



IMPACT OF COVID-19

SECURING HOUSEHOLD INCOME

SUSTAINABLE DEVELOPMENT GOALS



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BACKGROUND

According to the Lao PDR Expenditure and Consumption Survey (LECS) of 2012/13, the national poverty headcount rate has declined by about 50% since 1992/3¹ - 23.2% (from 33.5% in 1992/93) of the population still living under the federal poverty line, and as many as about 80 per cent of the population still lives dangerously close to the poverty line (under USD 2.50 per day) with a 10% likelihood of falling back into poverty without a shock of the COVID-19 pandemic's magnitude.² Akin to trends elsewhere, poverty tends to be concentrated in rural areas, with specific ethnic dimensions. The poverty rate is the highest among the Mon-Khmer (42.3 per cent) and Hmonglu-Mien (39.8 per cent) ethnic groups.

In households where livelihoods are severely affected, the COVID-19 shock could enhance the **intergenerational transmission** of poverty in two ways. First, as a coping strategy, caregivers could be forced to reduce spending on children's education and health. Given the centrality of education for labour productivity and finding employment in the formal economy, these shocks could increase the number of children experiencing multidimensional poverty and reinforce poverty traps. Children who are born into poverty often face layers of suffering such as malnutrition, illness, and limited social capital. This makes upward social mobility extremely difficult, and in the absence of adequate social welfare nets, poverty tends to reproduce itself.³

Second, another prominent mechanism to cope with loss is by selling household assets, such as land, livestock, and equipment. These coping strategies are not easily reversible, in that they reduce the future ability to cope with stress, thereby intensifying vulnerabilities. The sale of these assets, which could have been transferred to future generations, increase the likelihood of intergenerational poverty transmission.

The World Bank estimates that as many as 88 per cent of children in Lao PDR experience some form of deprivation and over 16.5 per cent are undernourished.⁴ Poverty trends have been exacerbated due to a cycle of floods and droughts in 2018 and 2019 which adversely affected either people directly (e.g., farming communities losing fallow land and agriculture infrastructure) or indirectly (e.g., non-farm communities seeing higher food prices).

¹ Pimhidzai, Fenton, Souksavath, & Sisoulath, 2014

² <https://www.worldbank.org/en/country/Lao-PDR/publication/drivers-of-poverty-in-Lao-PDR-pdr>

³ Behreman et al., 2018. Intergenerational Transmission of Poverty and Inequality: Parental Resources and Schooling Attainment and Children's Human Capital in Ethiopia, India, Peru, and Vietnam. *Econ Dev Cult Change*, 65(4):657-697.

⁴ <https://www.adb.org/countries/Lao-PDR-pdr/poverty>

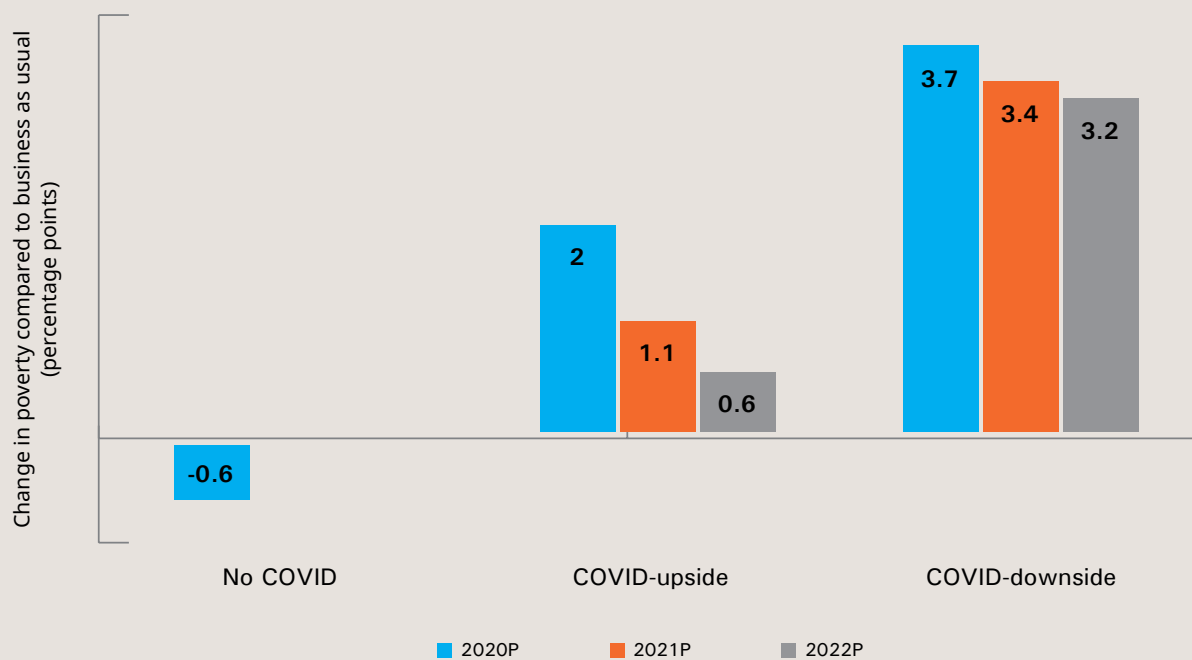
IMPACT

COVID-19 is set to rapidly increase both the breadth and intensity of poverty. The impact of poverty and the experiences of deprivation will be far more intense for families with children than those without children. The impact of the economic shock of COVID-19 will be long-lasting and unprecedented, risking the reversal of progress across many development indicators and putting children and their families at considerable risk. The risks include food insecurity, loss of education, loss of agency and empowerment, exposure to violence and abuse and high risk of child marriage and labour. Income shocks, disruption of education and closure of essential services and support leave children, particularly girls, increasingly vulnerable to child marriage and sexual exploitation and both boys and girls more vulnerable to child labour, as previous conflicts, disasters and epidemics have demonstrated.⁵

Poverty

- » In Lao PDR, loss of remittances alone is estimated to affect around 9 per cent of households who receive remittances from abroad – for whom remittances constitute 60 per cent of their household income. **Poverty is estimated to increase by 1.4 to 3.1 percentage points in 2020 and is expected to persist in the medium term, per World Bank estimates.**⁶

FIGURE 1: IMPACT OF COVID-19 ON POVERTY



Source: World Bank. (2020). Lao PDR Economic Monitor (June 2020)⁷

- » **Migrants and those involved in the tourism sector who are also informal sector workers, are most at risk, as they receive no government support.** COVID-induced job losses, coupled with border closures and movement restrictions, reduced cross-border remittances between Lao PDR and Thailand, and is estimated to have pushed up to 214,000 into poverty in Lao PDR.⁸

⁵ Human Rights Watch, 2020; Seo, COVID-19 Is Pushing Girls to Marry Early and Drop Out of School: Reports, 2020; Seo, As COVID Shuts Schools, Girls Marry Out of Poverty, 2020; Seo, As COVID Shuts Schools, Girls Marry Out of Poverty, 2020; Oppenheim, 2020

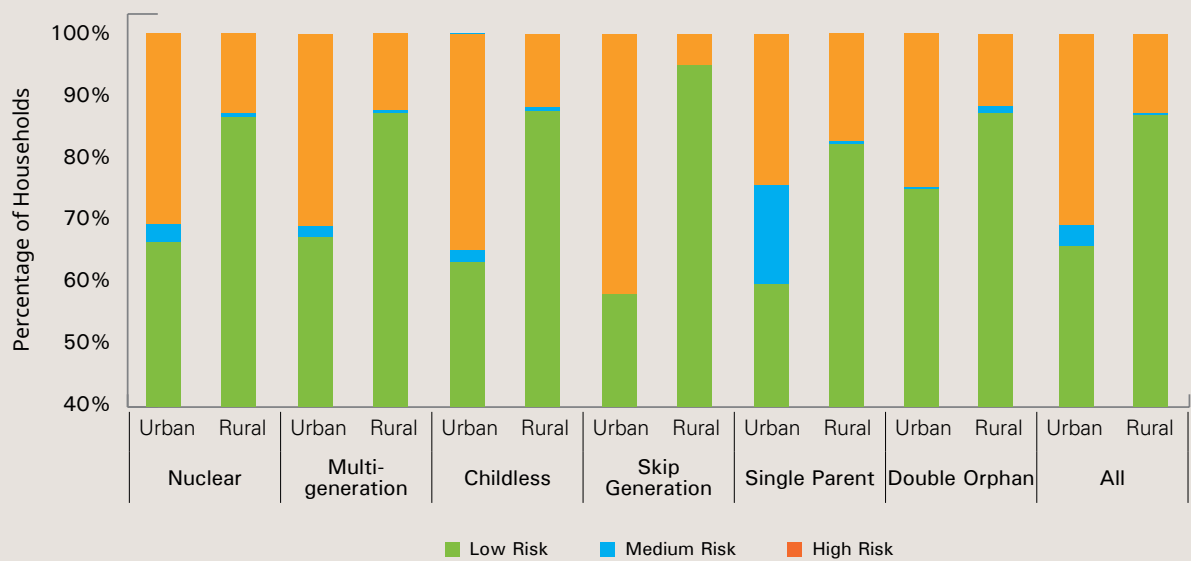
⁶ World Bank, 2020. Lao PDR Economic Monitor, June 2020

⁷ P means poverty

⁸ World Bank Group, 2020

- » **Poverty rates are expected to rise rapidly among the urban poor in the short term but intensely among the rural poor in the medium term.** Given the high rates of urban-rural migration and reliance of rural households on urban remittances, especially in the north, the loss of jobs in urban areas will translate to deprivations among dependents living in rural areas.
- » **Families with children and larger households are at the highest risk of loss of livelihood and thus, poverty and deprivation** as their needs greatly surpass the needs of households without dependent children. Single parent households in urban areas are likely to suffer the most, as are most households in urban areas – due to their higher reliance on high-risk sectors.

FIGURE 2:





- » **Female workers are more likely to lose their source of income due to COVID-19.** The economic implications of this crisis are skewed towards jobs and sectors where women are overwhelmingly represented. ILO estimations suggest that agriculture accounts for 64.3 per cent of female employment in Lao PDR, the services sector accounts for 26.9 per cent, and other industries account for the remaining 8.8 per cent. Of all employed females, over 87.5 per cent are self-employed.
- » **Women's caregiving responsibilities are set to multiply their burden during the lockdowns.** Gender inequalities and roles have intensified⁹ due to the lockdown, as women fulfilling their roles as mothers and caregivers experience an increased burden of the care load. In Lao PDR, women spend over four times the number of hours on unpaid care work compared to men (2013 estimates). The lockdown has forced families, older persons, others at higher risk of illness (more so in poorer households), and children out of school, to be confined to the home. Women are far more likely to absorb the additional burden of caring for children, and either discontinue work or bear a double load of income generation activities as well as caregiving.

Education

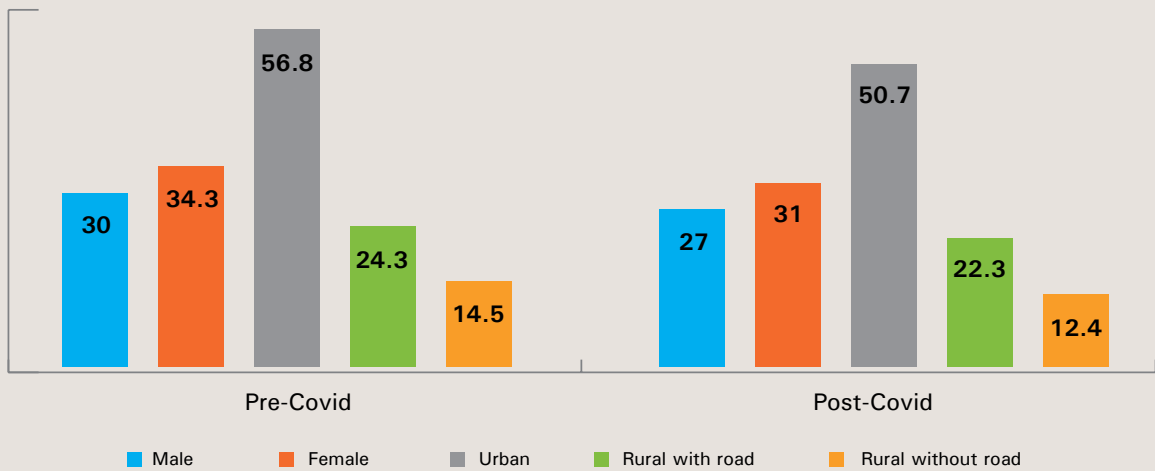
- » **Children are at grave risk of losing access to education, and enrolment and dropouts are closely linked with family wealth.** Many families experience severe short-term disruption due to school closures as home-schooling affects children's social life and learning. For families with younger children, it adds additional pressure on caregivers. In the medium term, parents may no longer be able to afford to send their children to school due to the economic deprivations from the COVID-19 pandemic.
- » **Distance learning through electronic media such as television is likely to worsen the gap between rich and poor children,** as children in many poor households do not have access to televisions. Home learning materials developed with UN support are airing on TV and online platforms by the Ministry of Education and Sport (MoES), reaching an estimated 72 per cent of the population. Although lessons were delivered remotely through platforms such as radio, television and online, the Ministry recognizes that despite their best efforts, many students, especially from vulnerable backgrounds, have remained out of reach.

⁹ Based on KII discussions

» Some of the projected impacts are as follows:

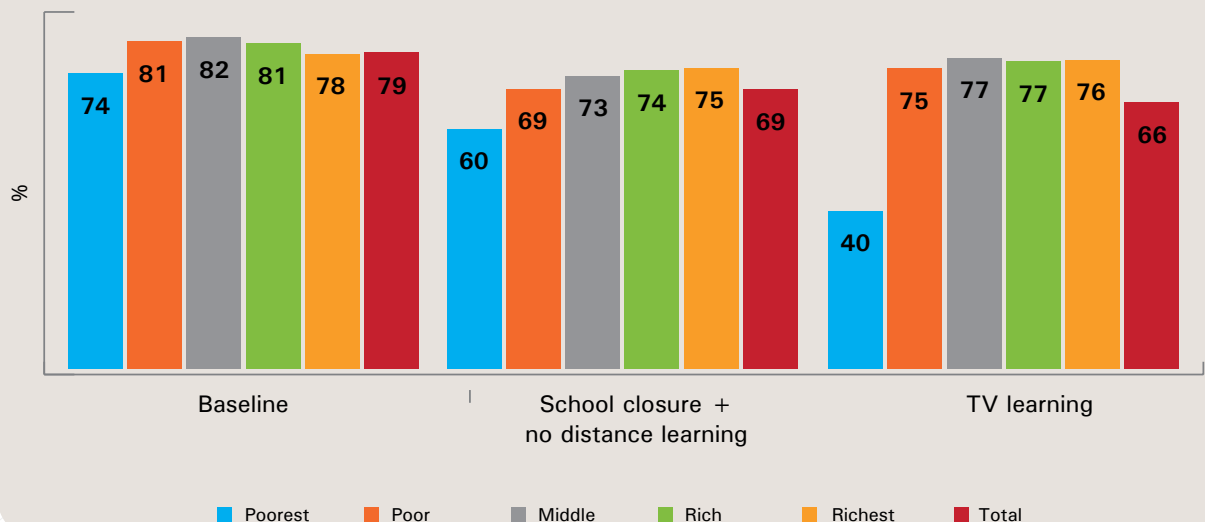
- **Early childhood education (ECE) enrolment is expected to fall for males and females, as well as in urban areas, rural areas and rural areas without roads.** The drop is expected to be the highest (5.9 percentage points) for urban areas, among Lao-Tai families (3.6 percentage points) and among richer households (3.3 percentage points), for whom uptake is highest pre-COVID. But the poorest, and those from marginalized groups, continue to have the lowest ECE uptake as they are at a far lower baseline level pre-COVID.

FIGURE 3: ECE ENROLMENT BY GENDER AND REGION (%)



- **Primary education is likely to see a 10 per cent reduction in net attendance rates in schools closed without distance learning measures, and a 13 per cent reduction in schools with TV learning.** Distance learning will reduce the net attendance rates by 34 per cent for the most deprived quintile due to their inherent lack of access to unconventional learning tools such as TVs, mobile phones, or computers.

FIGURE 4: PRIMARY EDUCATION ATTENDANCE BY WEALTH QUINTILE



- **Secondary school attendance rates are expected to drop by five per cent nationally.** However, distance learning measures increase the likelihood of children returning to education at the secondary school level. At the baseline and post-COVID levels, the uptake of secondary education is correlated with the wealth index – lower-income households are less likely to have children attend secondary education.
- **With Lao PDR's pre-existing low levels of participation in secondary and tertiary education, the adverse effects will be more severe for disadvantaged learners and their families.**

Child labour

- » **Poverty is a known driver of child labour.** Working more than the maximum acceptable hours adjusted by age is prevalent in Lao PDR, which makes children more prone to child labour as COVID-19 prolongs school closures and children are locked inside their homes. As households lose livelihoods and become more prone to poverty or extreme poverty rather suddenly, using children to support income generation is becoming more common as the most immediate coping mechanism.
- » **Females and young girls are at much higher risk of engaging in unpaid care work and as caregivers** for younger siblings during crises such as COVID-19. The Lao PDR Youth Union confirms these trends.

Child marriage and adolescent pregnancies

- » **For many families, child marriage is a source of financial relief.** The livelihood shock brought by the pandemic is likely to exacerbate the deterioration of family and community structures, which could reinforce the desire to control girls' sexuality¹⁰ while reducing the pressure on limited household income by marrying girls young. Based on experiences of previous economic crises and Ebola, rising poverty is set to increase adverse traditional practices such as child marriage and forced marriages, especially for girls.
- » **UNFPA estimates an increase in the number of unintended pregnancies by 15.46 per cent (44,322) in the best-case scenario and potentially by up to 23.9 per cent (68,541) in 2020-2021** based on the extrapolation of administrative data. Of the unintended pregnancies, 35 per cent are expected to occur among women aged 15-24 years, many of whom may be unmarried at the time of conception and be forced to get married due to their pregnancies.

Child abuse and gender-based violence

- » Household-level stressors such as loss of income, employment and livelihoods, combined with women's limited bargaining power, make them highly susceptible to verbal, emotional and physical abuse. **The rise in the number of instances of child sexual abuse amidst COVID-19** due to the associated lockdown measures raises concerns regarding the safety of children. In Lao PDR, where the use of violent disciplinary practices is prevalent, especially among the minority ethnic groups, the risk of violence and abuse increasing is much higher.

¹⁰ (Girls Not Brides, 2020)

- » **Data from the Lao Women's Union demonstrate that instances of child sexual abuse have increased amidst COVID-19 due to the associated lockdown measures.** The number of reported rape cases have increased as have the counselling requests for girls under the age of 18 who have been sexually exploited, mainly by family members. Many women and children are confined at home with their abusers while services to support survivors are being disrupted or made inaccessible due to lockdowns.

Access to social protection

- » **Lao PDR's social protection system extends only to 1 million of the country's 7 million residents.**¹¹ The nature of this coverage benefits the formal working population primarily through contributory schemes, excluding the most vulnerable completely.
- » **Lao PDR provides limited social assistance benefits to vulnerable populations and largely excludes the informal sector; the country's social protection system also remains highly fragmented.** Per LSIS II, only 12.4 per cent of all household members received any kind of social transfer; of the lowest wealth quintile, only 9.2 per cent reported receiving any social support. Only 4.2 per cent of children aged 5-24 currently attending school received any type of school-related support in the current/ most recent academic year.
- » There are significant gaps in the current social protection coverage for rural, informal, and working age populations, as well as older persons and young children.
- » **Lao PDR's very limited and fragmented social protection infrastructure is one of the weakest links in delivering effective, efficient, and timely responses to the COVID-19 crisis.** Nonetheless, it also represents an opportunity to build and rapidly scale the social protection infrastructure to adequately support households that are likely to face deprivations and be exposed to vulnerabilities in the medium to long term.

Geographical concentration

- » In the short-term, the impact on poverty will be the highest in the urban areas, but the impact will transfer and expand to rural areas within the medium-term, as families battle the loss of remittance incomes and rural economies weaken under the burden of the oversupply of labour from returning migrants.
- » The impact of poverty is expected to be national, over time.

¹¹ Labour force report 2017

RECOMMENDATIONS



National government

- **Urgent and immediate income support for all or most households is necessary to mitigate long-term costs to national growth and development.** A majority of the Lao PDR population was vulnerable to financial insecurity and poverty even before COVID-19; the pandemic is exacerbating these underlying financial vulnerabilities and a large number of individuals are at risk of falling into poverty, and not having access to basic food and essential care in the immediate term. These short-term deprivations can push many households into a vicious poverty trap and put great pressure on the government in the medium to long-term to overcome the poverty impact.
 - » The impact of COVID is widespread and set to affect all, including the wealthy. However, at a minimum, the government must provide cash-based support to all those living below or near the poverty line.
 - » Poverty-targeting in this context, poses high risks of exclusion. Many individuals and households are at risk of falling into poverty, without the necessary support.
 - » Universal provision or affluence testing are the two most suitable methods for humanitarian transfers where the impact is widespread.
 - » Per capita benefit provided per household may be most suitable in the current situation.
- **A need for medium to long-term cash-based support for vulnerable households.** The emerging risks will not recede once the immediate response to COVID-19 is over. The impact on poverty will be severe in the short-term and persist in the medium to long-term. The global economic crisis is set to put many businesses out of work. The recovery from the crisis is expected to be slow and gradual, and the return to pre-COVID levels will require timely and extensive support from governments to protect the short and medium-term needs and prevent the reversal of development trends.
- **Now more than ever, a graduation approach to social protection will provide the greatest value.** Households living in or at the threshold of poverty, many of whom have lost stable income due to COVID-19, are best positioned to benefit from livelihood development programmes. A combination of cash and livelihoods development programmes (e.g., savings or upskilling programmes) can mitigate the medium-term impact of COVID-19 and enable families to build resilience against such shocks in the future.
- **Any cash-based support provided must consider the national landscape and prevent the exclusion of women and other marginalised groups by design and in implementation.**
 - » Many vulnerable groups, including migrant workers or ethnic minority groups, may not have national ID documents or proof of income or employment. Therefore, requiring these documents may automatically exclude the most vulnerable groups.
 - » Women are at high-risk of losing employment and their income sources, and very likely to bear the burden of caregiving responsibilities as children stay home. Women are also less likely to have IDs, access to mobile phones or bank accounts. All delivery mechanisms must recognise and build around these bottlenecks to ensure that the support reaches women, who most need it.



- **The existing social protection architecture is not adequate, but leveraging the existing programme architecture, such as expanding the child benefit programme both vertically and horizontally will achieve a double benefit.** It will strengthen the social protection system as well as deliver the necessary emergency support to the most vulnerable groups in a systematic way.
- **The Lao PDR social protection architecture is weak, and COVID-19 presents an opportunity to build the systems architecture while delivering emergency support.** Many countries in the region, including Cambodia, have capitalized on the momentum and need for widespread social protection to strengthen their social protection architecture through investments in systems building (e.g., the on-demand ID Poor and digitization of most payments in Cambodia). The government of Lao PDR should invest in the development of core social protection programmes that deliver support in the short and medium term.



Regional government

- Identify the best ways to ensure that all vulnerable individuals and households register for any cash-based or in-kind support the government may provide and identify the most inclusionary delivery methods for cash-based support.
- Manage and mitigate crime, abuse and other secondary outcomes of job and income losses; through close monitoring, set up hotlines and other monitoring measures to identify at-risk individuals.
- Support national governments and/or development partners to identify at-risk groups that need assistance.



Development partners

Development partners can strengthen the government response in several ways, including technical assistance to:

- Support the design and roll-out of emergency cash transfers, and ensure the design is sensitive to the needs of the most vulnerable groups – children, women, persons with disabilities, older persons, persons from marginalized ethnic groups, and migrant households, among others.
- Ensure that delivery systems used for delivering emergency support are conducive to social distancing measures and can be accessed by all eligible persons (e.g., is sensitive to the needs of beneficiaries).
- Support the identification of vulnerable households for the delivery of emergency assistance.
- Support the use of existing social protection architecture and using the opportunity to make the system more responsive and resilient, while simultaneously improving the coverage of regular social protection programmes.COVID-19 impact on poverty and vulnerability for children and their families (SDG).



DISCLAIMER

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