines	2010	12.6	2019	5.8	-6.8
Mongolia	2011	15.8	2018	10.2	-5.6
Bhutan	2011	27.2	2018	37.3	+10.1
Laos	2011	47.2	2019	23.1	-24.1
Vietnam	2011	17.7	2018	5.0	-12.7
India	2011	53.7	2018	27.5	-26.2
Uzbekistan	2011	2.3	2018	4.4	+2.1
Timor-Leste	2011	68.1	2018	46.0	-22.1
Bangladesh	2011	57.8	2018	41.1	-16.7
Pakistan	2011	49.4	2019	38.3	-11.1
Cambodia	2011	52.0	2018	34.9	-17.1
Myanmar	2011	31.8	2018	38.3	-0.5
Kyrgyzstan	2011	4.9	2018	2.3	-2.6

Low-income countries	Year	Multidimensional poverty headcount ratio %	Year	Multidimensional poverty headcount ratio %	Change (percentage point)
Tajikistan	2011	17.1	2019	7.4	-9.7
Nepal	2011	64.7	2018	35.3	-29.4
Yemen	2011	52.5	2018	47.8	-4.7
Afghanistan	2014	66.2	2018	56.1	-10.1

Source: The Global Multidimensional Poverty Index (MPI) 2019[54].

Oxford Poverty and Human Development Initiative (OPHI) and the United Nations Development Programme (UNDP) have been tracking and releasing the Global Multidimensional Poverty Index over recent years. Ten indicators in three areas of health, education and living standards are included. In the comparison between data on multidimensional poverty (Table 3.2) and the above-mentioned data on extreme poverty, the following three characteristics are revealed.

First, in both multidimensional and extreme sense, poverty in Asia is relatively concentrated, in India, Laos, Bangladesh, Timor-Leste, Nepal and Yemen still with relatively high poverty headcount ratio, in lower-middle income and low-income countries by income, and in part of South Asia and Southeast Asia by sub-region.

Second, except for a few upper-middle income countries, the multidimensional poverty headcount ratio in Asian countries is generally higher than the rate of extreme poverty measured against US$ 1.9 per person per day. For instance, in Indonesia, the multidimensional poverty headcount ratio was 7.2% in 2018, but its extreme poverty headcount ratio already dropped to 4.6% in the year; in Tajikistan, the multidimensional poverty rate was 7.4% in 2019, while its extreme poverty rate was only 4.8% back in 2015. Generally speaking, half of the world's people in multidimensional poverty live in Asia, to a sharp contrast to the fact that only less than 7% of the world's people in extreme poverty are in the region. This reflects a bigger challenge for Asia in easing multidimensional poverty.

Third, despite the higher multidimensional poverty headcount ratio than extreme poverty ratio in general in Asia, in the sense of poverty reduction, the decrease of the former is generally greater than the decrease of the latter in the same period, marking more significant progress in multidimensional poverty reduction. According to Table 3.3, among the middle-income and lower-middle income countries, except for China, the Philippines, Bhutan, Nepal and Yemen, whose extreme poverty decrease is greater than multidimensional poverty decrease due to unsynchronized time spans, and Kyrgyzstan and Kazakhstan, whose decrease in the two types of poverty is same, the remaining 13 countries with comparable data all register

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54   Alkire, S., Kanagaratnam, U. & Suppa, N. (2019). 'The Global Multidimensional Poverty Index (MPI) 2019', OPHI MPI Methodological Notes 47, Oxford Poverty and Human Development Initiative, University of Oxford.

a larger drop in multidimensional poverty than extreme poverty. For instance, in India, the extreme poverty headcount ratio in 2004-2011 declined by 17 percentage points and the multidimensional poverty headcount ratio in 2011-2018 fell by 26.2 percentage points.

Table 3.3 Comparison of Changes of Multidimensional Poverty and Extreme Poverty in Low-income and Middle-income Asian Countries

Upper-middle income countries	Period	Change of multidimensional poverty headcount ratio (percentage points)	Period	Change of extreme poverty headcount ratio (percentage points)
China	2013-2018	-8.5	2010-2016	-9.7
Kazakhstan	2011-2018	-0.1	Since 2011	-0.1
Thailand	2011-2016	-0.8	2011-2016	0
Armenia	2011-2018	-0.9	2010-2017	-0.5
Jordan	2010-2019	-2.3	2008-2017	-0.1
Azerbaijan	2011-2018	-0.4	Since 2002	0
Lower-middle income countries	Year	Change of multidimensional poverty headcount ratio (percentage points)	Year	Change of extreme poverty headcount ratio (percentage points)
Indonesia	2011-2018	-13.6	2011-2018	-8.7
The Philippines	2010-2019	-6.8	2006-2015	-8.4
Mongolia	2011-2018	-5.6	Since 2010	-1
Bhutan	2011-2018	+10.1	2012-2017	-0.7
Laos	2011-2019	-24.1	2002-2012	-11.1
Vietnam	2011-2018	-12.7	2010-2018	-2.3
India	2011-2018	-26.2	20 04-2011	-17
Timor-Leste	2011-2018	-22.1	2007-2014	-16.3
Bangladesh	2011-2018	-16.7	2010-2016	-4.8
Pakistan	2011-2019	-11.1	2007-2015	-9.3
Kyrgyzstan	2011-2018	-2.6	2010-2017	-2.6
Low-income countries	Year	Change of multidimensional poverty headcount ratio (percentage points)	Year	Change of extreme poverty headcount ratio (percentage points)

Tajikistan	2011-2019	-9.7	2007-2015	-5.6
Nepal	2011-2018	-29.4	2003-2010	-31.1
Yemen	2011-2018	-4.7	2005-2014	+9.0

Source: Data of the Global Multidimensional Poverty Index and the World Bank.

3.4 Progress of Asian Countries in Human Development Indicators

The human development indicators and related reports released by the UNDP are intended to analyze the main issues, trends and policies on human development. The indicators can measure the levels of development on one hand, and monitor the development problems on the other. In the broad sense, poverty reduction is not only about decrease of population in poverty but also intricately tied with a country's economic and social development. Therefore, human development indicators on infrastructure, health, education, etc. can both reflect the progress in poverty reduction and predict the opportunities and challenges for poverty reduction and sustainable development in the future to some extent.

Figure 3.4 Share of Population with Access to Electricity in the World by Region (%)
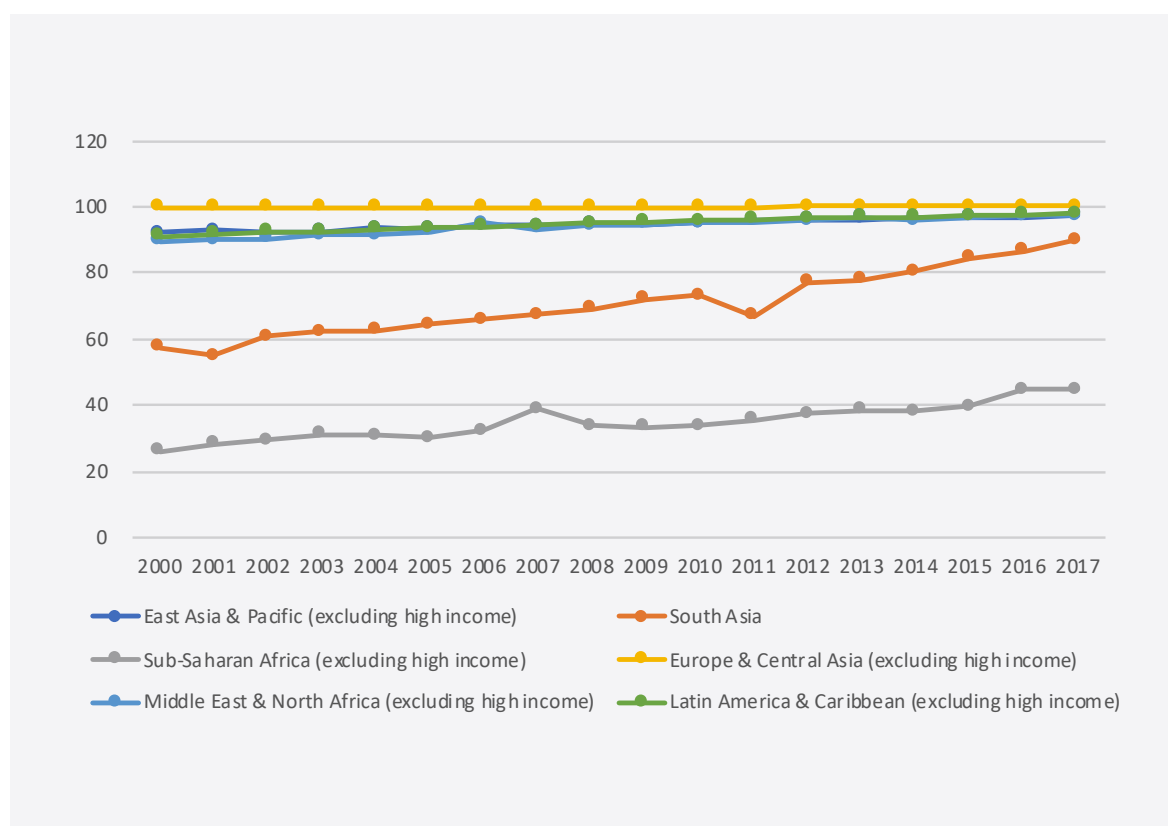
Source: Data of the World Bank's World Development Indicators.

Figure 3.5 Share of Basic Sanitation Services in the World by Region (%)
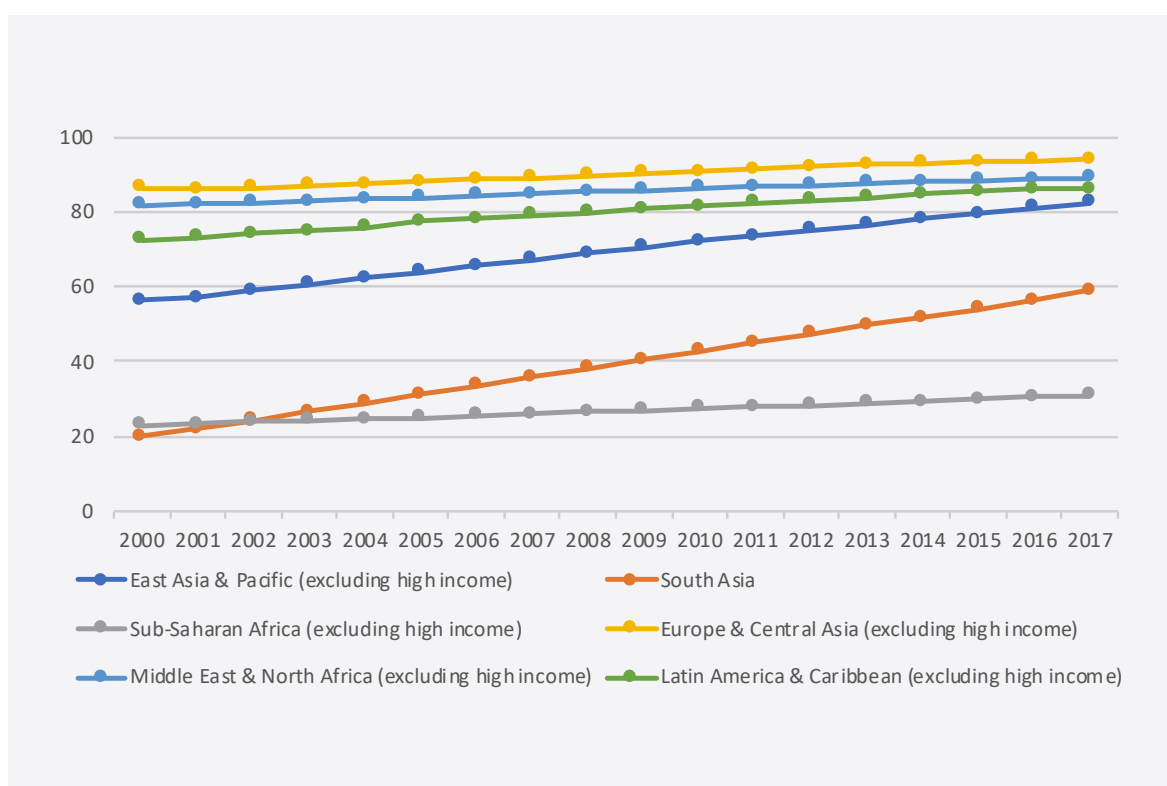
Source: Data of the World Bank's World Development Indicators.

Figure 3.6 Share of Mobile Phone Registration in the World by Region (%)
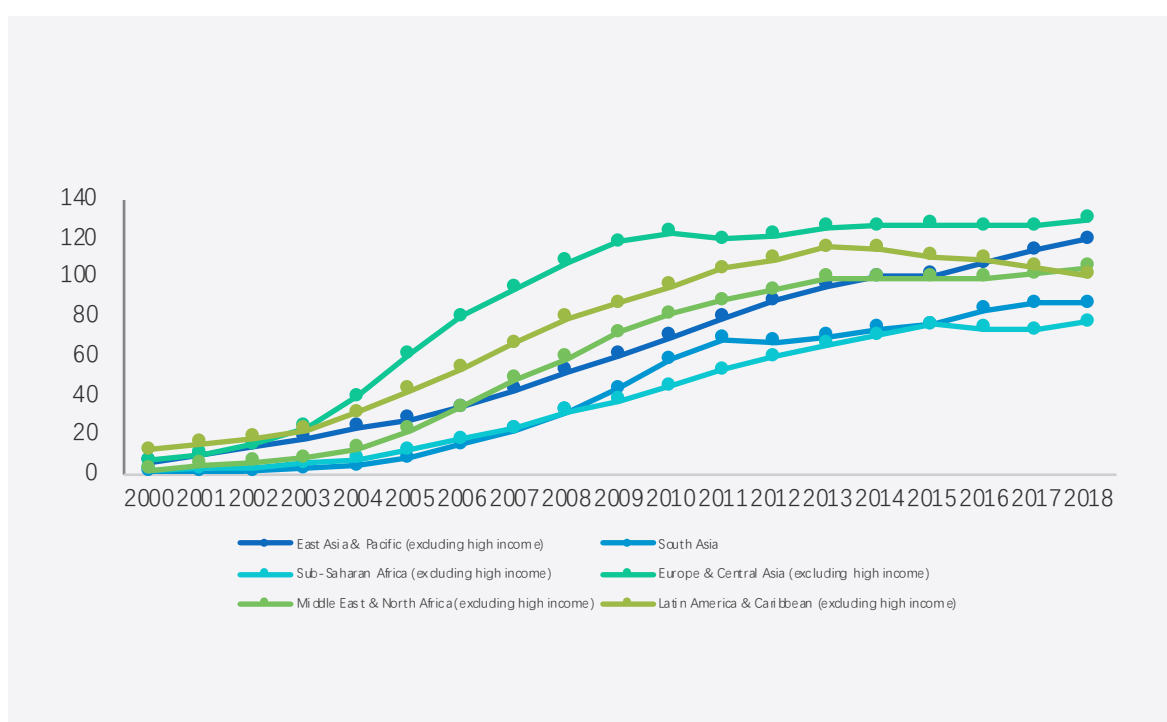
Source: Data of the World Bank's World Development Indicators.

Figure 3.7 Share of People Aged Above 15 with Access to Financial Institution or Mobile Payment Accounts by Region (%)
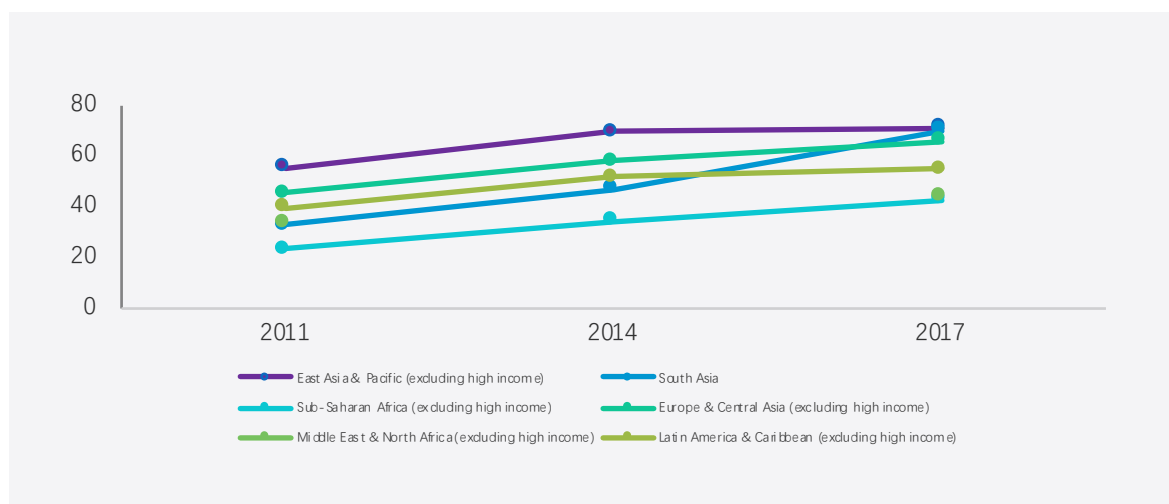
Source: Data of the World Bank's World Development Indicators.

By region, with all the high-income countries excluded, over 90% population in East Asia and Pacific got access to electricity back at the beginning of this century (92.26% in 2000), only after Europe and Central Asia (99.85% in 2000) among the six major regions globally. By 2017, up to 97.59% population of the region had access to electricity, slightly lower than Europe and Central Asia and Latin America and the Caribbean. In South Asia, electricity coverage increased rapidly, covering 57.36% of the population in 2000 and 89.89% in 2017, narrowing the gap with East Asia and Pacific fast (Figure 3.4).

Since this century, the basic sanitation conditions in the two regions of East Asia and Pacific and South Asia have been considerably improved as well. With high-income countries excluded, the coverage of basic sanitation services rose from 56.22% in 2000 to 82.34% in East Asia and Pacific and climbed from 19.79% to 58.73% in South Asia, almost doubling the

level of Sub-Saharan Africa in the contrast to lagging behind it before. The regions have made great headway in basic sanitation services (Figure 3.5).

Changes with the number of registered mobile phones reflect the progress in communication services to some degree. In East Asia and Pacific, the number per 100 people surged from 5.68 in 2000 to 119.57 in 2018, surpassing Latin America and the Caribbean and currently following only Europe and Central Asia. In South Asia, the number was increased from 5.33 in 2000 to 86.78 in 2018, higher than the level of Sub-Saharan Africa at 77.42 (Figure 3.6).

Share of people with access to bank accounts and electronic accounts tells the availability of financial services and in this regard, East Asia and Pacific and South Asia are leading today. In East Asia and Pacific, the share was increased from 55.07% in 2011 to 70.62% in 2017, staying on the top of the six major regions. In South Asia, the share rose from

32.38% to 69.96% in the same period, with its position in the six regions moved up from fifth to second, fast approaching the level of East Asia in the first place (Figure 3.7).

Based on the available data on health and education, it was found that with high-income countries and countries under the impact of conflicts being excluded, in most Asian countries, cases of citizens subject to the most extreme deprivation are declining. Life expectancy at birth has risen since this century across the three income groups of countries, increased by 4.92 years on average from 2000 to 2017 in the 15 upper-middle income countries, increased by 6.2 years in the 14 lower-middle income countries, and increased by 5.79 years in the 6 low-income countries. In fact, in the low-income group, when the extreme negative value subject to influence of conflicts is excluded, the average life expectancy at birth is raised by 7.38 years. Changes with maternal mortality reflect the similar trend. From 2000 to 2017, maternal mortality

per 100,000 live births in upper-middle income, lower-middle income and low-income countries was decreased by 22.27, 182.29 and 232.83 percentage points respectively. With the extreme negative value excluded, malnutrition rate of the three income groups dropped by 5.01, 12.38 and 14.8 percentage points respectively. It means inequality in the most basic abilities in health is easing rapidly. According to the Human Development Report 2019 released by the UNDP, similar to the fact that low-income and lower-middle income Asian countries improve faster than upper-middle income ones in this sector, the increase of life expectancy at birth in countries at a low level of human development is almost three times that in countries at an extremely high level of human development[55]. In terms of primary school enrollment and youth literacy, Asian countries also have made universal progress, but some of them, under the impact of conflicts or unrest, weak economic growth and unemployment, have fallen back slightly.

Table 3.4 Changes in Health and Education in Low-income and Middle-income Asian Countries

Year (current or closest with available data)	2000	2017	2000/2001	2017	2000/2001	2017	2000/2001	2017	2000	2015/16/17
Upper-middle income countries	Life expectancy at birth (years)		Maternal mortality (per 100,000 live births)		Malnutrition rate (%)		Primary school enrollment (%)		Youth literacy aged 15-24 (%)	
Malaysia	72.59	75.83	38.00	29.00	2.80	2.50	98.68	105.29	97.24	97.61
Turkey	70.01	77.16	42.00	17.00	2.50	2.50	103.41	93.15	95.60	99.75

55   Retrieved September 11, 2020, from https://www.sdgindex.org/reports/sustainable-development-report-2019/

China	71.40	76.47	59.00	29.00	16.20	8.60	112.34	99.40	98.86	99.78
Maldives	70.17	78.33	125.00	53.00	14.00	10.30	128.09	97.11	98.17	98.75
Kazakhstan	65.52	72.95	61.00	10.00	5.80	2.50	96.95	108.75		99.85
Lebanon	74.51	78.83	28.00	29.00	2.50	11.00			98.71	99.75
Turkmenistan	63.61	67.96	29.00	7.00	8.20	5.40	88.40			99.80
Thailand	70.62	76.68	43.00	37.00	18.80	7.80	97.61	99.63	97.98	98.15
Iran	70.18	76.27	48.00	16.00	4.90	4.90	101.16	110.71	97.43	98.10
Iraq	69.08	70.29	79.00	79.00	28.30	29.00	97.03		84.80	56.34
Armenia	71.41	74.80	43.00	26.00	23.80	4.30	98.66	94.08	99.81	99.85
Jordan	71.73	74.29	70.00	46.00	12.60	12.20	94.56	80.77	99.13	99.34
Georgia	69.90	73.41	31.00	25.00	13.50	7.90	118.17	100.36	99.83	99.64
Sri Lanka	71.33	76.65	56.00	36.00	18.60	9.00	107.79	100.63	95.59	98.86
Azerbaijan	66.76	72.69	47.00	26.00	23.00	2.50	97.21	103.29	99.89	99.94

Lower-middle income countries	Life expectancy at birth (years)		Maternal mortality (per 100,000 live births)		Malnutrition rate (%)		Primary school enrollment (%)		Youth literacy aged 15-24 (%)	
Indonesia	65.77	71.28	272.00	177.00	18.50	8.30	108.76	105.91	98.71	99.71
The Philippines	68.79	70.95	160.00	121.00	20.40	13.30	109.44	107.51	95.09	99.08
Mongolia	62.87	69.51	155.00	45.00	35.10	13.40	99.02	102.93	97.71	98.63
Bhutan	60.88	71.13	423.00	183.00			76.18	101.33	74.41	93.09
Laos	58.80	67.28	544.00	185.00	37.70	16.50	106.97	106.02	80.60	92.46
Vietnam	73.03	75.24	68.00	43.00	24.30	9.30	109.53	109.15	94.84	98.41
India	62.51	69.17	370.00	145.00	18.20	14.50	94.27	112.96	76.43	91.66
Uzbekistan	67.16	71.39	41.00	29.00	16.20	6.30	99.69	103.65	99.87	100.00

Timor-Leste	59.00	69.01	745.00	142.00	40.40	24.90	120.61	119.77		83.54
Bangladesh	65.45	72.05	434.00	173.00	20.80	14.70			63.62	92.95
Pakistan	62.82	66.95	286.00	140.00	23.40	20.30	70.89	90.59	55.33	74.53
Cambodia	58.43	69.29	488.00	160.00	29.30	16.40	106.86	107.81	76.32	92.21
Myanmar	60.06	66.56	340.00	250.00	48.30	10.60	98.05	112.22	94.59	84.75
Kyrgyzstan	68.56	71.20	79.00	60.00	16.30	7.10	96.34	107.04	99.70	99.75
Low-income countries	**Life expectancy at birth (years)**		**Maternal mortality (per 100,000 live births)**		**Malnutrition rate (%)**		**Primary school enrollment (%)**		**Youth literacy aged 15-24 (%)**	
Tajikistan	61.97	70.65	53.00	17.00			96.46	100.86	99.85	99.90
Nepal	62.29	70.17	553.00	186.00	22.00	8.70	119.40	143.92	70.05	92.39
Yemen	60.68	66.09	301.00	164.00	29.90	38.90	77.97			93.64
Afghanistan	55.84	64.13	1450.00	638.00	46.10	29.80	20.96	102.31		65.42
Sri Lanka	73.11	70.97	26.00	31.00			107.30			95.19
Democratic People's Republic of Korea	65.27	71.91	139.00	89.00	37.50	47.80	94.58			

Source: Data of the World Bank's World Development Indicators.

The progress in health and education is also driven by other reasons. Lower-middle income countries catch up with countries of higher income partially because they pay attention to cultivating basic abilities in the two sectors, while top countries have no or only limited space for improvement. On the other hand, the estimates of the UNDP suggest that in the development of advanced abilities in health and education, the inequality between low-income and high-income countries is worsening. For example, the growth in share of population with access to higher education in countries at an extremely high human development level is more than six times that in countries at a low human development level, while the growth in fixed broadband services of the former is 15 times that of the latter[56].

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56   Retrieved September 11, 2020, from https://www.sdgindex.org/reports/sustainable-development-report-2019/

3.5 China is about to Eradicate Extreme Poverty

Measured by the World Bank's US$ 1.9 extreme poverty standard, the poverty headcount ratio in China dropped from 66.2% in 1990 to 0.5% in 2016, while under China's national standard in 2016[57], the rural poverty headcount ratio was still 4.5%. Under the US$ 3.2 general poverty standard, the ratio in China also declined to 5.4% in 2016. Based on this trend in poverty reduction, the ratio in China under US$3.2 standard would not be high in 2019. On the one hand, it tells that China's national poverty line has in fact surpassed the World Bank's US$ 1.9 extreme poverty standard and is estimated by experts at around US$ 2.3, ranging between the World Bank's US$ 1.9 extreme poverty standard and US$ 3.2 general poverty standard. On the other hand, it also signals that China has made remarkable progress in eliminating absolute poverty and it's fair to say China has eradicated extreme poverty under the World Bank poverty standard and is about to eliminate absolute poverty under the national standard. 2020 is a year of decisive victory for the elimination of poverty. To win the hard battle against poverty will historically solve the problem of absolute poverty that has been bothering the Chinese nation for thousands of years and will achieve China's first centenary goal of building a moderately prosperous society in all respects. To win the hard battle against poverty by China will contribute extraordinarily to the world's undertaking of poverty reduction, boost the confidence of other developing countries in lifting themselves out of poverty, and bring more insights to the world with Chinese experience and wisdom. This part will summarize China's progress in poverty reduction since launch of the hard battle against poverty.[58]

(1) Number of People in Absolute Poverty Decreased Substantially

In 2012 China launched the targeted poverty alleviation strategy. With the release of the *Decision of the CPC Central Committee and the State Council on Launching the Tough Battle against Poverty* in 2015, China gathered greater forces to comprehensively promote the campaign. The large scope and the profound influence of the battle were unprecedented and decisive progress has been made. According to the National Bureau of Statistics, from 2012 to 2019, Chinese rural population in poverty fell from 98.99 million to 5.51 million by 93.48 million or 94.4% accumulatively and by 13.35 million on a yearly basis on average; rural poverty headcount ratio was decreased from 10.2% at the end of 2012 to 0.6% at the end of 2019 (Figure 3.8). Regional overall poverty has been basically addressed. In poverty-stricken areas[59], the achievements in poverty reduc-

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57 The current national poverty line refers to farmers' annual disposable income per capita below the constant price RMB 2,300 of 2010.

58 For China's development history and experience in poverty reduction since the reform and opening up, refer to the Asia Poverty Reduction Report 2019.

59 Poverty-stricken areas include the concentrated and contiguous areas in extreme poverty and the national target counties for poverty alleviation outside the areas, and cover 832 counties in total. In 2017, six counties in one city in Aksu, Xinjiang entitled to policies for contiguous areas were also included into the scope of poverty monitoring.

tion are especially prominent. In these areas, rural poor population at the end of 2019 was 3.62 million, reduced by 56.77 million than the end of 2012; rural poverty headcount ratio fell from 23.2% at the end of 2012 to 1.4% at the end of 2019, by 3.1 percentage points year by year on average.[60]

Figure 3.8 Changes with Poor Population and Poverty Headcount Ratio in China since Launch of the Battle against Poverty
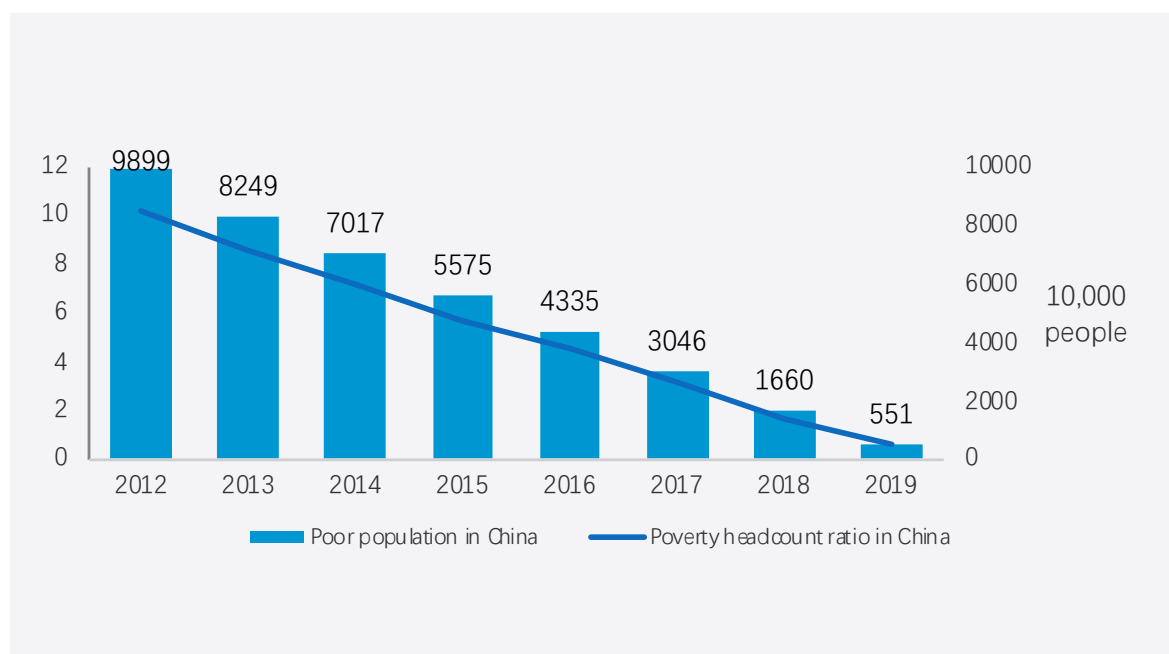
Source: The National Bureau of Statistics.

(2) Income Poverty Close to Elimination

In the modern society, income is the most important factor that affects poverty. From the perspective of income poverty, since the tough battle against poverty was initiated, farmers' income in poverty-stricken areas has been rising steadily and income poverty un-der the current poverty standard is close to be eradicated. In 2019, per-capita disposable income of rural residents in poverty-stricken areas was RMB 11,567, more than doubling the level in 2012. Per-capita disposable income in poverty-stricken areas outgrows rural average nationwide, and the gap between its absolute value and national rural average income is gradually narrowing, as well (Table 3.5).

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60 Fang Xiaodan. Achievements in Completing the Task of Building a Moderately Prosperous Society in All Respects from the Perspective of Residents' Income and Expenses. *People's Daily,* July 27, 2020. http://www.stats.gov.cn/tjsj/sjjd/202007/t20200727_1778643.html.

**Table 3.5 Per-Capita Disposable Income of Rural Residents and
Rural Residents in Poverty-stricken Areas (2014-2019)**

	2014	2015	2016	2017	2018	2019
Income of Rural Residents (RMB)	10489	11422	12363	13432	14617	16021
Income of Rural Residents in Poverty-stricken Areas (RMB)	6852	7653	8452	9377	10371	11567
Ratio	1.53	1.49	1.46	1.43	1.41	1.39

Source: the National Bureau of Statistics and the Poverty Monitoring Report of Rural China over years.

(3) Social Public Services Improved

With the concept of multidimensional poverty in mind, levels of poverty are reflected by not only income, but also level of access to social public services. The goal of China's battle against poverty[61] is multidimensional, and the indicator of "sufficient food and clothing and access to compulsory education, basic medical services and housing security" especially covers food poverty and non-food poverty, income, and various social public services such as health, education and housing. As shown in Table 3.6, driven by the policies on promoting the battle against poverty, in poverty-stricken areas, infrastructure, basic conditions for poor households to develop industry, and housing, education and medical conditions for the poor have all been greatly improved, which is also an important manifestation that absolute poverty is close to being eliminated. According to statistics of the Leading Group Office of Poverty Alleviation and Development of the State Council, by the end of 2019, 97% of the registered rural households in poverty nationwide had realized the goal of "sufficient food and clothing and access to compulsory education, basic medical services and housing security".

Table 3.6 Public Services in Poverty-stricken Areas in 2013-2018 (%)

Year	2013	2014	2015	2016	2017	2018
Share of rural households living in bamboo, grass and adobe houses	7	6.6	5.7	4.5	4.1	1.9
Share of rural households free from drinking water difficulty	81	82.3	85.3	87.9	89.2	93.6

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61   Specifically, the goal is to ensure that by 2020, rural impoverished families have sufficient food and clothing and access to compulsory education, basic medical services and housing security; farmers' disposable income per capita in impoverished areas outgrows the average of the country, and main indicators in basic public services approach the country's average level; rural impoverished population and impoverished counties under the currently prevailing standards are successfully lifted out of poverty, and regional overall poverty is solved.

Share of rural households using purified tap water	30.6	33.1	36.4	40.8	43.7	56.4
Share of rural households using private toilet	92.7	93.1	93.6	94.2	94.5	95.9
Share of rural households in natural villages with highway access	97.8	99.1	99.7	99.8	99.9	100
Share of rural households in natural villages with broadband access	—	—	71.8	79.8	87.4	94.4
Share of rural households in natural villages capable of centralized garbage disposal	29.9	35.2	43.3	50.9	61.4	78.9
Share of rural households in natural villages with health centers	84.4	86.8	90.4	91.4	92.2	93.2
Share of rural households in natural villages with convenient access to kindergarten	71.4	74.5	76.1	79.7	84.7	87.1

Source: Household Survey Office of the National Bureau of Statistics. *Poverty Monitoring Report of Rural China* 2014-2019. Beijing: China Statistics Press.

(4) Basic Picture of Poverty Reduction Staying Stable despite the Pandemic

The outbreak of COVID-19 in 2020 has inflicted heavy damage to economy and caused interim lockout of employment sectors concentrated with people in poverty such as manufacturing and services. In response, China continues to press ahead with the battle against poverty. In the first quarter of 2020, central government earmarked RMB139.6 billion to poverty alleviation and over 260,000 poverty alleviation projects started construction in the 22 provinces in central and western China. In the same quarter, per-capita disposable income of rural residents in poverty-stricken areas was RMB 3,218, registering a nominal growth of 2.7% over the same period last year and, with the price factor being deducted, an actual decrease of 3.0%, lower than the national level

for rural residents by 1.7 percentage points. By income sources, in poverty-stricken areas, per-capita wage income of rural residents was RMB 1,192, increased by 0.3% over the same period last year; per-capita net operation income was RMB 1,037, increased by 0.1%; per-capita net property income was RMB 44, decreased by 0.5%; per-capita net transfer income was RMB 945, increased by 9.2% (Table 3.7). Though the growth in wage income and operation income slowed down under the impact, with policy support, various transfer incomes maintained relatively rapid growth, implying the efforts against poverty were never abated. Regarding income, in areas with more people in poverty such as Sichuan, Guangxi, Tibet, Guizhou and Qinghai, per-capita disposable income of residents in the first quarter nominally grew by 5.3%, 4.6%, 9.5%, 4.8% and 3.1% respectively, much higher than the

average nationwide.[62] As the impact of the pandemic is posed mainly on income, rather than welfare such as housing, medical services and education that has been implemented, it's unlikely to shake the fundamental progress in the battle against poverty. Chapter 5 will introduce in details the influence of COVID-19 on poverty reduction in China and the country's practice and experience in poverty reduction under the pandemic context.

Table 3.7 Rural Residents' Income in Poverty-stricken Areas in Q1, 2020

Indicator	Income (Yuan)	Nominal Growth (%)
Per-capita disposable income	3218	2.7
Wage income	1192	0.3
Net operation income	1037	0.1
Net property income	44	-0.5
Net transfer income	945	9.2

Source: The National Bureau of Statistics[63].

3.6 Summary

Globally speaking, the progress in poverty reduction is most prominent in the developing countries of Asia. This is primarily reflected by the significant reduction of income poverty. Meanwhile, however, except for a few upper-middle income countries, in most Asian developing countries, the headcount ratio of multidimensional poverty is generally higher than extreme poverty. In general, half of the world's population in multidimensional poverty lives in Asia, a sharp contrast to the fact that less than 7% of the world's population in extreme poverty is in the region. This is caused partially by the sizable population in Asia, and partially by the existence of weak spots in social public services in the developing countries of Asia.

China has been leading the course of poverty reduction in Asia and even across the globe. Measured wi the World Bank's US$ 1.9 extreme poverty standard, China's headcount ratio of extreme poverty already declined to 0.5% in 2016. Against China's rural absolute poverty standard (US$ 2.3, PPP), the absolute poverty headcount ratio in rural China dropped to 0.6% at the end of 2019. China is factually quite close to eliminating rural income poverty. The greatest progress in the country's poverty reduction efforts is that while income poverty is being eradicated, alleviation of multidimen-

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62   Spokesperson of the National Bureau of Statistics Meets the Press on National Economic Operation in Q1, 2020. National Bureau of Statistics, April, 17, 2020. Retrieved September 11, 2020, from http://www.stats.gov.cn/tjsj/sjjd/202004/t20200417_1739461.html

63   Rural Residents' Income in Impoverished Areas for the First Quarter of 2020. National Bureau of Statistics, April 30, 2020. Retrieved September 11, 2020, from http://www.stats.gov.cn/tjsj/zxfb/202004/t20200430_1742606.html

sional poverty has also made great headway. By the end of 2019, 97% of the nationally identified rural households in poverty in China had realized the goal of "sufficient food and clothing and access to compulsory education, basic medical services and housing security". Despite the profound impact of COVID-19 on Chinese economy, the remaining rural population in absolute poverty is mostly covered by social security and the policies on the battle against poverty have basically realized social security covering these people. Therefore, under the pandemic, the most badly affected is the vulnerable groups just lifted out of poverty and living merely above the poverty line. In another word, the major influence of COVID-19 on China's poverty reduction efforts will be embodied in how the Chinese government responds to the consequent risk of falling back to poverty.

CHAPTER 4

Asian Countries' Basic Experience in Poverty Reduction

This chapter focuses on middle-income and low-income Asian countries' experience in poverty reduction, which is divided into four main types: (1) the state-led poverty reduction model, (2) the sector-wide pro-poor growth-driven poverty reduction model, (3) the processing-industry-led poverty reduction model, and (4) the welfare-transfer poverty reduction model, based on their development and poverty reduction over the past decades. It is important to note that different countries have accumulated their own experiences and models of poverty reduction in the course of development, but this does not necessarily mean that merely a single model has been adopted by a country. On the contrary, countries may adopt various approaches to poverty reduction at different stages of development and they may also embrace multiple models at a given stage of development. It is observed that one of the models that employed by countries relatively stands out and becomes prominent in their development process.

These four types may be adopted or coexist at different times to varying degrees in one country, but any one of them requires actions supported by a strong mechanism; otherwise the gap with other countries may be widened over time. Even in the right direction, external challenges may be faced. Malaysia and Thailand were seen as East Asia's miraculously growing economies and quickly entered high-income status in the early 1990s, but following the Asian Financial Crisis (AFC) in the mid-1990s, their economic growth continued to slow down. By contrast, development in other countries lagged behind or fluctuated, according to per-capita gross national income (GNI, World Bank website) in the order from low to high of nine Asian countries with comparable data in 1962, as shown in Figure 4.1, when Nepal had the lowest per capita income, with China the second-lowest, and Syria the highest, but after more than 40 years of development, the gap has been marked. Therefore, a well-governed regime is a prerequisite for stable national development and poverty reduction.

Figure 4.1 Some Asian Countries' Growth Tracks of Per Capita GNI
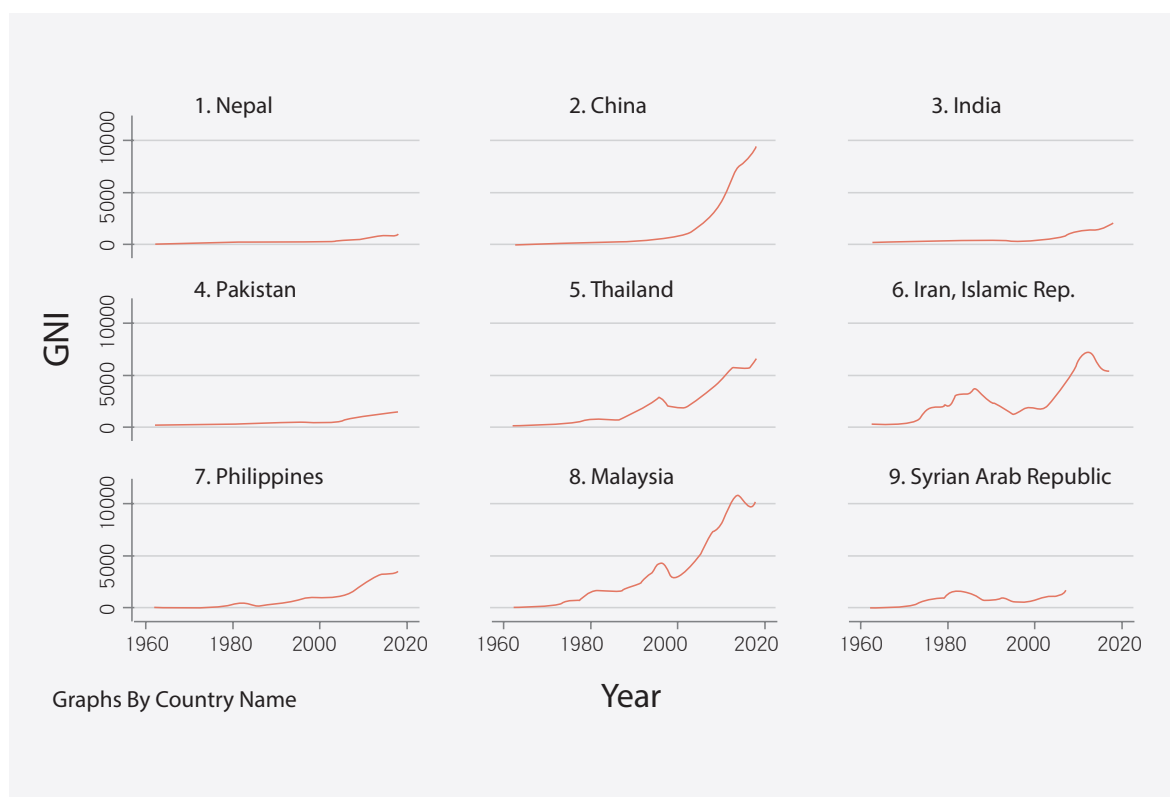
Source: Based on the World Development Indicators data of the World Bank

4.1 State-led Development and Poverty Reduction Model

State-led development and poverty reduction model is commonly adopted in Asian countries, featured in strong intervention of the State and government in the market in order to promote economic growth and poverty reduction. This model characterize itself as follows:

(1) The state's strong will and ability to lead economic development. Economic growth is usually prioritized as a national development objective and specific growth targets are set by the state.

(2) An autonomous and effective administrative bureaucracy. The autonomy and effectiveness of the administrative bureaucracy is related to effective implementation of economic development and poverty reduction whether they can be achieved by overcoming the constraints of various interest groups.

(3) Development of selective industrial policies. Such countries tend to formulate and implement industrial policies to promote economic development and poverty reduction in a broad sense based on their comparative advantages.

Many Asian countries have adopted a more or less state-led development model, but different subtypes have emerged. First, early industrialized countries, such as Japan, are mainly characterized by an effective combination of bureaucracy and market, relying on positive political and business relations to promote the development of specific industries and thus achieving overall economic development goals. Japan has been seen as a typical epitome of state-led development trajectory in East Asia, followed by countries such as South Korea and Singapore later on.

Second, countries such as China and Vietnam are characterized by integration of strong political party and bureaucratic administration, to press ahead with the challenging development agenda such as transformation of economic system, FDI, infrastructure, industrial development, and even poverty reduction. China's approach to poverty reduction is particularly notable for its precise targeting of regions, communities and populations, and the mobilization of resources from all sides to implement targeted poverty alleviation measures. This approach largely overcame the constraints of various interest groups and bureaucracies.

Thirdly, India and Cambodia are also featured in state-led development model, the countries are ruled by a long-standing party that has a strong will to develop, equipped with an elite bureaucracy that develops ambitious industrial policies. However, the integration and implementation of their national development agenda have been affected by the fragmentation of interest groups in a range of sectors of the economy, regions, classes, castes, religions and so on.

4.2 Sector-wide Pro-poor Growth-driven Poverty Reduction Model

Alleviating and eliminating poverty by development is a basic model in many Asian countries. The main feature is that, in the early stages of development, there are generally no large-scale cash transfers and benefits distribution, and that poverty reduction relies primarily on economic growth. In the context of the basic model of poverty reduction driven by economic growth, the strong government-led sector-wide pro-poor growth is efficient for poverty reduction and serves as the foundation for China's poverty reduction efforts. The model has five basic characteristics.

(1) Strong national leadership: On the one hand, it creates conditions for the poor to benefit from economic growth, namely, development-oriented poverty reduction, and on the other hand, income is redistributed through strong government intervention in the context of growing inequality.

(2) Driving agricultural growth first in economic growth.

(3) After agricultural growth, organically connecting the surplus of agricultural growth with rural industrialization.

(4) Pro-poor urbanization.

(5) Equalization of social public services.

Block diagram 4.1 China's Experience in Poverty Reduction

The Chinese Government has always attached great importance to poverty alleviation and development. Since the start of reform and opening-up in 1978, China has carried out poverty alleviation and development across its rural areas, which reduced more than 700 million rural poor. This remarkable achievement made China the first developing country that reached the poverty reduction goal of the UN Millennium Development Goals and a great contributor to the global poverty reduction cause.

China's efforts to eradicate poverty have been more systematic and specific than ever before since the reform and opening-up. Specifically, China has maintained a high economic growth rate for 40 years since 1978, with a sharp reduction in the number of rural poor and a basic solution to the problem of subsistence and food and clothing for rural residents. The agricultural growth led by the reform of the rural system, mainly the household contract responsibility system, rural industrialization driven by township enterprises and the industrialization and rapid urbanization nationwide constituted a basic driver for China's large-scale poverty reduction, creating a pro-poor economic development model, which has been the basic mechanism of poverty reduction in China since the reform and opening up. Besides, the Chinese government has started the planned, targeted rural poverty alleviation work since 1986 when it was well aware that even the pro-poor economic growth model could not avoid diminishing poverty reduction benefits resulted from the widening income gap.

In 2011 the State Council issued the second program for poverty alleviation and development in the new millennium, the Outline for Poverty Reduction and Development of China's Rural Areas (2001-2010). For the goal of eliminating absolute poverty in rural areas by 2020 as set out in the Outline, the Chinese government launched the targeted poverty alleviation campaign in 2013. One was developing the poor and impoverished areas and lifting them out of poverty by development to narrow their gap with the decent and developed areas. Another was protecting the disabled and poor vulnerable groups with welfare transfer payments. By the end of 2019 as China's poverty rate dropped to 0.6% and the rural poor population was 5.51 million, using the current rural poverty line, there will be little doubt that the eradication of rural poverty will be completed by the end of 2020. The implementation of the targeted poverty alleviation strategy mainly benefits from a series of poverty reduction system innovations: first, China's central government has implemented a centralized and unified leadership system with "First Secretary in Command," placing poverty reduction work at the top of government work at all levels. Second, the establishment of a registration system aimed directly at the poor groups to identify poor households has ensured the coverage of the real needy. Third, based on the registration system, the Chinese government classified the causes of poverty among poor households and made specific arrangements for taking targeted and differentiated measures. One batch is lifted out of poverty by fostering distinctive industries, one batch by advancing relocation, one batch by carrying out ecological restoration, one batch by strengthening ed-

ucation, and one batch by improving social security. Other measures include poverty alleviation through employment, health improvement and assets income. Fourth, a large number of innovative poverty alleviation models have emerged, such as "Poverty Alleviation Workshop", tourism and e-commerce for poverty alleviation. Fifth, a third-party independent assessment has been set up to ensure the quality of the poverty alleviation campaign.

In addition to China, Asia's developed countries and some developing countries have adopted some parts of this model to varying degrees. An example is South Korea's industrialization, which has also been characterized by significant sector-wide pro-poor growth.

4.3 Foreign Invest-Ment-driven Poverty Reduction Model

Globalization over the past few decades has created two drivers for Asia's economic development. One is developed countries' investment in Asia, most notably in Japan and South Korea, where most of the investment is concentrated in labor-intensive industries. The other is that China has jumped as the most active economic engine in Asia over the past few decades through rapid economic growth. China's investment in Asian countries is reality-based, directly driving the economic growth and poverty reduction in Asian countries. In this context, a poverty reduction model driven by foreign investment has emerged in Asia, which has been adopted in Vietnam, Bangladesh, India, Cambodia, Indonesia, the Philippines, etc. Its main features are shown as follows.

(1) Grow the incomes of laborers by growing labor-intensive processing industries, and grow household incomes by promoting the initial distribution of income.

(2) With equal attention to the poverty reduction effect through initial income distribution. This is different from countries that develop processing and manufacturing industries early, which tend to be more equitable in income distribution and are not subject to much trade restrictions in an age dominated by "shortage economy". As a result, the competition in the "recipients" of current processing and manufacturing industries is more intense, and the effects of pro-poor growth are less than those of early entry countries.

(3) Infrastructure is strengthened or is improving with the logistics needs of processing and manufacturing industries.

(4) Poverty reduction is a top priority while raising the level of economic development.

Unlike the sector-wide pro-poor growth-driven poverty reduction model, which begins with agricultural growth and is integrated into an organic whole of pro-poor growth through rural industrialization and the development

of small cities with processing industries and large-scale urbanization, the processing-industry-led poverty reduction model is more pronounced in the fact that the labor-intensive sector of processing industries boost rural employment. Thus, the latter is also pro- poor but presents instability intervened by foreign investment, especially as it is basically export-oriented and has a poverty reduction mechanism characterized by reliance on foreign market stability.

Block diagram 4.2 Vietnam' Economic Growth and Poverty Reduction

Development Background: China's manufacturing sector remains large, which moved from being labor-intensive to R&D and capital-intensive. It created opportunities for other Asian countries. In 2007-2017 China's manufacturing sector's share in GDP increased slightly from 30% to 34%. In parallel, the manufacturing in other Asian economies was starting to take on an increasingly important role. Vietnam's manufacturing share in GDP rose from 16% in 2007 to 22% in 2017. Moreover, the trade frictions between China and the US have led more manufacturers, including Chinese companies, to accelerate their consideration of diversifying production bases. As a result of these changes, China's share of labor-intensive manufactured exports from emerging economies fell from 55% to 52% in 2014-2017. Vietnam's share rose 2.2 percentage points over the same period, and was becoming a major beneficiary as China moved away from labor-intensive manufacturing. Electronics has been Asia's one of the largest industries with the largest investment and largest trade volume. Vietnam's electronics exports were growing rapidly by 18 times between 2008 and 2018. Global electronics companies have invested more than US$15 billion in Vietnam since 2010, building production facilities and partnering with local component manufacturers, according to the Vietnam Electronics Industry Association (VEIA). A specific factor driving Vietnam's electronics industry is its active partnership with South Korea, which accounts for 79% of foreign direct investment in computers and electronics in Vietnam, helping turn Vietnam into an electronics manufacturing center.[64]

Vietnam's supply chains have significantly evolved from what they were a decade ago. Today, supply chain shifts to Vietnam are ongoing, helped in some part by the US-China trade war, as a growing number of businesses seek out ASEAN or alternate markets to invest in.[65]

Vietnam's development success story: The 1986 Doi Moi reforms ("rejuvenation") initiated a broad-based economic transformation, which dismantled the largely planned economy (beginning with agricultural reforms that resulted in the dissolution of collective agricultural organizations and the allocation

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64   McKinsey Global Institute (2019). The future of Asia: Asian flows and networks are defining the next phase of globalization, Discussion Paper. September. 2019.

65   A Guide to Vietnam's Supply Chains. Retrieved September 11, 2020, from https://www.asiabriefing.com/store/book/guide-vietnam-supply-chains.html

of land to small farmers on a 20-year contract period, benefiting 70% of the Vietnamese who were then engaged in agriculture), and opened a market economy. The trading system reform was accompanied by a wide-ranging social agenda that contributed to agricultural progress. By the late 1990s, the success of business, trade and agricultural reforms was evident. More than 30,000 private businesses had been created, and the economy was growing at an annual rate of more than 7%. From the early 1990s to 2005, poverty declined from about 50% to 29% of the population. The development success rested on Vietnam's spending on education, health and infrastructure and inclusive economic growth. Even so, achieving the SDGs by 2030 would need significant investment in the public sector, which was also a challenge facing Vietnam.[66]

The challenge was exacerbated in the wake of the COVID-19 pandemic, as Vietnam's poverty reduction has been driven by strong wage job growth (about 2.8 million more non-agriculture jobs, including 1.8 million wage jobs, were added between 2016 and 2018, resulting in a reallocation of labor from agriculture to the manufacturing, construction and service sectors). But with most households who are wage dependent, the anticipated slowdown in manufacturing, hotel and catering as well as retail sectors owing to supply disruptions, reduced demand and temporary work suspension caused by the COVID-19 crisis, could temporarily increase poverty during the first half of 2020 and stall poverty reduction.[67]

The COVID-19 pandemic and resulting non-pharmaceutical interventions (NPI) have pushed many people, especially those in rural areas and ethnic minorities, into poverty due to unemployment, underemployment and loss of incomes. By end of June 2020, an estimated 30.8 million people in Vietnam had been adversely impacted by COVID-19 and 53.7% of workers had encountered reduced income. For example, the poverty rate among households with members working in the garment industry could double from 14% to 28% due to the pandemic. Moreover, 50% losses in incomes could double poverty rates over a six-month period for households working in textiles, clothing and leather goods production.[68]

Block diagram 4.3 Bangladesh's Economic Growth and Poverty Reduction

Bangladesh's economic growth rate rose from 7.9% in 2018 to 8.2% in 2019, the highest in Asia. With this rapid growth, the Asian Development Bank expects Bangladesh to grow by 4.5% in 2020, even in the wake

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66   Anja Baum (2020). Vietnam's Development Success Story and the Unfinished SDG Agenda, IMF Working Paper. February 2020.

67   World Bank (2020). Poverty & Equity Brief East Asia & Pacific: Vietnam. April 2020.

68   UNICEF (2020). RAPID ASSESSMENT ON THE SOCIAL AND ECONOMIC IMPACTS OF COVID-19 ON CHILDREN AND FAMILIES IN VIET NAM. HA NOI, AUGUST 2020.

of the COVID-19 pandemic.[69]

Bangladesh has made remarkable progress in reducing poverty, supported by sustained economic growth. Based on the international poverty line of US$1.90 (using purchasing power parity exchange rate) a day, it reduced poverty from 44.2% in 1991 to 14.8% in 2016/17. In parallel, life expectancy, literacy rates and per capita food production have increased significantly. Progress was underpinned by steady growth in GDP, which averaged 6.5% in the last decade (according to official estimates). Rapid growth enabled Bangladesh to reach the lower middle-income country status in 2015. In 2018, Bangladesh fulfilled all three eligibility criteria for graduation from the UN's Least Developed Countries (LDC) list for the first time and is on track for graduation in 2024.[70]

Bangladesh's robust economic growth has also driven its poverty reduction but not as effectively as before. Between 2010 and 2016, GDP growth accelerated (average GDP growth was 6% per year) while the pace of poverty reduction slowed down. Higher economic growth has not led to faster poverty reduction, partly because average consumption growth did not keep up with GDP growth. Although, GDP growth accelerated between 2010 and 2016, household survey data showed that the share of private consumption in total GDP declined from 74% in 2010 to 69% in 2016. For the poorest 40% of Bangladeshis, consumption growth fell from 1.8% in 2005-2010 to 1.2% in 2010-2016. Another is that urban poverty has hardly been reduced, or that urbanization has had a limited impact on poverty reduction.[71]

Bangladesh's economy will be significantly impacted by the COVID-19 pandemic. The decline in national and global demand for manufactured goods, particularly in the garment sector, risks creating unemployment and deepening poverty. The urban poor will be hardest hit while the number of additional poor will be higher in rural areas. The national shutdown will impact private consumption. While growth is expected to recover over the medium term, downside risks remain.[72]

According to the South Asian Network on Economic Modeling (SANEM), Bangladesh's poverty rate may double to 40.9% from that prior to the onset of the pandemic. The poor and vulnerable people are becoming more vulnerable. So, the inequality in society is expected to increase.[73]

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69   Retrieved October 1st, 2020, from https://www.adb.org/countries/bangladesh/economy

70   Retrieved October 1st, 2020, from https://www.worldbank.org/en/country/bangladesh/overview

71   World Bank (2019). Bangladesh Poverty Assessment: facing old and new frontiers in poverty reduction. Retrieved October 1st, 2020, from http://documents1.worldbank.org/curated/en/793121572582830383/pdf/Bangladesh-Poverty-Assessment-Facing-Old-and-New-Frontiers-in-Poverty-Reduction.pdf

72   World Bank (2020). Bangladesh Must Ramp Up COVID-19 Action to Protect its People, Revive Economy. Retrieved October 1st, 2020, from https://www.worldbank.org/en/news/press-release/2020/04/12/bangladesh-must-act-now-to-lessen-covid-19-health-impacts.

73   Coronavirus: Economy down, poverty up in Bangladesh. Retrieved October 1st, 2020, from https://www.dw.com/en/coronavirus-economy-down-poverty-up-in-bangladesh/a-53759686.

Block diagram 4.4 Cambodia's Economic Growth and Poverty Reduction

With a major transformation over the past two decades, Cambodia has reached the lower middle-income level by 2015 and hopes to reach the upper middle-income level by 2030. It maintained an average economic growth rate of 8%, driven by garment exports and tourism, and became one of the world's fastest-growing economies from 1998 to 2018. While there has been a slight moderation, growth remains strong, reaching 7.1% in 2019, after a better-than-expected 7.5% growth rate in 2018.

The global shock led by the COVID-19 pandemic has adversely affected Cambodia's economy in 2020, including a decline in tourism and construction activities. Under the baseline scenario, growth is expected to drop sharply to 2.5% by 2020. The COVID-19 pandemic and slow recovery of global economic activities, as well as long-term financial market turmoil, threaten Cambodia's growth prospect.

Poverty continues to fall in Cambodia. According to official estimates, the poverty rate in 2014 was 13.5% compared to 47.8% in 2007. About 90% of the poor live in the countryside. Cambodia achieved in 2009 the Millennium Development Goal (MDG) of halving poverty.[74]

The poverty rate in Cambodia is expected to surge as economic problems arising from a combination of factors are hitting the country hard. Rapidly rising unemployment caused by COVID-19-related factory closures, rising personal debt of clients of the many microfinance organizations, a decline in exports not only because of the pandemic, but also the recent end of preferred tax regulations for exports to the European Union, as well as a slump in tourism caused by far-reaching travel restrictions turn out to be a toxic mix for the nation of 16.5 million people. While Cambodia's good economic development over the past two decades has brought a steady decline in the poverty rate, this process is now, at least temporary, reverting. The COVID-19 crisis could push an additional 1.3 million Cambodians into poverty.[75]

Block diagram 4.5 India's Economic Growth and Poverty Reduction

India has benefited from economic growth over the past two decades, which has resulted in a significant reduction in the number of populations in poverty. The 2020 Global Multidimensional Poverty Index states that India has halved the number of people living in multidimensional poverty in the decade 2005/2006

74 Retrieved October 1st, 2020, from https://www.worldbank.org/en/country/cambodia/overview

75 Arno Maierbrugger (2020). Cambodia facing drastic rise in poverty amid pandemic. Southeast Asia News and Business Site. Aug 15, 2020. Retrieved October 1st, 2020, from https://investvine.com/cambodia-facing-drastic-rise-in-poverty-amid-pandemic/

- 2015/2016[76], reducing poverty by 273 million people, the largest reduction in multidimensional poverty in the last decade. In terms of income poverty, 90 million population were lifted out of extreme poverty in 2011-2015. According to Key Indicators for Asia and the Pacific 2020[77] released by the Asian Development Bank (ADB) on 10 September 2020, the poverty rate in India was 38.2 per cent in 2004 ($1.9 standard) and fell to 21.2 per cent in 2011.

India's economic development applied the model of "import substitution" and development of service sector with focus on the latter as a share of GDP. According to Key Indicators for Asia and the Pacific 2020, in 2000, the share of agriculture, industry and the tertiary sector in India's GDP were 23.6 percent, 29.9 percent and 46.8 percent respectively; by 2019, these shares have evolved to 17.8 percent, 27.5 percent and 54.8 percent respectively, with that of agriculture and industry declining by 5.8 per cent and 2.4 per cent, the tertiary sector rose by 8 per cent. In terms of GDP growth rate from 2014 to 2017, India (7.4%, 8.0%, 8.3% and 7.0% respectively) exceeded China (7.3%, 6.9%. 6.7% and 6.8% respectively) in all four years, but slowed down the growth rate since 2018.

Economic growth has laid solid foundation and served as an important driver of poverty reduction in India, however, COVID-19 undoubtedly increases the uncertainty to which extent, sustained efforts are required for India to achieve SDGs by 2030.

4.4 Welfare-transfer Poverty Reduction Model

The provision of public services, such as in the areas of education and health, is crucial to a country's long-term development, both as an investment in human capital and as a social welfare transfer. social welfare transfer is much broader in scope which includes not only education and healthcare but also a subsistence security system.

The welfare transfer model has some common features in Asian countries, such as low public expenditure on welfare, with the role of the state being only promotional, regulatory and supportive; social welfare policies are often oriented towards economic development and take on a productivist character; and there is less emphasis on the concept of the welfare state, rather on the role of the family.

The Asian welfare model can be broadly divided into three types in terms of government intervention, scale and the principle of provision: the government- facilitative type, where

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76   United Nations Development Programme and Oxford Poverty and Human Development Initiative (2020). Global Multidimensional Poverty Index 2020: Charting pathways out of multidimensional poverty: Achieving the SDGs. Retrieved October 12, 2020, from http://hdr.undp.org/en/2020-MPI. Retrieved September 30, 2020

77   Asian Development Bank (2020). Key Indicators for Asia and the Pacific 2020, September 2020. Retrieved October 12, 2020, from https://www.adb.org/news/adb-releases-latest-statistical-report-asia-and-pacific-updates-database. Retrieved 30 September, 2020

the government plays only a facilitating and regulating role in social welfare policy (e.g. Hong Kong); and the developmental-universalist type, which emphasizes the principle of universal provision (e.g. Japan, Korea); and the productivist - particularist type targeting special groups, wherein the state develops social welfare policies underlining limited welfare of citizens and the need for input from individual citizens as well (e.g. Singapore).

Most countries and regions in Asia currently have opted for a low-welfare policy orientation that prioritizes economic growth. However, as the 21st century enters, there are some common trends in poverty reduction in Asian countries, welfare transfer policy measures are increasingly adopted. Many Asian countries, including China, are reorienting their development agenda towards greater transformation of benefits from economic development into national welfare.

4.5 Summary

Generally speaking, poverty alleviation is mainly based on economic growth and redistribution of growth. Developed countries' primary experience in poverty reduction also differs in two dimensions. European countries, especially those in Western and Northern Europe, underwent long-term industrialization and the socialist and workers' movements in the process; thus, gradually forming a wel-

fare-state poverty reduction model featuring the primary mechanism of redistribution. In parallel, the United States has mainly developed a "forge ahead with individual efforts" poverty reduction model. The key lies in the individuals in the market to work and improve their lives, and safeguard their own welfare mainly with their incomes under market mechanisms such as commercialized education, healthcare and old-age care insurance. Even with poverty relief programs at the federal and state levels, especially the social charity relief, the USA's overall poverty governance is not dependent on income transfer.

The existence of three main poverty reduction models in Asian countries, as indicated in the report, does not imply that each country applies only one of them. The three so-called models mainly summarize the different types of poverty reduction mechanisms that have developed in Asian countries over the past decades. In so many cases, a combination of poverty reduction models are adopted to achieve rapid economic growth and visible poverty reduction. China has adopted the welfare transfer model to a large part in eradicating absolute poverty, while the foreign investment-driven poverty reduction model is an important part in its large-scale poverty reduction. A combination of models has also been seen in poverty reduction efforts in Vietnam, India and Bangladesh.

CHAPTER 5

Latest Challenges to Poverty Reduction in Asian Countries

Asia's poverty is mainly associated with the rapid economic and social transformation ongoing in most Asian countries. This association is highlighted by the coexistence of rapid economic growth, rising inequality in income distribution and poverty, which is in sharp contrast to the Sub-Saharan Africa. The economic and social transformation not only shapes Asia's characteristics of poverty, but affects the poverty reduction, making poverty rather sensitive to external changes in the context of unexpected events in Asia. High dependence on the external environment is a latest challenge to Asia's poverty reduction, against which the region has developed unique experience in emergency response. As the largest country in transition in Asia, China has not only well controlled the COVID-19 spread and restarted its national economic engine as early as possible, but cushioned the pandemic impact on the complete eradication of absolute poverty by the end of 2020, growing China's practical experience in pandemic prevention and poverty reduction.

5.1 China's Pandemic Prevention and Poverty Reduction

By the end of 2019 China still had 5.51 million poor people, 52 poor counties and 2,707 poor villages.[78] Based on the average annual poverty reduction rate of more than 13 million people between 2013 and 2019, it will not be difficult for China to eradicate rural absolute poverty by the end of 2020. However, the sudden COVID-19 outbreak has severely impacted China's economy and society, and agricultural and rural development, especially the poor's production and lives. Thus, making it much more difficult to reach the goal of eradicating poverty and building a moderately prosperous society in an all-round way by the end of 2020.

(1) The Impact of COVID-19 Pandemic on China's Poverty Reduction

The COVID-19 pandemic has adversely im-

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78   Wei Houkai & Lu Qianwen (2020). The COVID-19 Pandemic Impact on "Agriculture, Rural Areas and Farmers" and Countermeasures. *Economic Review Journal,* No.5.

pacted the income of the poor and those lift-ed out of poverty not long ago. Wage income is an important part of the rural poor's income in China. Since the poverty reduction cam-paign began, its proportion has been stable at 1/3 of the disposable income, maintaining a double-digit annual growth rate (see Table 5.1), and the contribution of wage income to the growth of farmers' incomes in poor areas reached 38%. According to the statistics of the State Council Leading Group Office of Poverty Alleviation and Development, in 2019 China had 27.29 million poor migrant workers (or 2/3 of the registered poor), while working out of their hometown was the source of income for over 2/3 of these households.[79] Migrant workers' income are a main source of income for poor households. Under the worsening international trade caused by pandemic pre-vention, the shutdown or delay of relevant in-dustrial and service sectors has led to a sharp drop in the poor's income and a surge in insta-bility. By March 2020, China's 25 provinces had only a little more than 20 million poor migrant workers, 5 million less than in 2019. During the pandemic, the low rate of migrant workers re-turning to work in the hardest-hit provinces, such as Hubei, has grown the risk of slipping back to poverty for the newly lifted rural pop-ulation.

Table 5.1 Structure and Growth Rate of Per Capita Disposable Income of Rural Residents in Poor Areas[80] (2014-2019)

	2014		2015		2016		2017		2018		2019	
	Percentage (%)	Growth rate (%)	Percentage (%)	Growth rate (%)	Percentage (%)	Growth rate (%)	Percentage (%)	Growth rate (%)	Percentage (%)	Growth rate (%)	Percentage (%)	Growth rate (%)
Disposable income	100	12.7	100	11.7	100	10.4	100	10.5	100	10.6	100	11.5
Wage income	32.7	16.7	33.4	14.1	34.1	12.7	34.2	11.8	35	13.0	35.3	12.5
Net operat-ing income	44.3	8.8	42.9	8.2	40.7	4.9	39.7	6.9	37.5	4.4	36.0	7.1
Net property income	1.2	29.9	1.2	15.2	1.3	14.3	1.3	11.9	1.3	14.8	1.4	16.5
Net Transfer-able income	21.8	14.4	22.5	15.0	23.9	17.4	24.8	14.8	26.2	17.0	27.3	16.3

Source: Household Survey Office, China National Bureau of Statistics, Poverty Monitoring Report of Rural China 2015-2019, Beijing: China Statistics Press.

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79   Xi Jinping. Speech at the symposium on decisive battle to shake off poverty, People's Daily, March 7, 2020.

80   The poor areas referred to in the data at this stage include 14 contiguous poverty-stricken areas and 592 prioritized counties in the national poverty alleviation and development work, a total of 832 counties. Since 2017, Aksu Prefecture in Xinjiang has been covered, with per capita disposable income as a statistical criterion.

The pandemic has impacted the poor's operating income mainly in two aspects. One is the traditional farming industry. Many products' sales and prices have suffered declines under traffic blockade and market depression, resulting in difficulties in purchases, transportation, and sales. According to the survey of the National Broiler Industry System, as of February 2020, the proportion of broiler hatching eggs fell by 40 percentage points from the same period of the previous year, and the proportion of commercial broilers reached 88.22%. The pandemic is expected to cause a loss of about RMB 12.7 billion to China's broiler industry.[81] In the first quarter of 2020, Yunnan's flower trading volume decreased by 842 million, the turnover dropped by about RMB 1.142 billion, and 80% of the flower growers in Yunnan suffered losses.[82] The other is the rural tourism and other new forms of composite industries, which in recent years have become the means of many poor areas to shake off poverty. In 2017, the population lifted out of poverty by rural tourism accounted for 17.5% of the total. Of the 128,000 registered poverty-stricken villages across China, 22,600 were identified as rural tourism development villages, and a considerable part of them took tourism as their main source of income. During the 2020 Spring Festival which was supposed to be a prime time for rural tourism, with lockdowns under pandemic prevention, the rural tourism income dropped in a cliff-like manner, which affected at least a quarter of the annual income and 7 million farmers engaged in rural tourism, leaving many tourism-reliant villagers helpless.[83]

The pandemic prevention has caused the stagnation of a large number of poverty reduction projects. With people flow, logistics and transportation restrictions, many poverty reduction projects were in a state of shutdown or under-start, failing to proceed as planned. Most of "poverty alleviation workshops" have been shut down, offline vocational skills training suspended, and industrial poverty reduction projects basically stalled. Under the pandemic impact on supply procurement, transportation and on-site construction, the relocation, resettlement and follow-up support for poverty reduction in poor counties were affected. Poverty reduction collaborations involving the flow of people and supplies, such as the East-West poverty reduction aid, counterpart assistance, and the "10,000 enterprises assisting 10,000 villages" campaign have been hard to proceed. According to the data from the Joint Prevention and Control Mechanism of the State Council on April 1, 2020, the operating rate of 370,000 poverty alleviation projects in 22 central and western provinces was only 60%, far lower than the operating rate of 98% of industrial enterprises above designated size in the same period.

81 Xin Xiangfei, Zheng Maiqing, Zhao Guiping, Wen Jie & Wang Jimin. The COVID-19 pandemic Impact on China's Broiler Industry, China National Broiler Industry Technology System, February 24, 2020.

82 Kunming International Flower Auction Trading Center. Report on COVID-19 Pandemic Impact and Snow Disaster on Flower Industry and Enterprises, 2020.

83 Ye Xingqing, Cheng Yu, Zhou Qunli, Yin Haodong. Assessment of the Impact of COVID-19 Pandemic on Agricultural and Rural Development in 2020 and Countermeasures, Issues in Agricultural Economy, No.3, 2020.

The COVID-19 pandemic was a tremendous shock to the poor and marginalized. Based on the status quo, poor countries and those lifted out of poverty have been adversely impacted; poor farmers, and to a large extent, poor marginal groups, including those lifted out of poverty and those living above the poverty line but with weak production bases, who are at high risks of returning to poverty and becoming poor. Figures show that about 2 million people are at risk of falling back into poverty and 3 million people of becoming poor and about 5 million people are on the verge of poverty.[84]

(2) China's Poverty Alleviation Practices under Pandemic Prevention

In 2020 the pandemic posed a huge challenge at the final stage of China's poverty eradication, but the Chinese government has continued its poverty reduction efforts while fighting against the pandemic, and achieved remarkable results.

Create job opportunities for poor groups through multiple channels. Employment has reasonably been a priority under China's pandemic prevention and poverty reduction, as the COVID-19 pandemic has mainly impacted on incomes, especially the wage income. This mainly covers two aspects. On the one hand, a series of measures are adopted for the transfer of employment of poor population and migrant workers, including finding out the needs of migrant workers, arranging training, organ-

izing peer-to-peer labor export, implementing fiscal and financial incentives for enterprises and service intermediaries, as well as contracting major projects and enterprises to offer jobs for rural laborers. On the other, enriched forms of local and nearby employment are available, including the four-batch project that aims to support local "poverty alleviation workshops", help resume the work and production of leading enterprises, support entrepreneurs to grow the employment and business start-ups of poor laborers, develop public welfare jobs for poverty reduction, and carry out work-relief programs in agricultural projects. Among them, there set out a target of creating "three million jobs", i.e. one million ecological forest rangers, one million managers of development using benefits of photovoltaic poverty reduction, and one million road guards and cleaners. With a package of policies growing the poor's employment, as of July 31, 2020, more than 28 million poor laborers in 25 provinces have worked out of their hometowns (or 105% of last year's migrant workers). The nine developed provinces and cities in the east have absorbed nearly 7 million poor laborers from the central and western regions, or 85% of the total in 2019. Great progress has been seen in fulfilling the target of "creating three million jobs" for poverty reduction. Across 22 provinces in the central and western regions, nearly 5 million poor have been placed in poverty reduction posts, including 1.22 million forest rangers, 300,000 road guards, 1.38 million cleaners, nearly 170,000 water guards,

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84   Xi Jinping. Speech at the symposium on decisive battle to shake off poverty, People's Daily, March 7, 2020.

nearly 60,000 paramedics, 340,000 village administrators and 1.31 million others. About 1.24 million public welfare jobs were provided by poverty alleviation funds, absorbing 1.22 million poor. There are 29,449 leading poverty-alleviation enterprises in 22 provinces in the central and western regions, with a return-to-work rate of 98%, and absorbing 831,500 poor in employment.[85] According to the statistics of the State Council Leading Group Office of Poverty Alleviation and Development, as of September 4, 2020, central and western regions had 31,441 poverty alleviation workshops, absorbing 413,600 poor in employment.

Promote the sales of agricultural products based on consumption-led poverty reduction so that the poor may recover and increase their operating incomes. Consumption-led poverty reduction has three models: (1) the government procurement model, in which government purchases agricultural and sideline products from poor areas; (2) the east-west collaboration model, which grows the sales of agricultural and sideline products from the western poor areas to the eastern developed areas by use of the east-west cooperation poverty alleviation mechanism; (3) the market participation model that encourages market players to participate in the online sales of products from poor areas. At the national level, a series of financial, logistics and green channel policies have been put in place for the production, storage, transportation and marketing of pro-poor products. At the local level, policy support has been offered to the processing, transportation, sales of poverty alleviation products and sales platform for all kinds of market players. New forms were seen coming out. Against the pandemic situation, the live commerce of people from all walks of life and the popularity of products from poor areas were commonly seen. By the end of July 2020, twenty-two provinces in the central and western regions had identified 76,152 poverty-alleviation products, 63,346 more than on March 6 of the year. The total value of commodities available for 2020 is about RMB 800.38 billion, with RMB 102.7 billion worth of goods sold. The amount of poverty-reducing products consumed in 9 provinces and cities in the eastern region reached RMB 26.44 billion, recovering and growing the poor's operating incomes from agricultural products.

Establish monitoring and targeted support mechanisms to prevent the reoccurrence of poverty for the poor and marginalized poor. Based on the registration system of the poor, the State Council Leading Group Office of Poverty Alleviation and Development has carried out dynamic monitoring and management. By the end of 2019, there had been identified 2 million people who had been lifted out of poverty but were not stable and 3 million marginalized poor households with income slightly above the poverty reduction line, and had implemented different support policies for different groups. For those who have the conditions for development and the ability to

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85   Latest progress in poverty reduction work (as of July 31). Chinese government website. August 7, 2020

work, special funds for poverty alleviation shall be offered, and interest rates on the poverty alleviation microcredit applied by them shall be discounted so that they may enjoy the same policies as those of poor households registered. This part of the population is also supported in trainings of labor skills and business skills, with efforts to find them jobs through public welfare posts in villages and labor export, etc. The registered poor who live in poverty or return to poverty because of the pandemic situation shall be covered by security policies such as subsistence allowances, special support and temporary assistance in a timely manner.

(3) China's Experience in Poverty Alleviation and Pandemic Prevention

The COVID-19 pandemic in early 2020, confronting the worsening international trade situation and frequent natural disasters, has caused enormous pressure on China to complete the goal of eradicating absolute poverty by 2020. That being said, the Chinese government has made a series of macro-level adjustments and coordination of poverty reduction policies, which has minimized the pandemic impact on poverty reduction, while taking resolute measures for pandemic prevention, thus growing certain experience to this end.

The Chinese government's political commitment and practice to reduce poverty has not been shaken by the pandemic. In the first half of 2020 the pandemic impact on the economy has been evident, producing considerable pressure on the central government's poverty reduction inputs, but the Chinese government has not reduced its policy, financial and human spending on reducing poverty. The State Council and various departments issued as many as 50 policy documents on poverty reduction, covering relief, employment, medical care, education, etc. In March 2020 the central government released RMB 139.6 billion in special financial aid-the-poor funds a month earlier than in previous years, an increase of more than RMB 10 billion over the previous year. In addition to focusing on deeply impoverished areas such as the "three regions and three prefectures", the financial support has been stepped up for areas seriously impacted by the COVID-19 pandemic. Although a large number of poverty alleviation projects have been interrupted or delayed due to pandemic prevention, with the support of governments at all levels, they resumed production or received targeted support as soon as possible. With efforts of village-stationed providers of support, pandemic prevention and poverty reduction both have progressed smoothly at the grassroots level.

Against the pandemic backdrop, China has focused its efforts on people's lives and employment, combining its response to economic impact with poverty alleviation, and has developed an innovative pandemic prevention and poverty reduction model in lifting people out of poverty by boosting employment and consumption. Demands on the flow of people, transportation, and health testing have impacted the traditional poverty alleviation by industries, especially tourism projects. As re-

quired of normalization of pandemic prevention, the poverty alleviation by employment and consumption need a higher degree of organization and stronger connecting mechanisms. The rapid recovery of poverty alleviation workshops, public welfare jobs and other forms of local employment has been a highlight under pandemic prevention and poverty alleviation. E-commerce and online platforms have been standardized and upgraded during the consumption, laying a good foundation for better connecting consumers and poor farmers' incomes.

The weak social security in rural areas and other weaknesses in poverty reduction were exposed during the pandemic have received more attention, followed by the establishment of long-term mechanisms to prevent people from falling back into poverty and to respond to relative poverty. In the pandemic situation, dynamic management and support have been offered for the returning poor and the poor marginal population and the poor's registration information system improved, which laid a foundation for the coming response to those slipping back to poverty. The reoccurrence of poverty and impoverishment of the marginalized have shown the multidimensional nature of poverty. In addition to exerting efforts on

industries and employment, the Chinese government has improved its policy practice in health care, education, old-age support and relief, which objectively grew the experience in developing long-term mechanisms to curb poverty in the times of relative poverty after the goal of eradicating absolute poverty.

5.2 COVID-19 Pandemic and Asian Countries' Poverty Reduction

The United Nations Sustainable Development Goals Report 2020[86] says the COVID-19 pandemic has changed the forecast for the global goal of eradicating extreme poverty. The proportion of people living in extreme poverty worldwide declined from 15.7% in 2010 to 10.0% in 2015. However, the pace of global poverty reduction is slowing, while real-time estimates show a global poverty rate of 8.2% in 2019. Prior to the COVID-19 pandemic, baseline projections indicated that 6% of the global population would still be living in extreme poverty by 2030, failing to reach the poverty eradication target. Assuming that the pandemic situation remains at the level currently expected and economic activities resume later this year, global poverty rate is projected to reach 8.8% in 2020 (Figure 5.1), the first increase since 1998.

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86   United Nations (2020). The Sustainable Development Goals Report 2020. Retrieved October 12, 2020, from https://unstats. un.org/sdgs/report/2020/

Figure 5.1 Forecasted Global Extreme Poverty Rates after COVID-19 Pandemic
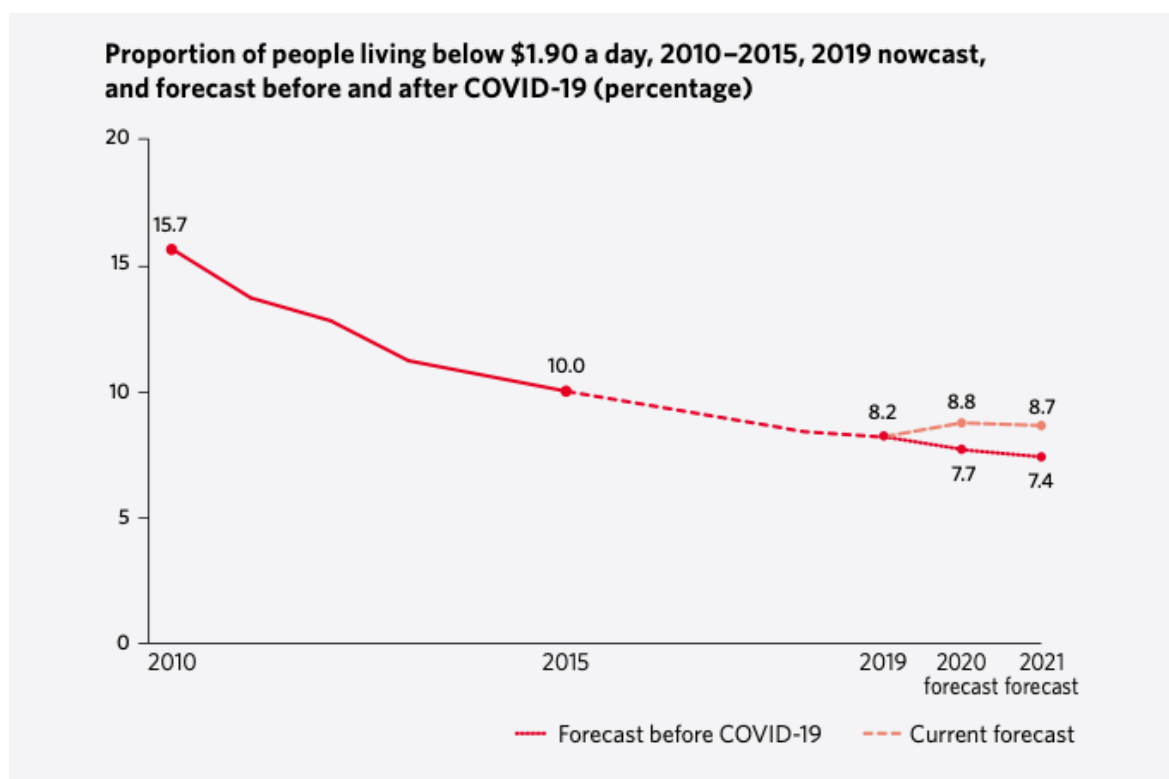
Source: The Sustainable Development Goals Report 2020

The lack of authoritative and systematic data makes it difficult to discuss the COVID-19 pandemic impact more scientifically and systematically on poverty in Asia. First of all, different types of Asian countries have been impacted to varying degrees, but unlike the direct "pandemic poverty" that occurs in North America and Europe, the pandemic impact on poverty in Asian countries is mainly "pandemic-resulted poverty", that is to say, economic activities are affected by the adoption of pandemic prevention measures, and then the income changed. More importantly, Asian countries have been fully exposed to the wave of globalization over the past two decades and have been important beneficiaries of it. The disruption of global supply chains caused by the COVID-19 outbreak has a direct impact on economic activities in Asia, mainly because Asia is the most active player in the global industrial chain. Notably, the economic activities in Asia are closely related to those in China and are highly dependent on the needs of the Chinese market. The impact of China's closed overseas tourism market on Japan, South Korea and Southeast Asian countries is something typical.

Except for economically developed Asian countries, most Asian countries lack effective social security systems and the pandemic situation directly impacts labor-intensive employment. In the absence of social security, low-income groups in labor-intensive sectors rapidly fell into poverty, a direct COVID-19 pandemic impact on poverty in Asia.

(1) Overall Pandemic Impact on Asian Countries

The International Monetary Fund estimated in June 2020 that the world economy would drop at 4.9% in 2020, with China growing at 1% and India at -4.5%, as projected by the World Bank.[87]

According to the World Bank's projections for June 2020, the world economy (real GDP) is expected to drop at 5.2% in 2020, with East Asia and the Pacific being the few positively growing areas, with a projected 0.5%, with China at 1%, Indonesia at 0% and Thailand at -5%. Economic growth in South Asia was -2.7%, with India at -3.2%, Pakistan at -2.6% and Bangladesh at 1.6%.[88]

Estimates based on growth projections from the June 2020 Global Economic Prospects report show that, COVID-19 could push 70 million to 100 million people into poverty. As a result, the global extreme poverty rate (by the poverty line of US$1.90/day) in 2020 would rise from 8.23% in 2019 to 8.82% under the baseline scenario or 9.18% under the downside scenario, representing the first increase in global extreme poverty since 1998, wiping out the progress made since 2017. While a small decline in poverty is expected in 2021 under the baseline scenario, the projected impacts are likely to be long-lasting. A large share of the new extreme poor will be concentrated in countries that are already struggling with high poverty rates and numbers of poor. Almost half of the projected new poor will be in South Asia, and more than a third in Sub-Saharan Africa.[89] Based on the World Bank's preliminary estimates for South Asia, as shown in Figure 5.2, the population living in poverty as defined by the US$1.9/day poverty line is expected to increase from 16 million in April to 32 million in June, and 42 million in June under the downward economic trend. If the poverty line is raised, the increase in the number of poor people affected by the pandemic is more objective. The population living in poverty in South Asia as defined by the US$3.2/day poverty line would rise from 56 million in April to 138 million in June under the sustained downturn in the economy. Based on grouped distribution data on household consumption expenditures for 34 Asian Development Bank (ADB) developing member countries (DMCs), using the extreme poverty line (US$1.9/day), results show an additional 34 million, 78 million, and 185 million extreme poor for the 5%, 10%, 20% decline in annual per capita consumption expenditure scenarios, respectively.[90] From the direction of poverty rates and number of poor, relative to a baseline 2020 scenario without COVID-19, and in line with 2012–2018 data—for example, there would be an estimated 734 million (or about 19%) living in poverty as defined by the US$3.2/day poverty line in 2020. A 5% reduction in annual per

87 International Monetary Fund, June 2020. World Economic Outlook Update.

88 World Bank Group Flagship Report 'Global Economic Prospect' June, 2020.

89 The World Bank. Brief June 8, 2020 Projected poverty impacts of COVID-19 (coronavirus). Retrieved October 12, 2020, from https://www.worldbank.org/en/topic/poverty/brief/projected-poverty-impacts-of-COVID-19

90 Asian Development Bank. May 2020. *ADB Brief,* No. 133.

capita consumption expenditure would put an additional 89 million people into poverty, while a 10% or 20% reduction in annual per capita consumption expenditure would imply 183 million or a staggering 399 million

poor people falling back into poverty. In other words, the three different levels of consumer spending triggered by COVID-19 may cause hundreds of millions of people to fall into the poverty trap.

Figure 5.2 COVID-19 Pandemic-caused Regional Distributions of the Poor
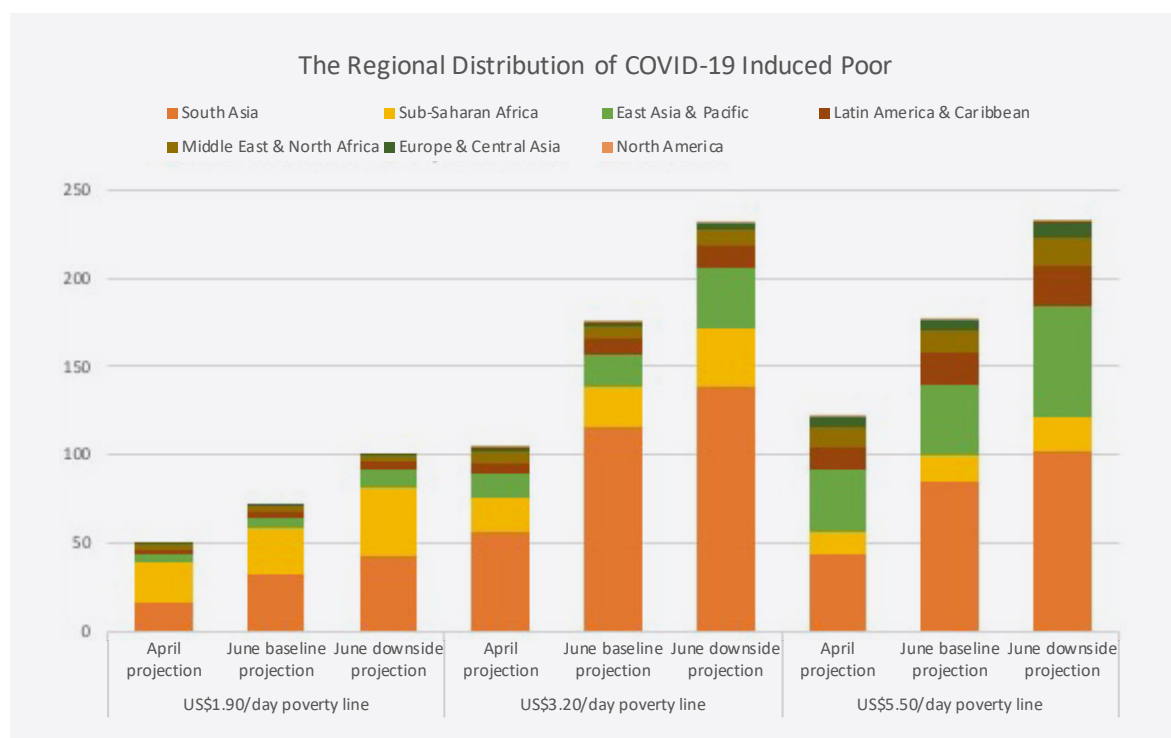
Source: Lakner et al., (2020). PovcalNet, Global Economic Prospects

The COVID-19 impact on poverty levels is directly reflected in the decline in employment and wages. As shown in Table 5.2, while the pandemic situation is contained in the short and long term, the world will lose 158 to 242 million jobs (or 6% to 9.2% of the total employment). Under the short-term containment of COVID-19, the unemployment rate was more than seven times that of the global financial crisis of 2008-09, which cut 22 million full-time jobs. The situation is even worse in Asia, where 109 million to 167 million people will be jobless, about 70% of the world's total

unemployed population.

Wages will also fall across the globe, particularly in the US, EU and UK. Globally, wage income is expected to fall by US$1.2 trillion to US$1.8 trillion. For Asia, the decline is expected to be between US$359 billion and US$550 billion (or about 30% of the total decline in global wage income), both in the short-term and long-term containment of COVID-19. For the G3 countries, labor income is projected to fall by a combined US$735 billion to US$1.1 trillion (or about 61% of the global GDP decline).

Table 5.2 COVID-19 Pandemic Impact on Employment and Wage Income—Deviation from Non-COVID-19 Baseline

	Employed population (million)		Wage income (million US dollars)	
	Short-term containment of COVID-19	Long-term containment of COVID-19	Short-term containment of COVID-19	Long-term containment of COVID-19
Global	−158.1	−242.1	−1,201,231	−1,832,371
Asia	−109.1	−166.7	−358,709	−549,900
Australia and New Zealand	−0.3	−0.5	−11,189	−17,042
Central Asia	−1.9	−3.0	−3,419	−5,396
East Asia (except China)	−2.2	−3.6	−37,751	−59,730
China	−62.9	−95.2	−253,503	−385,970
Southeast Asia	−11.6	−18.4	−25,047	−38,986
South Asia	−30.0	−45.9	−27,606	−42,445
Pacific	−0.1	−0.2	−193	−331
G3 countries	−29.1	−44.1	−735,301	−1,118,925
USA	−9.0	−13.5	−402,675	−611,233
Japan	−3.6	−5.5	−60,556	−92,157
EU + UK	−16.5	−25.1	−272,070	−415,534

Source: Asian Development Bank predictions

(2) COVID-19 and Asia's Poverty Reduction: An Overview of Several Countries' Experience

Thailand

TThe COVID-19 related impact on the economy in Thailand in both direct (generated by domestic lockdown) and indirect (supply and demand shocks in supply chains, including tourism) manner is likely to be severe. There are already signals of the disruptions in the world of work in the first quarter 2020, and from 6.6 to 7.5 million workers in Thailand are expected to experience such disruption first hand. Workers in the informal economy are those most severely affected by the COVID-19 crisis due to their lack of income security and exclusion from most social protection measures. Also, the ten occupations with the highest shares of daily and hourly workers saw a reduction of nearly half a million jobs between the 1st quarter of 2019 and 1st quarter of 2020. One of the main impacts of the COVID-19 on the labor market in Thailand will be an increase in working poverty as the volume of work measured in terms of hours worked falls along with declining economic activities. The loss of income among informal workers will push many over the poverty threshold. As a result, the share of the working poor in Thailand is expected to increase from 4.7% to at least 11% of total employment this year. The Government of Thailand has been responsive in its design of COVID-19 stimulus, and relief measures are far-reaching. Yet as the

crisis lengthens, the Government will need to adjust its policies towards more consistent support of the most vulnerable and with consideration of mid- to long-term COVID-19 recovery objectives.[91]

Myanmar

As of April 21, Myanmar had just 119 confirmed positive cases. After September, 2020, however, Myanmar's situation of pandemic prevention grew grim, as the number of positive cases rose rapidly to more than 4,000. In parallel, Myanmar's two million people working overseas every year, under the global COVID-19 pandemic, stopped their works and returned to their hometowns due to relevant countries' policies of shutting down factories. Figures show that Myanmar's annual international remittances by its laborers overseas account for 43% of the total income of the recipients of international remittances, that is, remittances are an important source of income for rural populations. While the impact of factory closures and labor returns on incomes of these households, particularly the poor, is huge, their incomes are expected to drop by more than 50%. Households dependent on remittances from domestic workers in Myanmar will also lose 30% of their incomes, plus a sharp drop in incomes of those working out of the country, which will push 65% of the population dependent on remittances below the poverty line and impoverish an estimated

3.5 million rural people across the country. The potential impoverishment of a large population has pushed the Government of Myanmar to launch the COVID-19 Economic Relief Plan, including unconditional cash transfers and in-kind transfers to poor groups dependent on domestic/international remittances to alleviate food and nutrition shortages among the poor.[92]

Vietnam

A web-based survey conducted from December 2019 to February 2020, in which three main subjects, health professionals, medical students, and community workers in all regions of Vietnam were invited to participate, was an assessment on the local authority and community adaptation on COVID-19. It indicated the moderate capacity of the local authority and community adaptation on epidemics and disasters in Vietnam.[93]

An interim relief package of VND 62 trillion (US$2.6billion) has recently been rolled out by the government in the form of a three-month cash transfer scheme to people affected by the pandemic, including: social policy beneficiaries, people who rendered services to the state during the revolution, the poor and near-poor, furloughed workers or those on unpaid leave during the pandemic and freelancers. This may go some way to mitigating the economic impact on the most vulnerable people in Vietnam. However, in the case of COVID-19, the direct

91   COVID-19 employment and labour market impact in Thailand. ILO brief 2, June 2020.

92   Jennifer C. Franco (2020). "If the virus doesn't kill me…": socioeconomic impacts of COVID 19 on rural working people in the Global South. Agriculture and Human Values. https://doi.org/10.1007/s10460-020-10073-1

93   Bach Xuan Tran, Hien Thi Nguyen et.al.(2020). Capacity of local authority and community on epidemic response in Vietnam: Implication for COVID-19 preparedness. *Safety Science,* 130, 104867.

and indirect costs for individuals are likely to be staggering and temporary relief measures may help to some extent but are unlikely to be either socially inclusive or alleviate poverty long term. The links between social protection and health systems need to be strengthened to maximize health and economic prospects for all.[94] Vietnam's previous poverty reduction mainly depended on the increase of labor wages. With reduced demand and temporary lockdowns under the pandemic, the incidence of poverty is likely to increase in the first half of 2020, thus hindering the decline in poverty rate.[95]

India

India's population living in poverty has risen dramatically as it imposed lockdowns in response to COVID-19. Its informal sector accounts for about 91% of the total population, mainly including the agricultural population, migrant workers and other vulnerable groups with daily wages as the basic income. Based on the World Bank's April report, South Asia is expected to add over four million poor, the majority of whom will be in India. While economic and social activities are put under restrictions, a study shows that COVID-19 will exacerbate economic and social inequalities, with reduced income and life problems being the main reasons affecting the poor's access to food. Agricultural incomes are heavily impacted as economic stagnation and lockdowns

across the country coincide with crop harvests in the current season. Urban casual workers have to return to their rural hometowns, where a sharp drop in income will lead to a decline in food consumption. The stability of their access to food is threatened. While food supply chains are immune to the transport ban during the pandemic, only a small number of private enterprises take effective food supply chains and government public services need to spare greater efforts and coordination in ensuring food security for the poor. As of July 2020, 67% of India's population was receiving free and subsidized rations from the national food security board, a figure that quickly increased to 800 million. Food safety and stability will depend on the government's ability in containing the local pandemic situation as soon as possible and to restore free flow of goods and people, and the food supply chain.[96]

Bangladesh

Bangladesh is one of the high-risk countries for the COVID-19 pandemic. Economic stagnation has decimated the incomes of urban labor and rural people, and the World Bank warned in April that Bangladesh could add more than 50 million poor by 2020. Based on the latest figures, Bangladesh has 49.43 million poor and the national poverty rate has risen to 29.5% by June 2020. In the fiscal year 2018–2019, 20.5% of the population lived under the national poverty

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94   Tran PB, Hensing G, Wingfield T, et al.(2020). Income security during public health emergencies: the COVID-19 poverty trap in Vietnam. *BMJ Global Health,* 5 (6). http://dx.doi.org/10.1136/bmjgh-2020-002504

95   World Bank Group (2020). Poverty & Equity Brief: East Asia & Pacific, Vietnam. April 2020.

96   Khushbu Mishra, and Jeevant Rampal (2020). The COVID-19 pandemic and food insecurity: A viewpoint on India. World Development 135 (2020) 105068.

line, and 10.5% are in extreme poverty, according to the latest government announcement. Indeed, the COVID-19 pandemic has greatly impacted Bangladesh's poor and vulnerable groups. Even the economy is gradually on track under the post-pandemic situation based on optimistic estimates, Bangladesh has 13% unemployed population and the poverty rate will rise by 25.13%, among which the urban poverty rate will rise by 25.13%, slightly higher than that of rural poverty by 24.23%. Bangladesh will add 16.4 million poor by 2020 as a result of massive unemployment and poverty among urban and rural workers because of economic stagnation. Food security affects these poor people first, and hunger, sanitation, malnutrition and other issues make them more vulnerable to the COVID-19 pandemic. As of June 2020, more than 16 million people faced food security problems and 11 million suffered from chronic hunger based on the statistics from the World Food Programme.[97]

Indonesia

Indonesia's economic growth rate for 2020 is projected to slow from about 5% to between 4.2% and −3.5%. Under the best-case scenario, the poverty rate will increase from 9.2% in September 2019 to 9.7% by the end of 2020, pushing 1.3 million more people into poverty. Under the worst-case scenario, the poverty rate will increase to 16.6%, close to the level seen in 2004 when the poverty rate was 16.7%. This

means that 19.7 million more people will become poor, substantially reversing Indonesia's progress in reducing poverty. The implication is that Indonesia will need to expand its social protection programs to assist the new poor as well as the existing poor.[98]

5.3 Summary

The COVID-19 pandemic has dramatically affected the global economy and the global poverty landscape. The global population in extreme poverty will grow by 17 million. While Asia is one of the regions with a sharp increase in poverty under the pandemic, Asian developing countries will add 34 million to 185 million people living below the extreme poverty line. The COVID-19 pandemic has wiped out poverty reduction achievements of Asian countries over the past decades. Since poverty in Asian countries constantly occurs in the economic and social transformation context, for Asian countries, economic recovery is an important condition for eradicating pandemic results and alleviating poverty, which is largely dependent on continued access to benefits of globalization. China's economy was hit hard by the COVID-19 pandemic. The employment of migrant workers in poor areas, sales of agricultural products, and the industrial sectors employing low-income groups have been seriously impacted. However, China's poverty reduction, which began in 2012 and aims to eradicate rural absolute pov-

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97   Maiko Sakamoto, Salma Begum and Tofayel Ahmed (2020). Vulnerabilities to COVID-19 in Bangladesh and a Reconsideration of Sustainable Development Goals. Sustainability 2020, 12, 5296. http://doi:10.3390/su12135296.

98   Asep Suryahadi, Ridho Al Izzati and Daniel Suryadarma (2020). Estimating the impact of Covid-19 on poverty in Indonesia. *Bulletin of Indonesian Economic Studies,* 56 (2), 175–192.

erty by 2020, has laid a solid foundation for the poor to shake off poverty in terms of industrial and social security. The pandemic has impacted poor farmers' incomes to varying degrees, but done little to education, health care and the poor's social safety nets. Moreover, with the continuing support of poverty reduction policies, the drop in the poor's income caused by the COVID-19 pandemic has not been directly reflected in the increase of poor population, indicating the resilience of poverty reduction policies and measures initiated by the Chinese government. China's fundamental experience in poverty reduction includes: (1) mechanisms to address any risk need to evolve over a long period of time; (2) for a country with a large poor and low-income population, controlling the pandemic spread and restarting economic activities as early as possible are important to combat negative impact on poverty reduction; (3) as not all post-pandemic economic recovery measures are necessarily pro-poor, economic recovery plans that directly target the poor are needed.

CHAPTER 6

Conclusion: Asia's Poverty Reduction Enters a New Stage

The Asian region has achieved long-term high-speed economic growth and rapid social transformation in the wave of globalization. In parallel, Asian countries have been impressive in poverty reduction. While countries such as China and India have grown into emerging countries and important engines fuelling the world economy, Asian developing countries' social and economic transformation has fundamentally changed the global economic landscape. In terms of poverty reduction performance, Asia is a great contributor to global poverty reduction. China and India have played important roles, and the former has contributed the most to global poverty reduction.

Asia enters the final stage of extreme poverty eradication.

By 2019, most developing countries in Asia, except for a handful of them such as Timor-Leste, Turkmenistan and Laos, have seen their poverty rates fall below 3%, using the extreme poverty line US$1.90/day. Asia's developing countries are entering the final stage of eradicating extreme poverty and is likely to make great pro-

gress on Goal 1 in time for the UN Agenda 2030.

Since 2012 when the Chinese government started the poverty-reduction campaign aimed at eradicating rural absolute poverty by 2020, China's poverty rate (US$1.9/day poverty line) had fallen to 0.5% by 2016. Thanks to the Chinese government's strong policies and huge spending on poverty reduction, this rate had dropped to 0.6% by the end of 2019 by using the country's rural poverty line, and China is expected to completely eliminate rural absolute poverty by the end of 2020.

Asia moves towards a new era of relative poverty alleviation.

While Asia's poverty varies among countries, some low-income countries in Asia remain tasked with eliminating absolute poverty, and for most Asian developing countries, income inequality and the equalization of social and public services have increasingly become new challenges against poverty reduction. Asia is not the region with the greatest inequalities globally but shows evidently growing income

inequality in transforming the economy and society, which has impacted the sustainability of economic development and poverty reduction. Asia's income inequality is mainly manifested as three patterns: the inequality caused by transformation, relative equality in underdeveloped countries, and relative equality in high-income countries. Most Asian developing countries present the first kind. The fact that the multidimensional poverty rate is higher than extreme poverty rate in Asia indicates the region is facing new challenges in income inequality and social public service gaps.

The programme to eradicate rural absolute poverty, implemented in China since 2012, focuses on growing the poor's incomes to address the issue of income poverty and invests huge financial and material resources to mend the gap of social public services in line with "two assurances and three guarantees". For such a long time as China works to eradicate rural absolute poverty, it has in fact started responding to relative poverty in developing Asia first, with primary focus on reducing disparities. Thus, China is leading in the poverty reduction in Asia.

Asia offers the world a diversity of poverty reduction programmes.

Asia has explored diversified poverty reduction practice models in boosting economy and reducing poverty. Generally, the region's poverty reduction is characterized by economic growth-led poverty alleviation and eradication. In other words, the economic growth of Asian developing countries is pro-poor to var-

ying degrees, which is evident in China, India, Vietnam, Indonesia and Bangladesh, a sharp contrast to the disconnect between growth and poverty reduction in many sub-Saharan African countries.

Under the general model, China's poverty reduction is characterized by a strong government-led, sector-wide pro-poor growth with Chinese characteristics. In parallel, against the rising income inequality, the country's experience in allocating income and benefits based on its system advantages is thus seen. Developing countries in Asia have presented similar but slightly different poverty reduction models compared with China, while many of them have pushed the social and economic transformation by use of foreign investment in the wave of globalization. The countries have orderly reduced poverty with efforts different from China's, sector-wide poverty reduction path, but grown incomes through the rapid rise of labor-intensive processing industries, forming a foreign-investment-driven poverty reduction model. Besides that, even though a few other Asian countries have adopted a poverty reduction model featuring welfare distribution, this model has been all the rage since this century, that China and an increasing number of Asian countries have been benefited from this model for advancing national living quality.

New challenges to poverty reduction posed by the changing landscape of "globalization"

While globalization has sparked tremendous political, economic, social and cultural im-

pacts worldwide, its most central impact has been reflected in the economic dimension.

First, Asia's development is driven by three factors - domestic investment, FDI and the demographic dividend. Over the past two decades, in addition to investment in domestic infrastructure, public services, etc., Asian countries have reaped the benefits of human resource development by promoting the technological upgrading of enterprises through the introduction of foreign-owned enterprises and various forms of FDI, and, in the process, large numbers of industrial workers have been employed and trained through "learning by doing". Key indicator of Asian Development Bank 2020[99] shows that in 2019, although the number of foreign investments received by China, which is Asia's largest destination country for foreign investment, was lower than that in 2018, developing Asian countries maintained their position as the world's largest recipient region of FDI, accounting for 33.5% of total world outward investment. Among the world's top 10 FDI-receiving economies, four of them are Asian countries, China, Singapore, Hong Kong and India. Other Asian countries following closely include Japan, Indonesia, South Korea and the Philippines.

Second, Asia has turned into the world's merchandise export base over the past two decades. From 2000-2019, the Asia-Pacific region became the largest contributor to global GDP,

with its share rising from 26.3% in 2000 to 34.9% in 2019. Half of the member economies of Asian Development Bank experienced GDP growth of more than 4% in 2019. At the same time, the region's share of global exports augmented from 28.4% in 2000 to 36.5% in 2019 (ADB, 2020).

Third, hundreds of millions of people have been moved out of poverty over the past two decades accompanied by tremendous economic growth in Asian region, which has drawn widespread international attention. Since China started the fight against poverty with targeted measures, population under poverty in rural areas has dramatically dropped from 98.99 million at the end of 2012 to 5.51 million as of 2019. If China achieves its 2020 goal of eradicating extreme rural poverty, it would be 10 years ahead of the United Nations Sustainable Development Goals' target of ending global poverty by 2030. Former UN Secretary General Ban Ki-moon highly acknowledged China's development and achievement of sustainable development goals as an integral part of global achievements in this field.[100] In addition to China, emerging economies that have attracted large amounts of foreign capital, such as India, Vietnam and Cambodia, have increased employment opportunities through foreign investment, which is the most direct way to reduce household poverty and thus contributes to poverty reduction. These emerging economies are also the ones

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99   Asian Development Bank (2020). ADB Releases Latest Statistical Report for Asia and Pacific, Updates Database. News Release | 10 September 2020. Retrieved September 30, 2020, from https://www.adb.org/news/adb-releases-latest-statistical-report-asia-and-pacific-updates-database

100   Zamir Ahmed Awan (2020). China's Victory against Poverty Appreciated. Source: People's Daily Online Published: 2020-09-23. Retrieved September 30, 2020, from https://en.dahe.cn/2020/09-23/734235.html

that have benefited the most from the demographic dividend, along with the ripple effect of the increase in employment and the spill-over effect from the agglomeration economy.

However, a series of moves that U.S. has taken such as trade protectionism and withdrawal from the global treaties have opposed shifts in the current state of globalization. The new situation emerged since the U.S.-China trade friction in 2018, have created uncertainties and even threats to further promote effective poverty reduction in the Asia-Pacific region.

First of all, the international trade involved in the industrial chain is the most affected sector, which can lead to a decline in economic growth. Although many of the trade policy or corporate sanctions adopted by the United States are targeted at China, the global supply chain involves trade between Asian countries and China where import and export of certain products are hindered, thus affecting the production and development of industries related to manufacturing sector. China has become an important partner of Asian countries in import and export trade, and the upstream and downstream of certain industries may suffer from the trade friction and then the struggling supply chain.

Secondly, laid-off employees and reduced wages may further affect household income and increas the risk of plunging deeper into poverty. Countries with insufficient social security coverage would have a staggering pro-

gress on poverty reduction.

In response to the changes in globalization, China's Belt and Road Initiative will play an important role in addressing anti-globalization and trade protectionism[101], and also can serve as a leveraging tool for Asian countries and other BRI countries to achieve the goal of "zero poverty".[102]

The COVID-19 pandemic will change Asia's poverty reduction pattern.

While economic growth and poverty reduction in Asian developing countries have been important results of globalization over the past few decades, current changes against globalization have in fact begun to affect Asian countries' development and poverty reduction mechanisms, which will be exacerbated by the COVID-19 pandemic, and is likely to disrupt the basic poverty reduction path in Asian countries as a major source of poverty reduction drivers in Asian developing countries as they gain from global industrial chains. The global industrial chain's disruption and disorder during the COVID-19 pandemic and afterward major adjustments are likely to fundamentally change the path of poverty reduction in Asian developing countries and, to some extent, impact and reverse their poverty reduction performance.

The COVID-19 pandemic has caused a shock to China's economy, but it will not fundamentally change the country's trajectory of complete-

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101   BRI antidote to anti-globalization, protectionism, says scholar. Xinhua | Updated: 2018-04-11. Retrieved September 30, 2020, from http://www.chinadaily.com.cn/a/201804/11/WS5acdbeaca3105cdcf65179ca.html

102   Azhar Azam (2019). BRI is instrumental to realizing 'no poverty' vision. Retrieved September 30, 2020, from https://news.cgtn.com/news/2019-10-18/BRI-is-instrumental-to-realizing-no-poverty-vision--KSPWk1HvKE/index.html

ly eliminating rural absolute poverty by 2020, largely because China has already provided basic social and life security for the poor in line with "two assurances and three guarantees". However, the pandemic may increase the risk of out-of-poverty people falling back into poverty and push near-poor vulnerable groups into poverty. It means that in the post-pandemic era, China will face big challenges in responding to relative poverty after eliminating the absolute poverty in rural areas.

Asian countries need a new poverty reduction strategy.

Confronting the COVID-19 pandemic, the already changing globalization landscape will see more profound adjustment. In parallel, while Asia as a whole is nearing the end of eradicating extreme poverty and starts addressing relative poverty, significant development disparities exist among Asian countries and great development imbalances in each one of them. Many Asian countries are at different phases of economic development and their progress and poverty reduction patterns are varied. In this era of great changes, Asian countries need to adjust and shape a new poverty reduction strategy based on responding to the changes in globalization and public security risks as soon as possible. This new strategy needs to deal with dual challenges of reversing poverty reduction and relative poverty: while improving the subsistence system for the poor targeted at income poverty, it needs to put in place a social security system capable of risk response, including social safety nets, public service supply, etc.

China has started the establishment of long-term mechanisms for risk response and relative poverty as it launched the poverty-reduction campaign, as was seen in specific poverty reduction practices in the pandemic situation. Nearby employment through poverty alleviation workshops and public welfare jobs may well avoid public risks associated with working out of hometowns; the consumption-led poverty reduction mechanism based on e-commerce platforms and off-site collaboration may push forward the organization and marketization of small poor farmers; the information system for poor households based on absolute poverty targeting and identification has been adjusted in the case of pandemic prevention to prevent out-of-poverty people slipping back to poverty. The practice of ensuring "rural poor people are free from worries over food and clothing and have access to compulsory education, basic medical services and safe housing" has superimposed institutional content of alleviating relative poverty with the aim of reducing gaps on the basic means of eliminating income poverty through development. China's new experience in poverty reduction as mentioned above is a reference for other developing countries in Asia.

In the post-pandemic era, poverty reduction remains a common challenge for Asian countries and the overarching goal of the UN Sustainable Development Agenda by 2030. Asian countries have made impressive progress and poverty reduction results and contributed diverse poverty reduction programmes to the world. Against increasing public risks, growing de-globaliza-

tion developments, and rising populism and protectionism, it is even more necessary for all to join hands and share experience for new breakthroughs in poverty reduction and to contribute more to global progress.

Statement and Acknowledgements

The Asia Poverty Reduction Report 2020 has been prepared by researchers from College of International Development and Global Agriculture (CIDGA) housed at China Agricultural University (CAU) under the guidance of the Secretariat of the Boao Asia Forum (BFA), for the purpose of helping readers understand the latest situation of poverty reduction in Asian countries and building a new platform for strengthening exchanges and cooperation in the area of poverty reduction under the framework of South-South cooperation.

With 47 Asian countries as objects of research, the report tries to reflect the latest progress in poverty reduction in Asian countries with accurate data, detailed information and in-depth analysis. The writing team of BFA Asia Poverty Reduction Report 2020 is led by Professor LI Xiaoyun, Honorary Dean of CIDGA, who designs the report framework, guides the writing and editing process of the report. Contributors to this report include Associate Professor WANG Haimin, Dr. XU Jin, Ms. JI Lanlan and Ms. LI Jiayu.

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