

Poverty & Equity Brief

Middle East & North Africa

Islamic Republic of Iran

April 2020

There is no established official poverty line for Iran so poverty in this brief is measured using international poverty lines expressed in US dollars at the 2011 PPP. Using the upper middle-income class line of \$5.50, poverty fell in Iran between 2009 and 2013 by 5 percentage points to about 8 percent, before increasing to 10.9 percent in 2017. When access to education and basic infrastructure are considered in addition to having daily consumption less than US\$1.90 per person, multidimensional poverty in Iran remained lower than 1 percent in 2017.

National numbers hide stark urban/rural differences in poverty incidence, with much higher rural poverty headcount rates of about 27 percent, compared to about 6 percent in urban areas in 2017. Inequality, measured by the expenditure per capita Gini index, fell sharply between 2009-2013 from 42.0 points to 37.4 points and increased afterwards to 40.8 points in 2017.

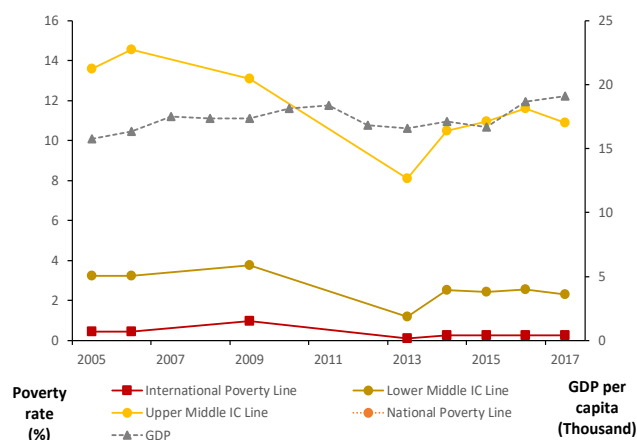
Iran could not sustain positive growth in per capita expenditure for the bottom 40 percent of the population during 2014-2017 despite experiencing positive economic growth. In fact the bottom 40 percent experienced a negative growth rate of 0.13 percent over this period, while on average consumption increased by about 1.9 percent. This outcome is due to the erosion in real terms of the universal cash transfers distributed to compensate for increasing energy prices after the subsidy reforms. Cash transfers were instrumental to reducing poverty during 2009-2013, but because of high inflation, the real value of benefits diminished. Given the much larger share of transfers in the budget of poor households, negative impact from falling transfer for them was stronger than the slight poverty reduction effects coming from the labor market.

In 2020 due to the Corona virus crisis, increased gasoline prices in 2019 and economic downturn poverty is expected to increase, but the overall magnitude will depend on subsequent policy responses.

POVERTY	Number of Poor (thousand)	Rate (%)	Period
National Poverty Line	N/A	N/A	N/A
International Poverty Line 25829.8 in Iranian rial (2017) or US\$1.90 (2011 PPP) per day per capita	206.6	0.3	2017
Lower Middle Income Class Poverty Line 43502.8 in Iranian rial (2017) or US\$3.20 (2011 PPP) per day per capita	1,851.7	2.3	2017
Upper Middle Income Class Poverty Line 74770.5 in Iranian rial (2017) or US\$5.50 (2011 PPP) per day per capita	8,798.0	10.9	2017
Multidimensional Poverty Measure		0.4	2017
SHARED PROSPERITY			
Annualized Consumption Growth per capita of the bottom 40 percent		-0.13	2014-2017
INEQUALITY			
Gini Index		40.8	2017
Shared Prosperity Premium = Growth of the bottom 40 - Average Growth		-2.01	2014-2017
GROWTH			
Annualized GDP per capita growth		3.69	2014-2017
Annualized Consumption Growth per capita from Household Survey		1.89	2014-2017
MEDIAN INCOME			
Growth of the annual median income/consumption per capita		0.95	2014-2017

Sources: WDI for GDP, National Statistical Offices for national poverty rates, POVCALNET as of February 2020, and Global Monitoring Database for the rest.

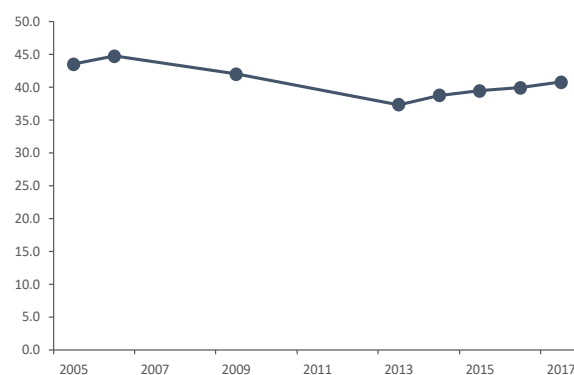
POVERTY HEADCOUNT RATE, 2005-2017



Source: World Bank using HEIS/MNAPOV/GMD

INEQUALITY TRENDS, 2005-2017

Gini Index



Source: World Bank using HEIS/MNAPOV/GMD

KEY INDICATORS

Distribution among groups: 2017	Upper Middle Income line (%)		Relative group (%)		Multidimensional Poverty Measures (% of people):	2017
	Non-Poor	Poor	Bottom 40	Top 60		
Urban population	95	5	30	70	Monetary poverty (Consumption)	
Rural population	73	27	69	31	Daily consumption less than US\$1.90 per person	0.3
Males	89	11	40	60	Education	
Females	89	11	40	60	At least one school-aged child is not enrolled in school	1.0
0 to 14 years old	84	16	51	49	No adult has completed primary education	4.4
15 to 64 years old	91	9	37	63	Access to basic infrastructure	
65 and older	91	9	34	66	No access to limited-standard drinking water	1.6
Without education (16+)	82	18	55	45	No access to limited-standard sanitation	2.0
Primary education (16+)	87	13	48	52	No access to electricity	0.0
Secondary education (16+)	93	7	34	66		
Tertiary/post-secondary education (16+)	98	2	15	85		

Source: World Bank using HEIS/MNAPOV/GMD

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Notes: N/A missing value, N/A* value removed due to less than 30 observations

POVERTY DATA AND METHODOLOGY

There are no publicly available official poverty estimates for the Islamic Republic of Iran. The Household Expenditure and Income Survey (HEIS) has been conducted annually by the Statistical Center of Iran (SCI) since 1963 in rural areas and 1968 in urban areas. The unit record data from 1984 onwards are publicly available in Farsi. The survey is nationally representative and two-stage stratified across urban/rural areas of provinces. HEIS includes demographic and income information but its focus is on expenditure. The surveys collect expenditure information on more than 1,000 items. The recall period of expenditures for most items is the last month. For durables, certain education expenses, insurance expenditures, investment in housing and farms, and income components, the recall period is the last 12 months. As in most surveys of such type, income and expenditure data are self-reported. HEIS does not distinguish between how much is spent and how much is consumed and reports only expenditure on a particular item. For items which were not purchased, an estimated value is provided. The welfare aggregate used to report international poverty is based on the official aggregate containing gross expenditures constructed by SCI. It is not spatially deflated.

HARMONIZATION

The numbers presented in this brief are based on the MNAPOV database. MNAPOV is a new data collection effort enacted in 2014, and managed by MNATSD. It covers 36 surveys from 11 countries. Two data points (surveys) are available for each country, except Algeria. The database is organized in 3 modules following the Global Monitoring Database (GMD) Harmonization guidelines, including the welfare aggregate which is used for Global Poverty Monitoring. Terms of use of the data adhere to agreements with the original data producers.