

## POVERTY ANALYSIS (SUMMARY)<sup>1</sup>

1. Thailand has been successful in achieving a substantial reduction in poverty, largely as a result of moderate to high rates of economic growth; targeted social programs; and improved earnings from farm production, aided by rural infrastructure improvements. Poverty remains rather unevenly distributed, with much higher rates in rural areas and noncentral regions. Income inequality remains an important challenge.

### A. Key Issues and Challenges

#### 1. Poverty

2. The poverty headcount, based on the revised national poverty line, fell from 65% in 1988 to 35% at the end of the golden decade of high growth in 1996. The number of poor decreased from 34.2 million to 20.3 million. The poverty rate increased again after the financial crisis, peaking at 43% in 2003 before falling substantially to 13% by 2011, a decrease of 30% in 8 years, experienced during a period of relatively sluggish growth overall.

3. In 2011, the national poverty line was B2,422 per capita per month, or about 19% of gross domestic product per capita per month. The nominal poverty line more than doubled from 1988 to 2011 (growth of 175%), while the per capita gross domestic product more than quintupled (growth of 438%).

4. Poverty incidence differs considerably between subnational regions and demographic groups. Poverty is primarily a rural phenomenon, with more than 80% of the country's poor living in rural areas. Poverty incidence in rural areas of some regions is as much as three times higher than in urban areas.

5. One striking feature of poverty in Thailand is the large disparity between regions. Poverty is concentrated in the northeast where more than 40% of the country's poor reside, and the north, with more than 20% of the poor. On the other hand, less than 5% of the country's poor live in Bangkok. By 2011, poverty rates in all regions had decreased considerably from 1990. Poverty is still more prevalent in the northeast (over 15%) followed by the north, and Bangkok.

6. Interprovincial variations in poverty incidence are even greater than interregional variations. For example, an average poverty headcount ratio of around 13% in the north in 2011 masks the enormous disparity in poverty rates between relatively urban Chiang Mai (nearly 8%) and relatively remote, rural, and agricultural-based Mae Hong Son (over 50%), which has the highest poverty incidence among Thailand's provinces.

#### 2. Inequality

7. Various measures of income inequality show that income distribution is skewed toward a small percentage of the population. Although overall income distribution has slightly improved since 1990, the richest 20% of households still accounted for more than half of total household expenditure in 2011. Income disparities have tended to exacerbate social disquiet about inequitable and unsustainable development.

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<sup>1</sup> This summary is based on ADB. Forthcoming. *Country Diagnostic Study: Thailand*. Manila.

8. While Thailand has achieved gender parity in primary school enrolment and women outnumber men in secondary and tertiary education, female participation in the labor market remains lower than that of men. With an aging population,<sup>2</sup> wage pressures will increase, and pension and social insurance will become increasingly important in promoting equity.

9. Over time, inequality has mostly remained unchanged since 1988. Using the Gini coefficient to measure inequality of per capita monthly expenditure, inequality briefly peaked in 1992 at 0.48, falling to about 0.38 in 2011.<sup>3</sup> This is slightly below the common benchmark of 40, which differentiates between moderate and higher inequality.

10. Aside from income inequality, Thailand also has inequality in access to basic social services. Although the country has nearly achieved basic education for all, with the primary gross enrolment rate of about 91% and secondary gross enrolment of 76% in 2009, poorer children are still significantly more likely not to attend primary or secondary school compared with their richer counterparts. In fact, children from the poorest 20% of households are more than twice as likely to be out of school compared with those from the richest 20% of households. Regional disparities in access to basic education are also observed, with school-age children from the south being the most likely to be out of school. Rather surprisingly, however, the incidence of nonattendance is higher in Bangkok and the Central region, than in the Northern and Northeastern regions. Nonattending children in the capital and the Central region are from the poorest households of those areas and may reflect an excluded migrant population.

## **B. Government Strategy**

11. With its vision of “a happy society with equity, fairness, and resilience” the Eleventh National Economic and Social Development Plan, 2012–2016 aims to promote a fair and quality society that enjoys social protection and security, access to public services and resources, participation, and good governance.<sup>4</sup> Among the plan’s targets are (i) a decrease in inequality, reduction of people living below the poverty line, improved health, and stronger social institutions; and (ii) inclusive economic growth based on improved productivity and competitiveness, and driven by the private sector, particularly small and medium-sized enterprises. The indicators for overall national development related to poverty reduction and improvement of welfare include (i) the proportion between income groups of the highest 10% and the lowest 10%, the poverty line, ratio of informal sector workers with access to social protection, and the corruption perception index; and (ii) social, economic, and environmental indicators.

12. Relevant strategies under the plan include (i) restructuring the economy toward more inclusive and sustainable development with a more diversified and robust grassroots economy; (ii) restructuring the tax system to improve income distribution; (iii) enhancing social protection; (iv) improving the quality of and access to public services, particularly for low income groups; (v) enhancing social welfare; (vi) improving access to inclusive finance; (vii) strengthening gender equality for increased participation in decision-making positions; (viii) enhancing consumer protection; (ix) promoting education and health; (x) strengthening the agriculture sector and

<sup>2</sup> While just under 11% of the population was more than 60 years of age in 2011, “The proportion of older persons in the total population is expected to reach 14% in 2015, 19.8% in 2025 and nearly 30% by 2050.” <http://www.who.int/bulletin/volumes/90/2/12-020212/en/index.html>

<sup>3</sup> If measured as inequality in income, the Gini coefficient was 0.49 in 2011.

<sup>4</sup> Government of Thailand. National Economic and Social Development Board. 2011. *The Eleventh National Economic and Social Development Plan, 2012–2016*. Bangkok.

security of food and energy; (xi) creating job and income opportunities; and (xii) creating regional economic partnerships on human capital development and labor migration.

### **C. ADB Strategy**

13. ADB targets poverty reduction in Thailand by supporting the government in achieving high and inclusive economic growth. In support of high economic growth goals, ADB will help enhance productivity and competitiveness by helping to (i) develop and modernize infrastructure and logistics—key to connecting to and serving regional and international markets—focusing on transport; (ii) implement and mainstream the new public–private participation framework with a view to leveraging private sector participation in the provision of key economic and social infrastructure and services; (iii) develop the finance sector through selected measures to broaden and deepen capital markets; and (iv) promote cross-border trade and investment.

14. To support inclusive growth, ADB will (i) improve domestic and cross-border connectivity and physical access of underdeveloped regions to markets, employment opportunities, and basic services through rural and border economic zone development along the Greater Mekong Subregion economic corridors as well as in the southern provinces of Thailand under the Indonesia-Malaysia-Thailand Growth Triangle; (ii) promote inclusive finance and financial skills focusing on the poor and disadvantaged; and (iii) strengthen social protection by supporting the expansion of coverage of, and access to, pension funds for the informal sector.