



ASIA'S EXTREME INEQUALITY CRISIS

BUILDING BACK FAIRER AFTER COVID-19

Commitment to Reducing Inequality
Index Asia briefing, September 2022

ABSTRACT

COVID-19 has exacerbated Asia's crisis of extreme inequality, which is undermining growth and preventing poverty eradication. Asian governments have done almost nothing to combat this rise in inequality and are constrained in their policy choices as debt burdens grow and post-COVID austerity begins. A few Asian governments have done a lot to fight inequality during COVID-19 through equitable public services, progressive taxation and enhanced labour rights, especially for women, but most have not. This paper lays out a comprehensive set of measures that Asian governments, the Asian Development Bank and the international community could use to significantly reduce inequality, eradicate poverty and accelerate growth in Asia.

EXECUTIVE SUMMARY

Asia is facing a crisis of extreme inequality, which is undermining growth in every Asian Development Bank (ADB) member state. The richest 1% of Asia's population holds almost 25% of its wealth. COVID-19 has driven the number of Asians living in poverty to 1.4 billion, and increased inequality (as measured by the Gini coefficient) by 8%. At the same time, Asia's billionaires have increased their wealth by \$1.8tn. Without dramatically accelerated efforts to reduce inequality, it will be impossible to end poverty in Asia by 2030.

Asia was poorly prepared to face COVID-19, with 36% of citizens lacking access to healthcare, 57% lacking access to social protection and 51% of workers having no formal labour rights. Though many Asian governments took more comprehensive anti-COVID measures and spent more than other global regions, more than 6 million people are estimated to have died.

In addition, the policy responses to the pandemic failed to tackle inequality: the shares of education, health and social protection in budgets fell in half of countries; 8 out of 10 did not increase taxes on the rich to fund a more equitable recovery; and 56% failed to increase minimum wages in line with GDP.

Debt has risen sharply to fund COVID-19 responses, crowding out inequality-reducing spending. Debt service is three times as large as health spending and seven times social protection, and debt relief has been of marginal benefit. To repay debts and reduce budget deficits, 25 of 28 Asian countries are facing spending cuts averaging 3% of GDP between now and 2027. For these countries to protect against future pandemics and reduce inequality, such austerity must be avoided.

The key government policies which reduce inequality are: universal free education and health services and social protection; equitable taxation; and enhanced labour rights, especially for women. Development Finance International and Oxfam International have designed a Commitment to Reducing Inequality (CRI) Index to track progress on these policies and their impact across 161 countries, including 37 in Asia. This briefing on the CRI findings excludes Pacific Island nations, for which a separate briefing will be issued later in 2022 and covers 29 countries.

The latest CRI report finds that OECD Asian countries outperform other Asian countries in reducing inequality, followed by North and Central Asia, with South Asia lagging behind. Several lower-income countries (Kyrgyzstan, Mongolia and Tajikistan) perform very well, showing that reducing inequality is a political choice, not a matter of wealth). Asia's bottom 10 include five South Asian countries.

Asia is the worst performing region in the public services pillar of the CRI, lagging well behind Latin America and the Caribbean (LAC). Its governments spend low shares of budgets on education, health and social protection. This is particularly true in South Asia. As a result, in nine countries, less than 10% of the poorest children complete secondary school; in 11, over 10% of the population spend over 10% of their income on health services; and only 43% of Asia's citizens have access to any social protection benefits. Low spending and access by the poor mean that public services are reducing inequality by only 5.8%, compared with 8.8% in

LAC. Only Mongolia, Maldives, China and Timor-Leste achieve reductions above 10%.

Asia's governments perform averagely on equitable taxation, mainly because they are relatively successful in collecting taxes. Their tax systems are less progressive on paper than other regions, with lower corporate income tax and top personal income tax rates, especially in North and Central, and Southeast Asia. Several countries, notably Hong Kong, SAR China and Singapore, exhibit harmful tax practices and act like tax havens, thereby reducing their own and other countries' tax revenues. Wealth and property taxes provide little revenue, partly because there are no taxes on the stock of wealth, and capital gains and inheritance taxes are weak. Asia's success in collecting taxes is focused on value added taxes and sales taxes, which often exacerbate inequality. As a result, emerging and developing Asia's tax systems are actually increasing inequality by 1.4%.

Asia also performs only moderately on labour rights, largely because its higher-income countries have high shares of workers with formal contracts – and therefore some rights. Governments are poor at legalising and respecting union rights, including three of the 10 worst countries in the world (Myanmar, Bangladesh and the Philippines). Three of the 10 worst countries for women's labour rights are also in Asia (Singapore, Uzbekistan and Afghanistan). Three countries (Cambodia, India and Singapore) continue to have no nationally applied minimum wage, though the Maldives has recently introduced one. As a result of the high level of formal work, wage inequality is only slightly higher than in LAC; however, South Asia as a sub-region – and India, Nepal and Timor-Leste as countries – all have extremely high wage inequality.

There is nothing inevitable about the inequality crisis in Asia, nor its worsening during COVID-19. However, the pandemic must serve as a wake-up call to national, regional and global leaders to implement an inclusive recovery that tackles inequality aggressively. A few governments in the region (notably Bhutan and the Maldives) have made strong anti-inequality efforts before and during the pandemic. However, only reinforced commitment to anti-inequality policies in all countries, with regional and international support, can allow Asian countries to accelerate growth by reducing inequality.

RECOMMENDATIONS FOR GOVERNMENTS

Governments should urgently commit to tackle inequalities through policies designed to level the playing field – and redistribute wealth and power. This should produce National Inequality Reduction Action Plans for inclusive post-COVID recovery and ensuring people living in poverty, women and minority groups have a voice in decision making. This also means rejecting austerity and focusing on enhancing the incomes of the poorest by increasing anti-inequality spending, making tax more progressive and increasing workers' rights and pay. Making taxes more progressive has enormous potential for funding government programmes to reduce inequality. If the governments were to implement a wealth tax of 2 – 5 % on Asia Pacific's multi-millionaires and billionaires, it could raise an additional \$776.5bn every year. That would be enough to increase public spending on health in the region by 60%.

Plans for specific areas are as follows:

Tax

- a. Make corporate and personal income taxes more progressive by raising top rates so they make a fair contribution to wider society, and can no longer generate excessive wealth while so many live in poverty.
- b. Dramatically reduce tax exemptions, incentives and allowances for large companies and individuals.
- c. Levy 'solidarity taxes' on the rich and 'windfall taxes' on companies profiting from high oil and food prices.
- d. Ensure that VAT and sales taxes exempt basic food products and small traders.
- e. Introduce wealth taxes for the richest corporations and individuals.
- f. Increase rates and progressivity of other taxes, e.g. capital gains, property, inheritance and financial income.
- g. Ensure multinational corporations pay fair taxes by tackling harmful tax practices and avoidance.

Public services

- a. Scale up spending on free public education, aiming to reach the Incheon target of 20% of government budgets, with special emphasis on ensuring high-quality secondary education for the poorest.
- b. Dramatically increase spending on public health to ensure that all citizens can access high-quality free public healthcare, and be better protected in future pandemics.
- c. Enact universal social protection programmes going beyond pensions to ensure protection for the working poor, children, people living with disabilities, unemployed people, migrants and other vulnerable groups – and to protect citizens much more comprehensively against future pandemics and the impacts of climate change.
- d. End user fees on education and health services to ensure that they are free at the point of use, and make contributory social protection systems more progressive, to reduce the burden on the poor.
- e. Increase investment in care infrastructure to reduce women's disproportional care responsibilities.

Workers' rights and wages:

- a. Ensure that people have rights to unionize, strike and bargain collectively, by introducing and respecting all laws needed to comply with ILO conventions
- b. Introduce and enforce laws for equal pay/non-discrimination and against harassment of women; and legislate to criminalize marital rape in all countries.
- c. Increase parental leave to at least 18 weeks paid at 100% of prior salary, in line with ILO recommendations, and expand paternity leave significantly to reduce the burden of unpaid care on women
- d. Increase minimum wages to match per capita GDP, and increase them annually thereafter
- e. Invest far more in agencies enforcing labour legislation, including minimum wages and women's rights.
- f. Set up systems to ensure the informal sector progressively complies with rights on working conditions and pay, and to incorporate informal and vulnerable workers gradually into social protection systems.
- g. Regulate value chains so that they protect and reward all workers and small producers.

RECOMMENDATIONS FOR THE ASIAN DEVELOPMENT BANK

Under its Strategy 2030, ADB aims to achieve a prosperous, inclusive, resilient, and sustainable Asia and the Pacific, while sustaining its efforts to eradicate extreme poverty. To reach these goals it must reduce inequality sharply by:

- a. Prioritizing tackling inequality in the agendas of Boards of Governors, Annual Meetings and Board meetings.
- b. Developing an action plan to set clear targets and accelerate measures to reduce inequality and poverty, through free public services, progressive taxation and enhanced labour rights.
- c. Support governments in bridging the financing gap to provide universal public services, social protection and care
- d. Establishing a robust mechanism to support and monitor the achievement of SDG 10 on reducing inequality.

RECOMMENDATIONS FOR THE INTERNATIONAL COMMUNITY

The international community should support national and regional efforts by:

- a. Enhancing global monitoring of progress in reducing income and wealth inequality under SDG-10, and of key tax, spending and labour policies to achieve this, setting targets to reduce Gini coefficients to 0.25 by 2030.
- b. Mandating the IMF, World Bank and ADB to ensure all country programmes and policy advice focus on cutting inequality, and contain specific urgent tax, public services and labour measures to achieve this more rapidly.
- c. Providing comprehensive debt reduction to all countries which need it, to reduce their debt service to low levels and ensure that they have enough financing to achieve the SDGs for universal healthcare, education and social protection.

Finalizing re-allocation of the 2021 IMF Special Drawing Rights (SDRs) to lower-income countries, and issuing a further US\$650 billion SDRs in 2024, reallocated to developing countries to enhance progressive spending. Significantly increasing aid to low and low-middle income countries, to support anti-inequality spending on education, health and social protection. This could be funded by solidarity taxes in their own countries on wealth, income, financial transactions or carbon emissions, with part of the revenue going to lower-income countries.

- d. Finalizing re-allocation of the 2021 IMF Special Drawing Rights (SDRs) to lower-income countries, and issuing a further US\$650 billion SDRs in 2024, reallocated to developing countries to enhance progressive spending.

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1. THE NEED TO TACKLE ASIA'S INEQUALITY

1.1 ASIA IS FACING A CRISIS OF EXTREME INEQUALITY

Asia is facing a crisis of extreme inequality, as shown by the Gini coefficient of income (see Figures 1 and 2). Income inequality produced by the market is highest in India.¹ After direct taxes and transfers by governments, the most unequal country is Sri Lanka. South Asia is the most unequal sub-region, followed by Southeast Asia.²

Crucially, every Asian country has disposable income inequality high enough for it to be reducing per capita GDP growth by between 1% and 4%.³ Reducing inequality can make a key contribution to accelerating post-COVID growth. In addition, without accelerated efforts to combat this inequality, the Sustainable Development Goals (SDGs) for ending extreme poverty (SDG1) and reducing inequality (SDG10) will not be met in Asia by 2030.⁴

FIGURE 1: MARKET INCOME INEQUALITY IN ASIAN COUNTRIES (GINI COEFFICIENT), 2021

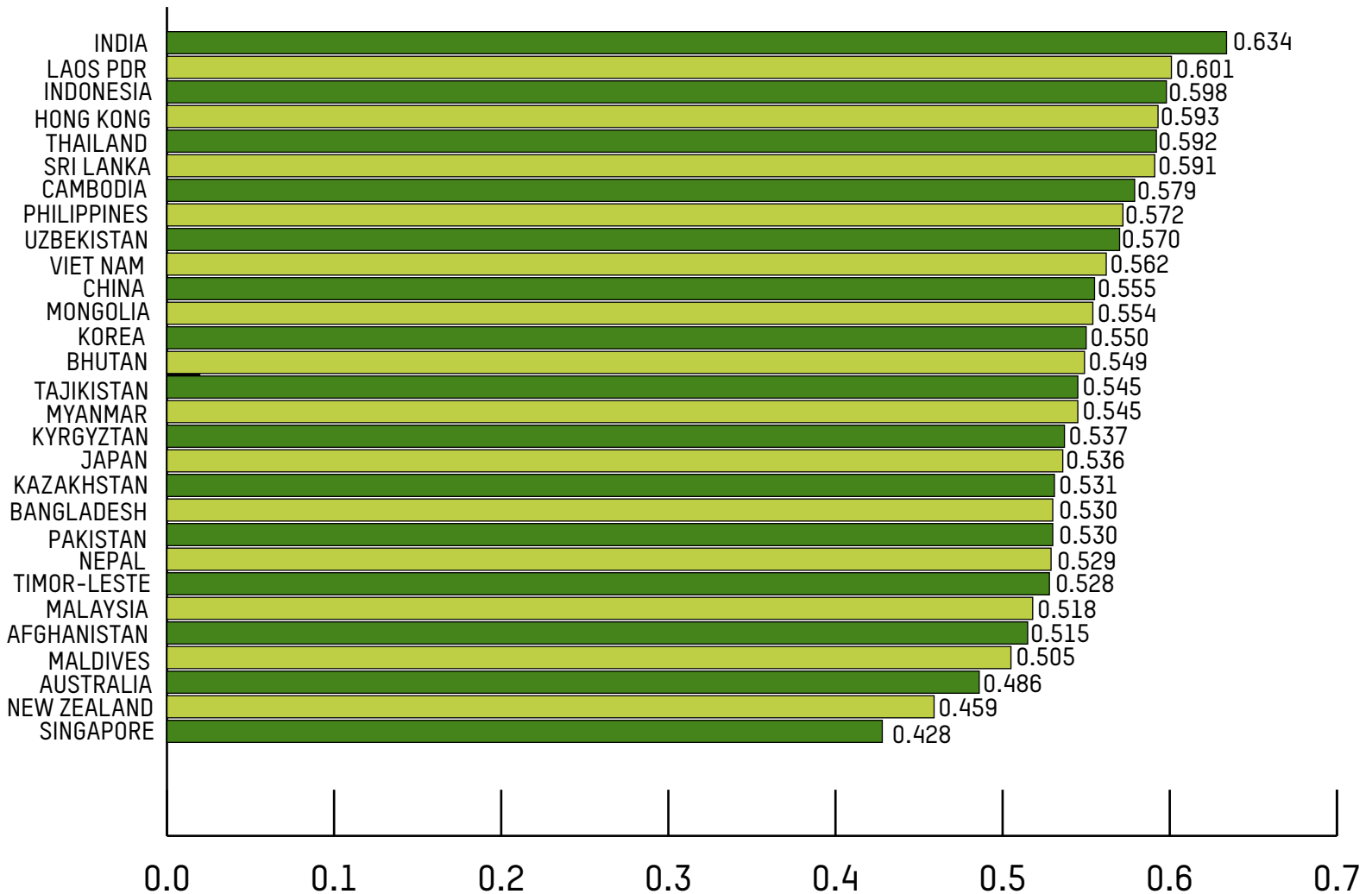
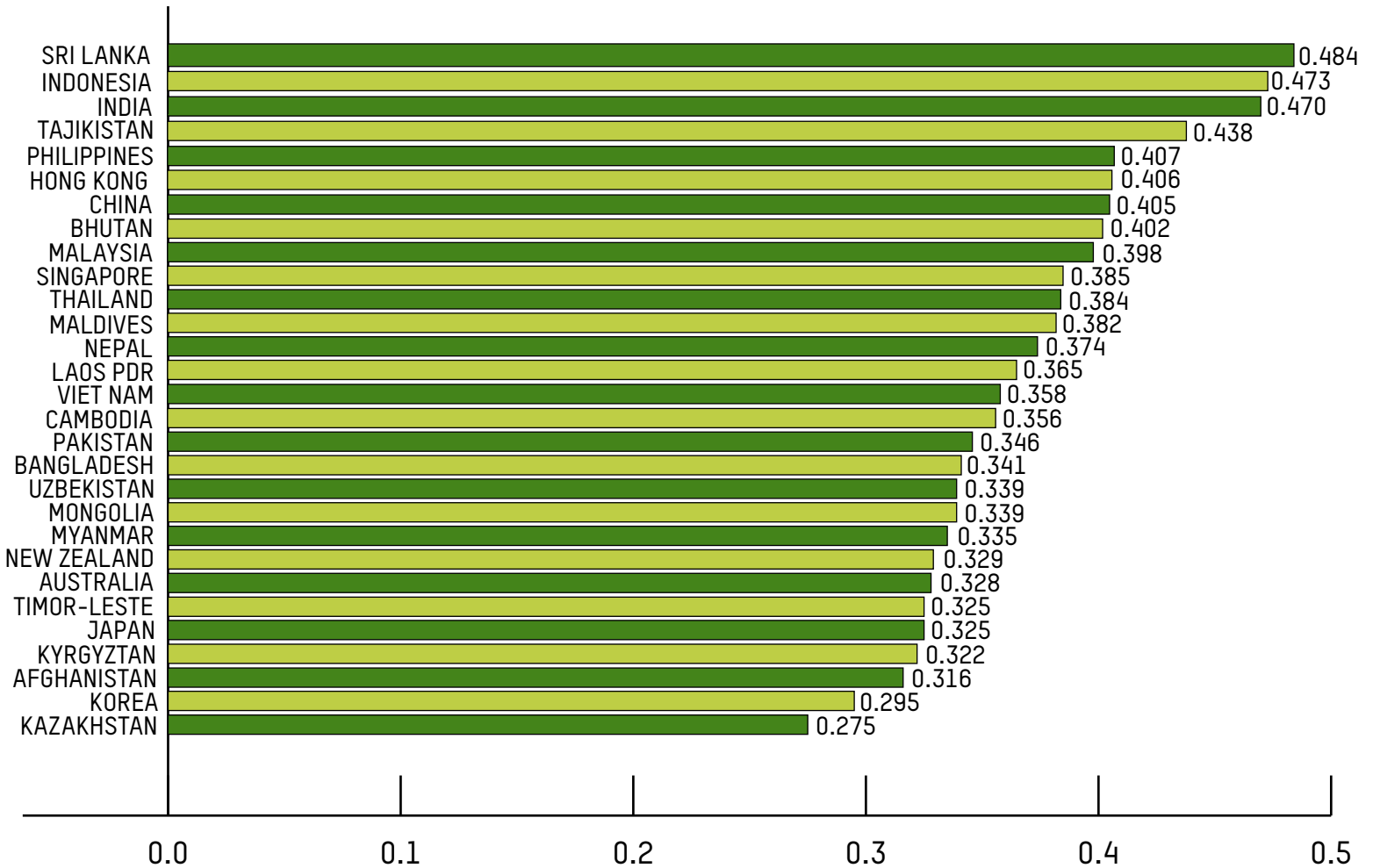


FIGURE 2: DISPOSABLE INCOME INEQUALITY IN ASIAN COUNTRIES (GINI COEFFICIENT), 2019-21

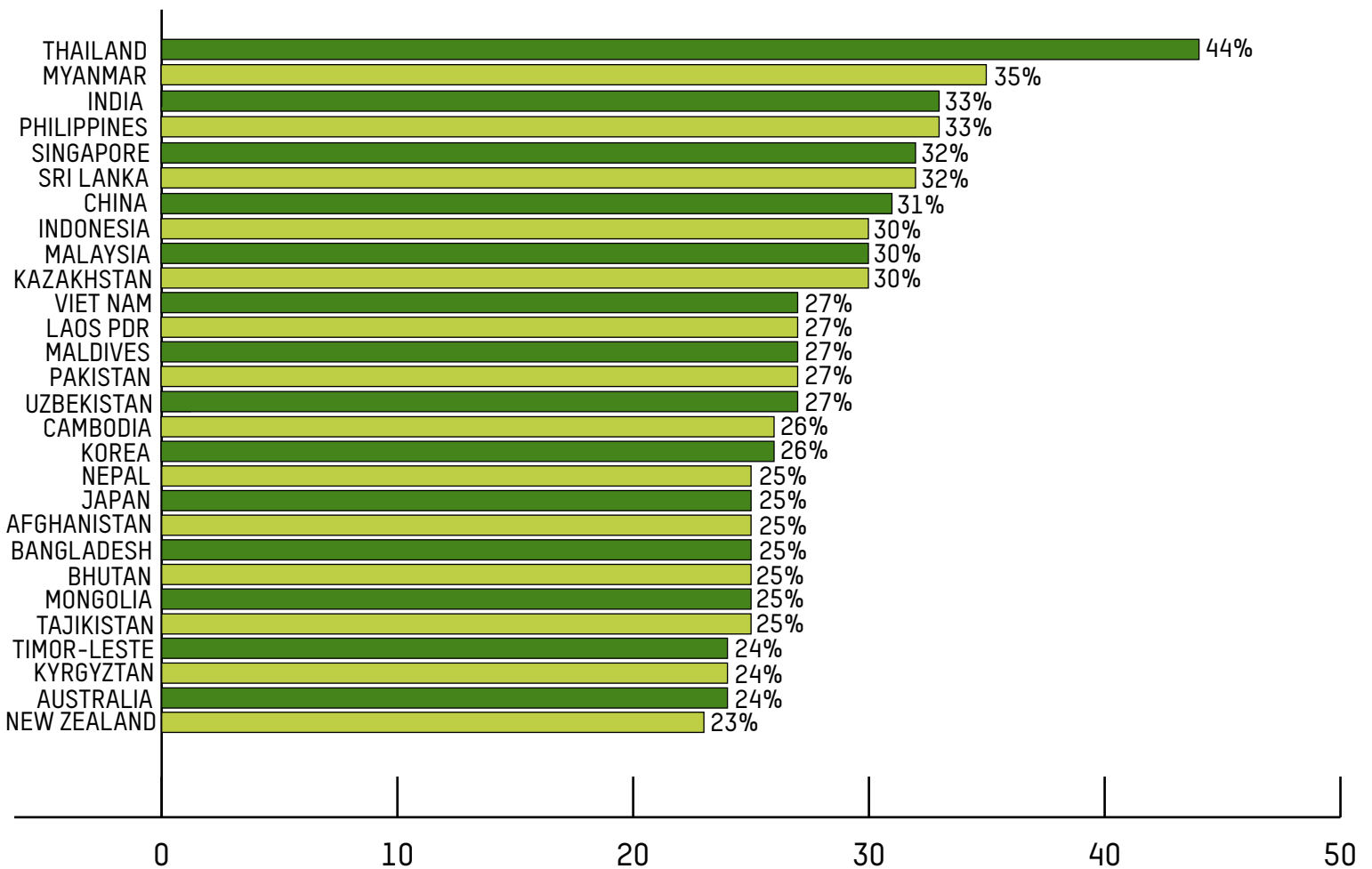


Sources for Figure 1 is World Inequality Lab (n.d.) World Inequality Database⁵ and Figure 2⁶ is F. Solt. (2022). The Standardized World Income Inequality Database, version 9.3

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Figure 3 shows the concentration of wealth in the hands of Asia's richest citizens. The richest top 1% holds a fifth of wealth in all countries, and over a quarter in 22 countries⁷. Thailand, Myanmar and India have the largest proportion of wealth in the hands of the richest 1%; New Zealand, Australia and Kyrgyzstan have the least.

FIGURE 3: PERCENTAGE OF WEALTH HELD BY RICHEST 1% (2021)



Source: World Inequality Lab (n.d.)⁸

1.2 COVID-19 HAS INCREASED INEQUALITY AND POVERTY

Incomes for people living in poverty fell sharply during the pandemic, with COVID-19 driving 90 million Asians into extreme poverty (less than \$1.90/day) and 150–170 million into poverty (less than \$3.20/day).⁹ This means that over 1.4 billion Asians are living in poverty, 500 million of whom are in extreme poverty.

World Bank surveys indicate that income inequality in Asia (as measured by the Gini coefficient) is likely to have risen on average by 8% during COVID-19,¹⁰ Further reducing growth and undermining efforts to eliminate poverty.

Wealth inequality has also grown dramatically. As of end-2021, there were 1,020 billionaires in Asia, with total wealth of \$4.352 tn. This was an increase of \$1.8 tn since the beginning of the pandemic in mid-March 2020. This wealth is now greater than the GDPs of Indonesia, Malaysia, Myanmar, Philippines and Thailand combined.¹¹

1.3 COVID-19 DEATHS MAY BE MUCH HIGHER AND SOME COUNTRIES ARE UNDERVACCINATED

COVID-19's impact on health has been less severe than in Europe or the Americas: officially confirmed deaths are just under 1.5 million (less than one tenth of the per capita rate in the USA). However, excess mortality data indicate that this is probably a huge underestimate. The real death toll may be well above 6 million.¹² Deaths are likely to fall in future as vaccination rates have risen rapidly: as of 30 August 2022, 72% of Asia's population was fully vaccinated against COVID-19, but vaccination rates remain below half in Kyrgyzstan and Afghanistan.¹³

1.4 ASIA WAS POORLY PREPARED TO FACE THE PANDEMIC

Underlying the significant impact on the health and incomes of people living in poverty was Asia's lack of preparedness for a pandemic. Insufficient numbers of people had access to health services, social protection or formal labour rights (see Figures 4 to 9).¹⁴ Asia overall performed worse than Latin America and the Caribbean (LAC) on all three indicators of preparedness, and South Asia performed particularly badly. When the pandemic hit, this meant that many Asian countries had health facilities too weak to reduce fatalities, the lack of social protection made extended lockdowns impossible, and most workers had no formal labour protections to allow them to stay in work during sickness or lockdowns.

FIGURE 4: UNIVERSAL HEALTH COVERAGE IN GLOBAL REGIONS (2019, %)

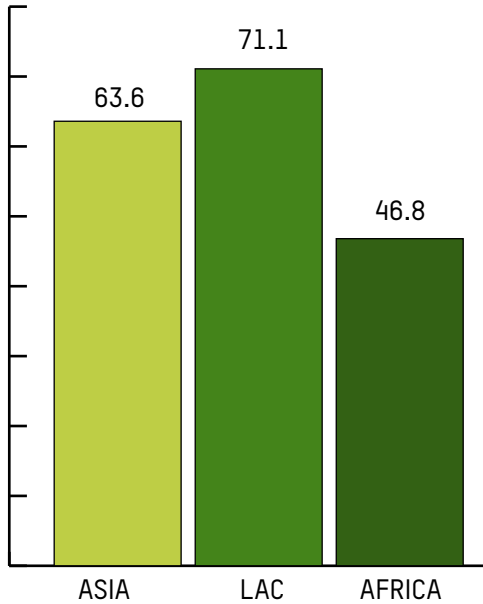


FIGURE 5: UNIVERSAL HEALTH COVERAGE IN ASIAN SUB-REGIONS (2019, %)

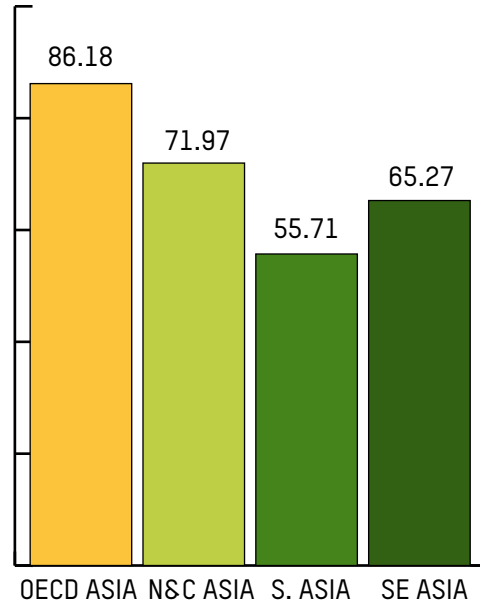


FIGURE 6: SOCIAL PROTECTION COVERAGE IN GLOBAL REGIONS (2020, %)

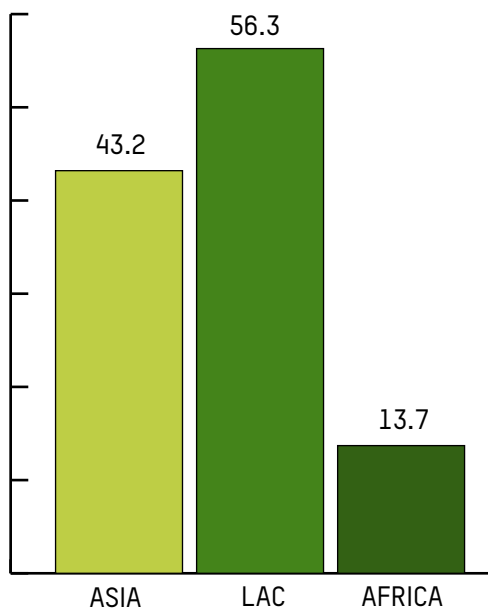


FIGURE 7: SOCIAL PROTECTION COVERAGE IN ASIAN SUB-REGIONS (2020, %)

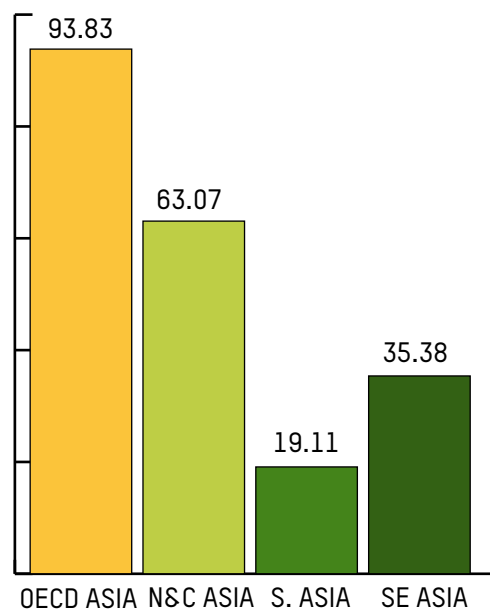


FIGURE 8: WORKFORCE WITH FORMAL LABOUR RIGHTS IN GLOBAL REGIONS (2019, %)

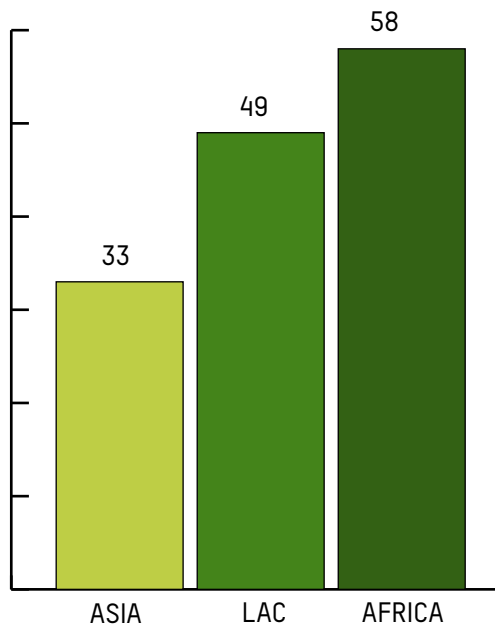
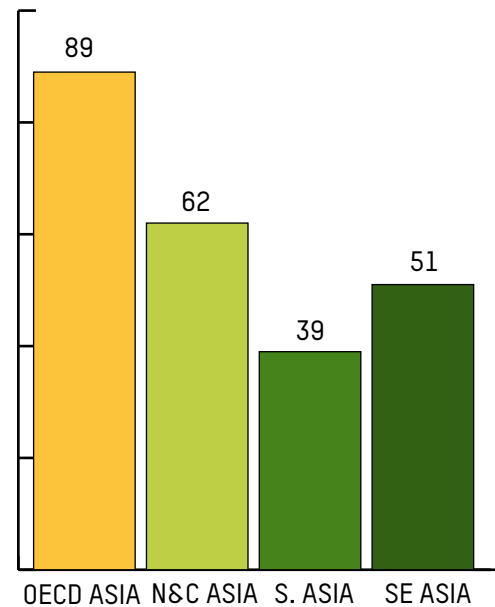


FIGURE 9: WORKFORCE WITH FORMAL LABOUR RIGHTS IN ASIAN SUB-REGIONS (2019, %)



Sources for figure 4 to 9: Based on 2020 and 2022 CRI database available at www.inequalityindex.org

1.5 GOVERNMENT RESPONSES TO COVID-19 HAVE NOT TACKLED INEQUALITY

Many developing Asian governments were more able than their counterparts in other regions to borrow on international or domestic capital markets to fund increased budget deficits and pandemic responses. As a result, their fiscal response to COVID-19 was considerably larger than LAC and Africa, although still less than a quarter of the average OECD response (11.8% of GDP) (see Figure 10).

This was particularly true of many North and Central, and Southeast Asian countries, explaining why Figure 11 shows that these sub-regions responded more substantially. However, among South Asian countries, only India and the Maldives had responses exceeding 5% of GDP.¹⁵

FIGURE 10: COVID-19 RESPONSES IN GLOBAL REGIONS (% GDP, as at July 2021)

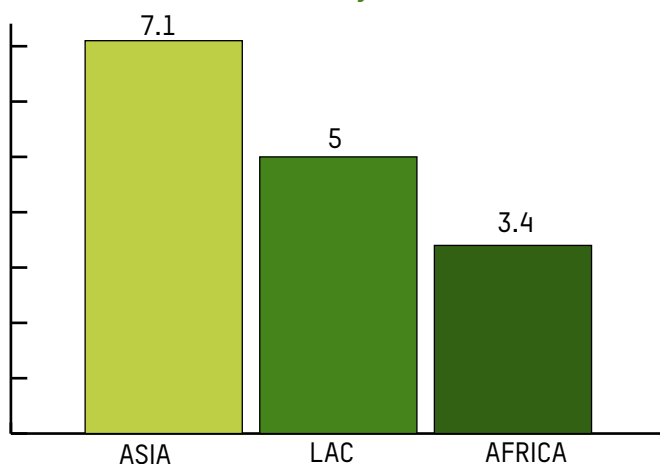
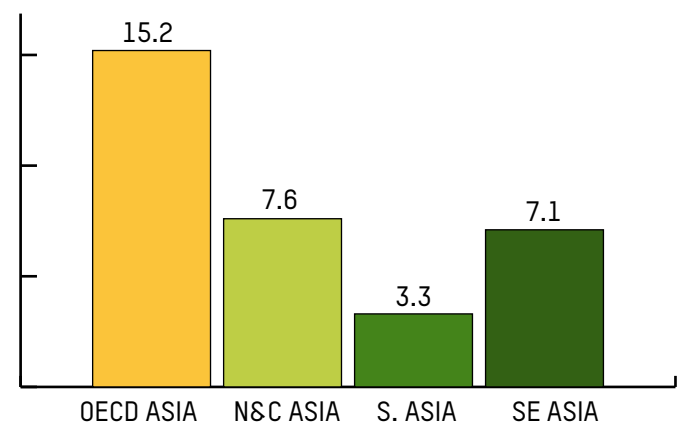


FIGURE 11: COVID-19 RESPONSES IN ASIAN SUB-REGIONS (% GDP, as at July 2021)



Source: Based on 2022 and 2022 CRI Databases available at www.inequalityindex.org

In most countries, the policy responses to the pandemic failed to increase efforts to tackle inequality. In particular:

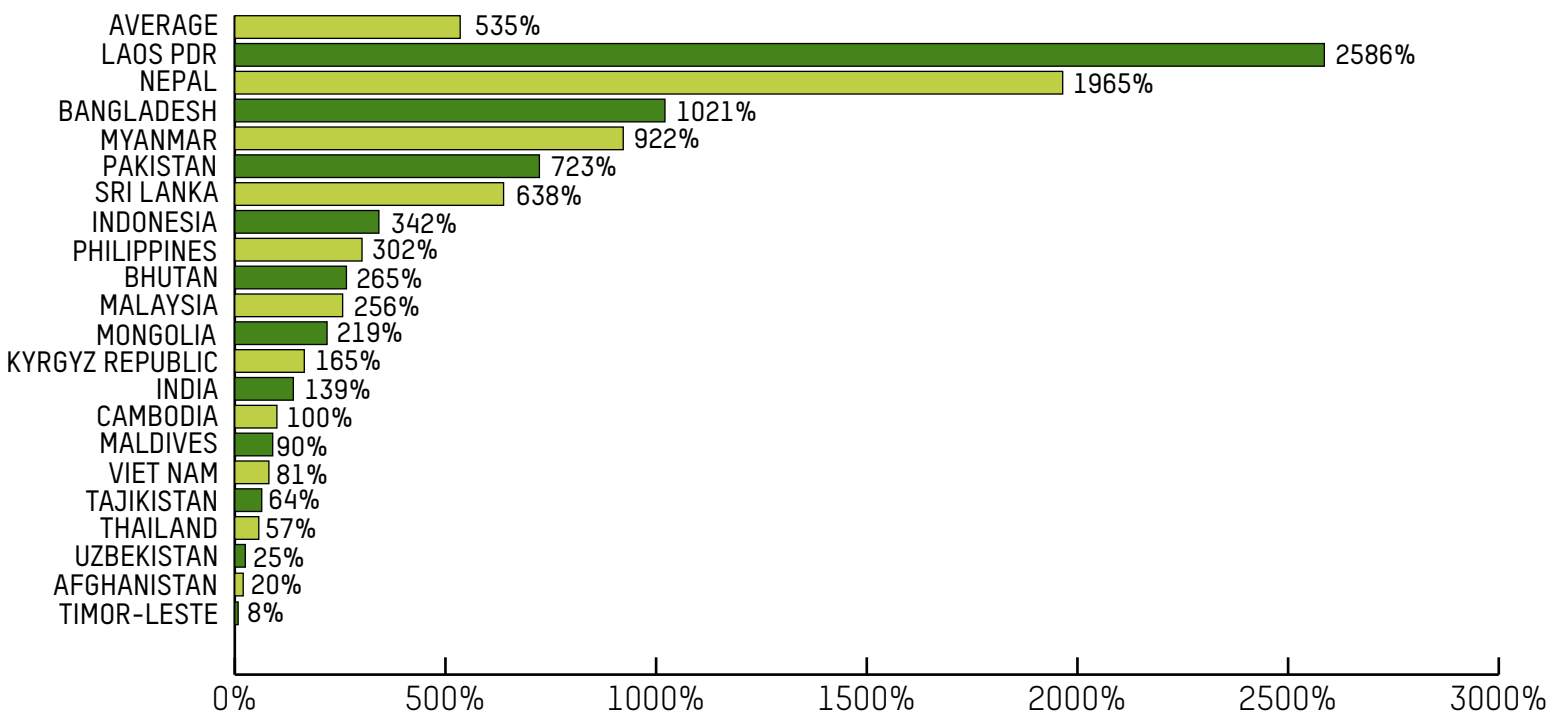
- 14 of 29 Asian countries cut the share of national budgets going to health between 2019 and 2021;
- 14 cut the share for social protection; and 17 cut the share for education;
- 22 of 29 countries failed to increase income taxes on the richest individuals and large corporations to fund a more equitable recovery, and 8 countries actually cut these taxes; and
- 18 of 29 countries failed to increase minimum wages in line with per capita GDP.

1.6 DEBT HAS RISEN SHARPLY, WITH AUSTERITY THE DISASTROUS RESULT

At the same time, Asia's debt burden has risen dramatically to fund the pandemic responses. The increase between 2019 and 2021 was 15% of GDP – twice as fast as any other developing region. By 2021, total public (external and domestic) debt averaged 71% of GDP.¹⁶ Though lower costs of market borrowing meant that average debt service across the region was only 28.6% of budget revenue, eight countries were spending more than 35% of their revenues on servicing debt.

Across the region, debt servicing was double education spending, triple health, five times social protection, and 16 times climate adaptation. As shown in Figure 12, debt service exceeds social protection spending in all but seven countries, rising to around 20 times as high in Laos and Nepal.¹⁷ The response by the international community has been very poor in terms of debt relief: less than \$7bn has been cancelled or suspended, of which almost 90% was for Pakistan.¹⁸

FIGURE 12: DEBT SERVICE COMPARED TO SOCIAL PROTECTION SPENDING (2021, %)



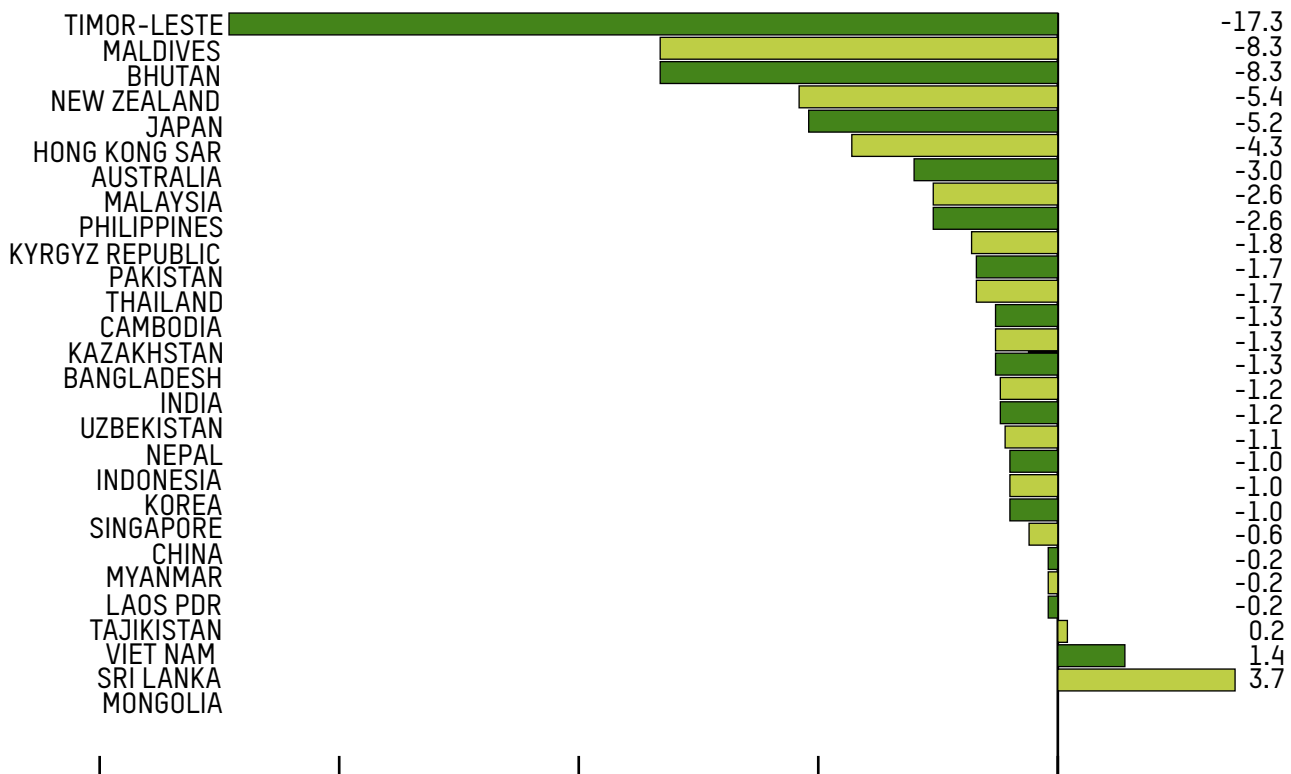
Source: Norwegian Church Aid. (Forthcoming) A Nordic Initiative to Resolve the Debt Crisis.¹⁹

To repay debts and reduce budget deficits, in the absence of debt cancellation or new concessional financing, many countries are implementing austerity plans. Fifteen Asian countries already cut spending by over 1% of GDP by 2022 following a 2020 pandemic-related peak and, as shown in Figure 13, the vast majority – 25 of 28 countries for which IMF forecasts are available – are facing spending cuts as a percentage of GDP between 2022 and 2027, averaging a cumulative 2.4% (the remaining three have already cut budgets).²⁰ These cuts are not a result of IMF programmes (only Nepal and Pakistan have such programmes, with below average cuts).

Sri Lanka shows clearly how a debt crisis worsened by COVID-19 and poor policies can slash social spending. Since 2020, slow growth due to COVID-19, along with 2019 tax rate cuts that reduced revenues, resulted in spending cuts of almost 2% of GDP. Debt service rose to 59% of the budget in 2021, more than ten times health spending. Social spending fell from 25% to 22% of the budget. The number of people living in poverty rose by 27% (half a million people),²¹ helping to provoke a social and political crisis.

It is vital that such austerity is avoided across the region. Social spending must be sharply increased, to allow Asian countries to protect themselves better against future pandemics and enhance their efforts to reduce inequality. To fund such spending, tax systems need reform to increase revenue in ways that fight inequality – such as enhanced taxes on wealth, and personal and corporate income.²²

FIGURE 13: CHANGE IN GOVERNMENT SPENDING BETWEEN 2022 AND 2027 (% GDP)



Source: IMF World Economic Outlook database

2. WHAT IS ASIA DOING TO REDUCE INEQUALITY?

Multiple global studies by the IMF, OECD, World Bank, UN and independent experts have shown that the three key policies which reduce inequality successfully are universal free public education, health services and social protection; fair taxation; and enhanced labour rights, especially for women.²⁴

Development Finance International and Oxfam have designed the Commitment to Reducing Inequality (CRI) Index, which tracks policies in these three areas (called 'pillars'). The CRI assesses the degree to which policies are being implemented and the impact they are having on inequality, as follows:

1. **Public services**, looking at education, health and social protection.
2. **Taxation**, looking at how progressive tax structures are on paper and in practice.
3. **Workers' rights**, with particular focus on women's rights.

These three pillars contain three levels of indicator:

1. **Policy commitment indicators**, which measure the commitment of governments through their policies (which may or may not be implemented in practice).
2. **Coverage or implementation indicators**, which measure who is covered (or not) as a result of policy actions, or how well a government puts policies into practice.
3. **Impact indicators**, which measure the impact of policy actions on levels of inequality.

The indicators used to measure progress in each of these pillars are shown in Figure 14.²⁵

FIGURE 14: THE CRI INDEX PILLARS AND INDICATORS

	PUBLIC SERVICES SPENDING	TAX PROGRESSIVELY	LABOUR RIGHTS & WAGES
POLICY INDICATORS	PS1a Education PS1b Health PS1c Social Protection	T1a Personal income tax T1a Corporate income tax T1a Value added tax T1b Harmful tax practices	L1a Labour rights L1b Women's labour rights L1c Minimum wage
IMPLEMENTATION OR COVERAGE INDICATORS	Spending as % of total budget	Progressive tax structures	Governments' efforts to protect workers in law and practice
IMPACT INDICATORS	PS2a Secondary education completion by poorest quintile PS2b Universal health coverage and out-of-pocket expenditure PS2c Pension coverage	T2 Tax collection productivity across VAT, personal income tax and corporate income tax	L2a Unemployment L2b Vulnerable employment
	PS3 Impact of spending on inequality (Gini)	T3 Impact of tax on inequality (Gini)	L3 Impact of labour policies on wage inequality (Gini)

2.1 OVERALL PERFORMANCE

The CRI Index ranks 161 countries worldwide. Scores are calculated out of 1, with 1 representing the best performance by a country on each indicator. On average, the 37 Asian countries covered by the CRI²⁶ have a marginally lower score (0.52) than the global average (0.53). A score around 0.5 means that they would need to do twice as much to reduce inequality to match the best performers globally. The remainder of this report excludes Pacific Island nations (for which a separate briefing will be issued later in 2022), and covers 29 countries.

In terms of Asian regions, OECD members perform best, followed by North and Central Asia. Southeast and especially South Asia lag behind. In 6th to 8th places regionally are three lower-middle-income countries – Kyrgyzstan, Mongolia and Tajikistan – showing that poorer countries can perform better than wealthier neighbours, and that action against inequality is a policy choice, not predetermined by a country's income level. Asia's ten worst performers include seven South Asian countries, as well as Laos, Timor-Leste and the Philippines.

TABLE 1: OVERALL PERFORMANCES IN THE CRI

REGIONAL SCORES		TOP TEN GLOBAL RANKINGS			BOTTOM TEN GLOBAL RANKINGS		
Region	Score	Country	Score	Rank	Country	Score	Rank
OECD Asia	0.82	Australia	0.864	3	Laos	0.309	143
North and Central Asia	0.60	Japan	0.835	6	Afghanistan	0.323	138
Southeast Asia	0.47	New Zealand	0.822	8	Pakistan	0.365	126
South Asia	0.43	South Korea	0.743	24	India	0.381	123
		Maldives	0.673	40	Bhutan	0.421	116
		Kyrgyzstan	0.643	44	Timor-Leste	0.423	115
		Mongolia	0.629	46	Nepal	0.428	112
		Tajikistan	0.628	47	Sri Lanka	0.430	111
		China	0.612	50	Bangladesh	0.435	107
		Kazakhstan	0.611	51	Philippines	0.456	102

2.2 PUBLIC SERVICES: INADEQUATE BUDGET ALLOCATIONS, NOT REACHING THE POOR

The public services pillar of the CRI looks at whether countries are allocating budget spending to fight inequality, through spending on education, health and social protection; whether this spending is providing universal services and reaching the poorest' and the impact it is having on inequality as measured by the Gini coefficient.²⁷

Asia's average score on public services is low, at only 0.35, considerably behind Latin America. OECD Asian countries, and East and Central Asia perform much better on public services than other Asian sub-regions, with Southeast and South Asia lagging far behind. Four of Asia's five top-scoring developing countries are from North and Central Asia (Uzbekistan, Kazakhstan, China and Mongolia). All would still have to perform twice as well to match the best global performers. On the other hand, Asia has five of the worst 20 countries in this pillar (Afghanistan, Pakistan, Laos, Myanmar and Bangladesh), all of which would have to do 6–10 times better.

TABLE 2: CRI INDEX SCORES AND RANKINGS FOR PUBLIC SERVICES IN ASIA

REGIONAL SCORES		TOP FIVE GLOBAL RANKINGS			BOTTOM FIVE GLOBAL RANKINGS		
Region	Score	Country	Score	Rank	Country	Score	Rank
OECD Asia	0.62	Japan	0.69	4	Afghanistan	0.11	158
North and Central Asia	0.47	New Zealand	0.63	22	Pakistan	0.13	151
Southeast Asia	0.28	Australia	0.62	24	Laos	0.15	144
South Asia	0.21	Uzbekistan	0.56	35	Myanmar	0.16	141
		South Korea	0.55	37	Bangladesh	0.18	136

As shown in **Figures 15 and 18**, and **Annex Table 2**, Asia performs poorly on **education spending** compared with other developing regions, with governments allocating only 14.4% of budgets, over 2% below Africa and LAC. South Asia performs particularly poorly at only 11.9%. Only two countries (Uzbekistan and Malaysia) meet the globally recommended Incheon Declaration target of 20%. On the other hand, four (Sri Lanka, Japan, Timor-Leste and India) allocate less than 10%. These different spending levels produce very different outcomes in terms of equal education: in Pakistan, Myanmar, Cambodia, Laos, Bhutan and Sri Lanka, less than 10% of the poorest quintile of children complete secondary school; on the other hand, South Korea, Japan, Kazakhstan and Singapore achieve near-100% completion, almost meeting SDG4.

At 10%, Asian governments allocate much less of their budgets on average to **health spending** than LAC (12%), as shown in **Figures 16 and 19**. Once again, South Asia performs particularly poorly, coming even below the African average at 7%. Apart from the OECD countries, those spending above 15% are the Maldives and Thailand. On the other hand, five countries (Afghanistan, India, Kyrgyzstan, Pakistan and Timor-Leste) allocate less than 5%. In terms of delivery, Afghanistan and Pakistan provide healthcare access to less than half of their citizens, whereas Singapore, Thailand, China and OECD countries reach over 80%. However, all countries remain well below the SDG3 aim of 100%. Shockingly, in 11 countries, over 10% of the population (in Afghanistan, Bangladesh and China over 20%) spend 10% of their income on healthcare, driving many into poverty and others to not seek healthcare.

As shown in **Figures 17 and 20**, Asian governments allocate an average of 16.1% to **social protection**, which is again lower than LAC (16.9%), where many countries have used social protection proactively in recent years as the most efficient way to reduce inequality. Once again, South and Southeast Asia perform much less well than North and Central Asia. Nine countries (OECD members plus Uzbekistan, Mongolia, Kazakhstan and China) spend more than 25% of their budgets on social protection, with such benefits being a longstanding tradition in Central Asia. On the other hand, four countries (Nepal, Laos, Afghanistan and Myanmar) allocate less than 5%. Different spending levels are reflected in the proportions of the population with access to a pension: nine countries reach less than 20% of their elderly populations, while all the high-spenders reach 100%. Overall, as shown in Figure 6, only 43% of Asia's citizens have access to a social protection benefit, compared to 56% in LAC.

FIGURE 15: BUDGET ALLOCATION FOR EDUCATION IN GLOBAL REGIONS (2021, %)

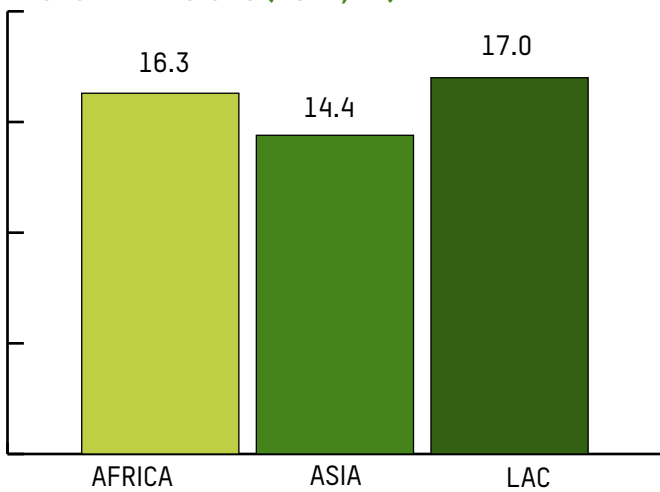


FIGURE 16: BUDGET ALLOCATION FOR HEALTH IN ASIAN SUB-REGIONS (2021, %)

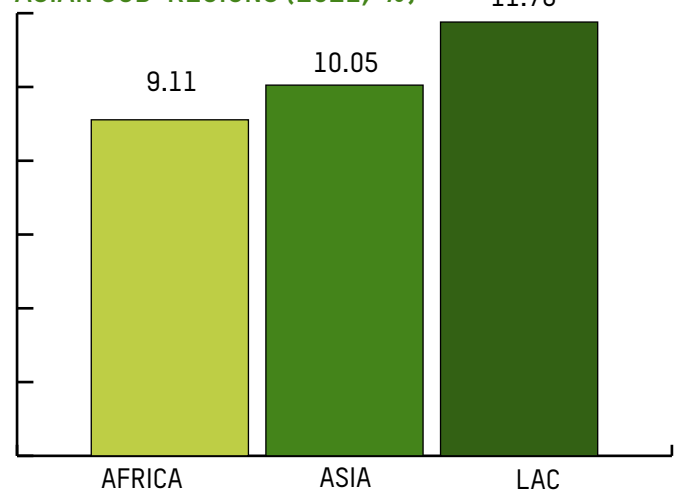


FIGURE 17: BUDGET ALLOCATION FOR SOCIAL PROTECTION IN GLOBAL REGIONS (2021, %)

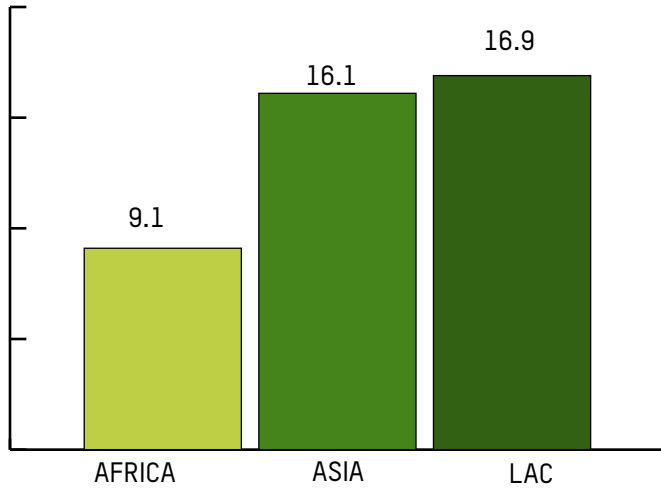


FIGURE 18: BUDGET ALLOCATION FOR EDUCATION IN ASIAN SUB-REGIONS (2021, %)

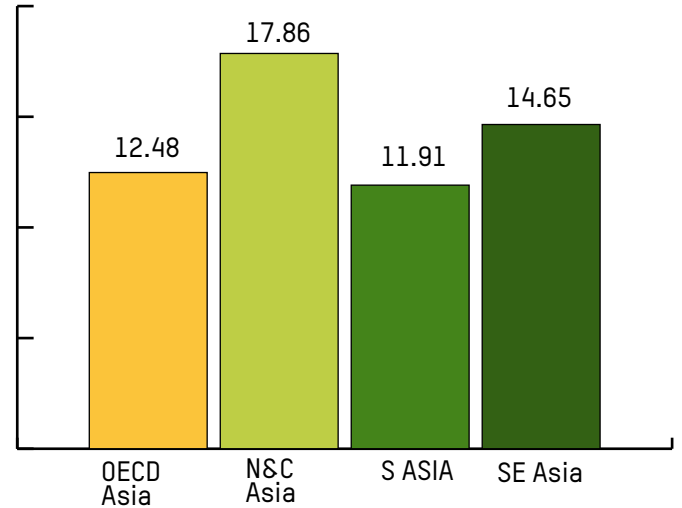


FIGURE 19: BUDGET ALLOCATION FOR HEALTH IN ASIAN SUB-REGIONS (2021, %)

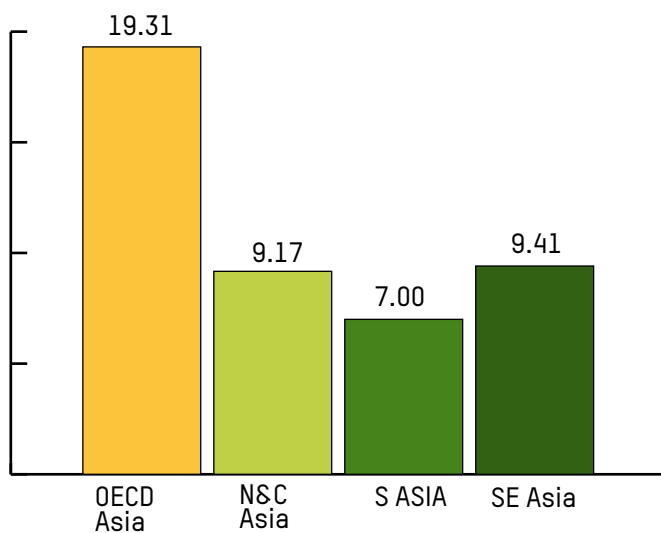
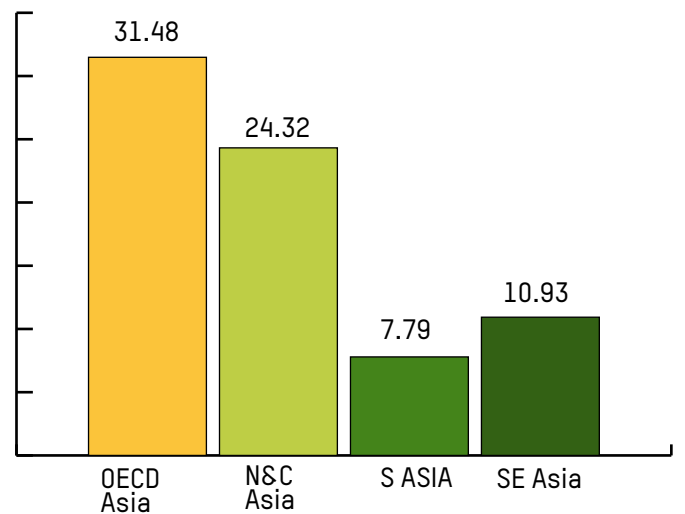


FIGURE 20: BUDGET ALLOCATION FOR SOCIAL PROTECTION IN ASIAN SUB-REGIONS (2021, %)



Sources for Figure 15 to 20: Based on 2022 and 2020 CRI Databases available at www.inequalityindex.org

The mixed performance on social spending, and on access to education, health and social protection services for the poorest people, **mean that social spending reduces inequality in Asian emerging and developing countries by only 5.8%**, below LAC at 8.8%, and well below top-performing developing countries like pre-war Ukraine and South Africa, and Asian OECD members, at 27.6%. Only four Asian developing countries (Mongolia, Maldives, China and Timor-Leste) reduce inequality by more than 10% through public services; on the other hand, Myanmar, Hong Kong, SAR China, Bangladesh, Pakistan, Afghanistan, Laos and Cambodia reduce it by less than 3%.

2.3 EQUITABLE TAXATION: UNFAIR SYSTEMS AND COLLECTION INCREASE

The tax pillar of the CRI looks in turn at whether countries have progressive tax systems on paper (placing more of the burden on the richest), the degree to which they collect taxes successfully, and the impact which this tax collection has on inequality as measured by the Gini coefficient.²⁸

At 0.59, Asian governments on average score marginally better than Africa (0.57) and LAC (0.54), but could still do much more to match the best global performers. However, performance among regions and countries is mixed. OECD countries perform best, followed by South Asia, North and Central Asia and Southeast Asia. The top five Asian countries (Australia, China, New Zealand, South Korea and the Maldives) are all in the top 12 globally, but could still improve by around 50%. The bottom performers (Hong Kong, SAR China, Singapore, Kazakhstan, Malaysia and Afghanistan) could all do twice as much. They mostly lack or have very low income taxes, or exhibit tax haven-like behaviour, thereby depriving themselves and other governments of tax revenues.

TABLE 3: CRI INDEX PERFORMANCES AND RANKINGS FOR TAXATION

REGIONAL SCORES		TOP FIVE GLOBAL RANKINGS			BOTTOM FIVE GLOBAL RANKINGS		
Region	Score	Country	Score	Rank	Country	Score	Rank
OECD Asia	0.69	Australia	0.74	1	Hong Kong, SAR China	0.45	151
North and Central Asia	0.61	China	0.69	4	Singapore	0.52	132
Southeast Asia	0.60	New Zealand	0.68	7	Kazakhstan	0.53	122
South Asia	0.58	South Korea	0.68	8	Malaysia	0.53	119
		Maldives	0.66	12	Afghanistan	0.54	115

Asia's **tax systems on paper** are less progressive than all other regions except LAC. **Figures 21 and 22** show that it has lower average top personal income tax and corporate income tax rates than LAC and Africa. Overall, Bangladesh and Myanmar have the most progressive tax structures on paper, but would need to perform about a third better to match the best global performer, while New Zealand and Tajikistan have the least progressive.

In terms of **income tax rates**, **Figures 24 and 25** show that North and Central, and Southeast Asia have the lowest average rates. As shown in **Annex Table 3**, Kazakhstan, Kyrgyzstan, Mongolia and Timor-Leste stand out for having low and flat personal income taxes of 10%. Eighteen Asian countries have top personal tax rates below the global average of 31%. Hong Kong, SAR China, Timor-Leste and Kyrgyzstan have corporate income tax rates below 10%, and 16 Asian countries are below the global average of 24%. On the other hand, five Asian countries have top personal income tax rates over 40% (Japan, South Korea, Australia, China and India), and three have corporate income tax rates above 30% (Japan, Bangladesh and Bhutan).

Offsetting the generally low income tax rates in Asia, is the fact that inequality-exacerbating value added taxes (VAT), and goods and sales taxes (GST) also have low average rates, especially in Southeast Asia, as shown in Figures 23 and 26, and Annex Table 3. The notable exceptions are India, Tajikistan and Pakistan, which have rates above 15%, high by global standards. Only just over half of Asian countries take measures to make VAT and GST less regressive by exempting key food products consumed by poorer people, or setting a minimum threshold for VAT registration excluding small traders. New Zealand stands out for having high VAT rates with no mitigating measures.

Asia also has several countries, notably Hong Kong, SAR China and Singapore, exhibiting strong harmful tax practices and acting like tax havens, which brings down their tax policy scores by reducing their own and global tax collection.

FIGURE 21: TOP PERSONAL INCOME TAX RATES IN GLOBAL REGIONS (2021, %)

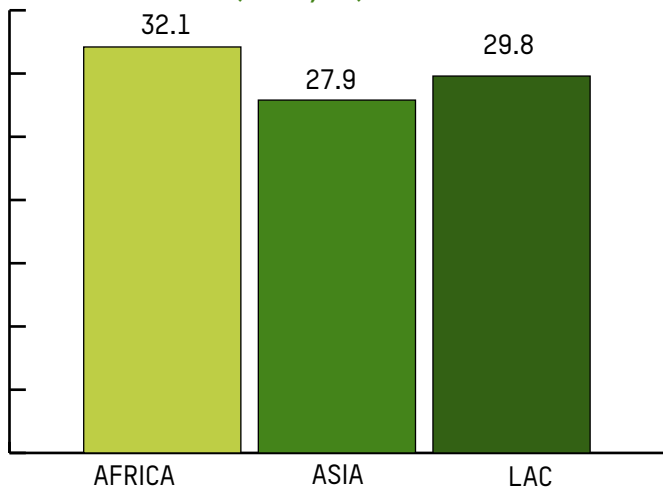


FIGURE 22: CORPORATE INCOME TAX RATES IN GLOBAL REGIONS (2021, %)

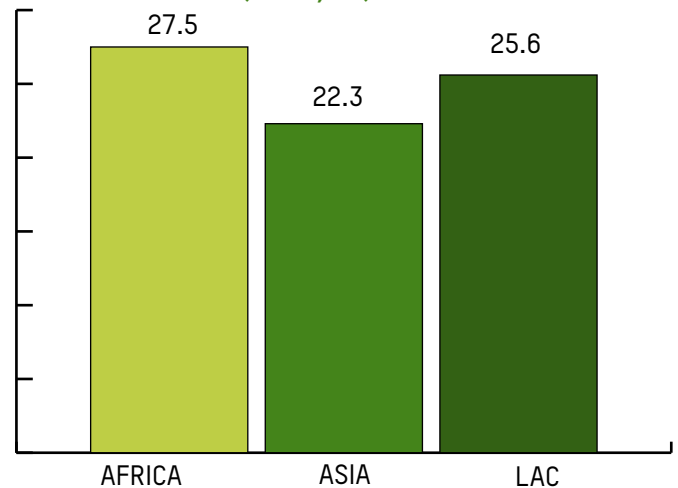


FIGURE 23: VAT OR SALES TAX RATES IN GLOBAL REGIONS (2021, %)

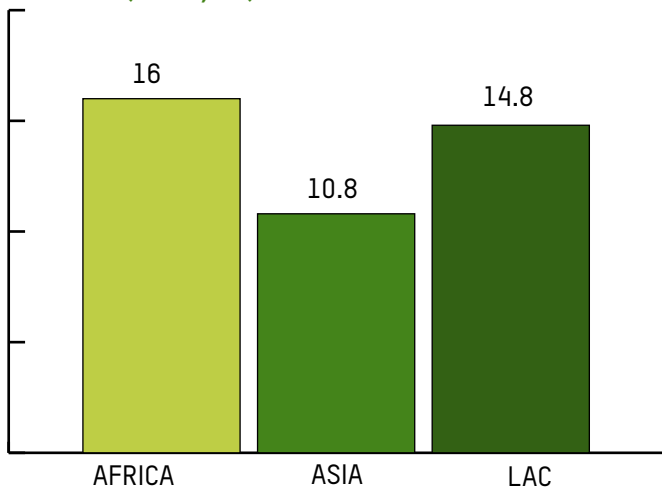


FIGURE 24: TOP PERSONAL INCOME TAX RATES IN ASIAN SUB-REGIONS (2021, %)

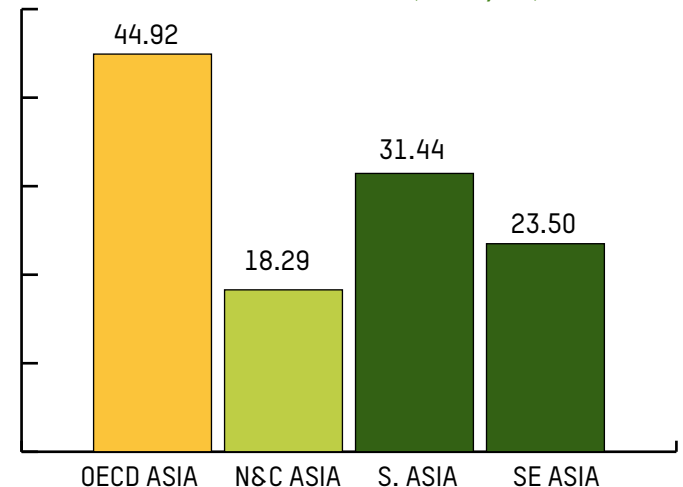


FIGURE 25: CORPORATE INCOME TAX RATES IN ASIAN SUB-REGIONS (2021, %)

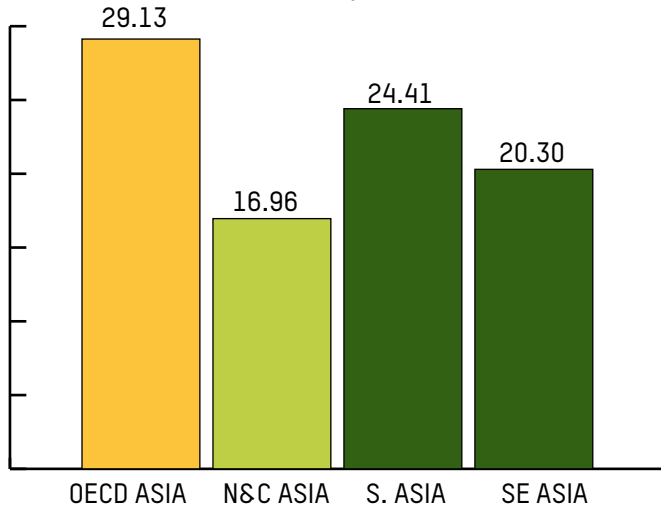
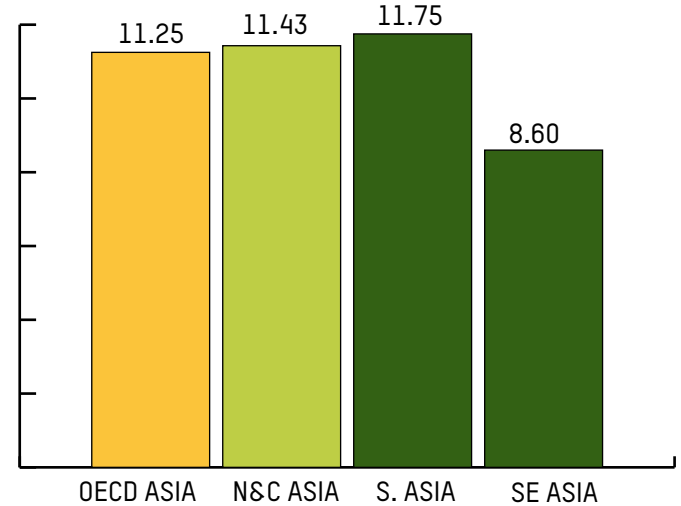


FIGURE 26: VAT OR SALES TAX RATES IN ASIAN SUB-REGIONS (2021, %)



Sources for Figure 21 to 26: Based on 2022 and 2020 CRI Databases available at www.inequalityindex.org

On average, Asian countries perform better in tax collection than other regions, collecting 37% of the taxes implied by their tax rates and bases, compared with 33% in LAC and 25% in Africa. However, the picture varies widely between sub-regions, with South Asia collecting only 26%, less than half North and Central Asia. Mongolia, New Zealand and Kyrgyzstan are the most effective countries in collecting taxes, while Afghanistan, Sri Lanka, Myanmar, the Philippines, Pakistan and Bangladesh are the least. In addition, most of the taxes collected are inequality-exacerbating VAT/GST revenues; Asia's corporate income tax collection is as bad as other regions, and its personal income tax collection is even worse. Pakistan, Timor-Leste, Laos, Afghanistan and Sri Lanka perform worst in terms of corporate tax collection; Sri Lanka, the Maldives, Myanmar, China and Bhutan on personal income tax collection. Low collection of income taxes reflects a combination of significant tax exemptions for wealthy people and large companies, and high levels of tax dodging (evasion or avoidance).

Asia is a region where **taxes on property and wealth** provide very little revenue (0.4% of GDP on average, compared with 0.88% in LAC, and 1.88% in OECD countries). Among developing countries, China and Singapore stand out for collecting higher amounts from taxes on financial transactions and property, but even they reach only 1.5% of GDP, compared to almost 3% for Asian OECD countries. Asian governments impose no taxes on the stock of wealth; Hong Kong, SAR China, Singapore and New Zealand have no capital gains taxes, and rates are lower than income taxes in at least nine other countries. There are inheritance taxes in only eight countries.⁹

As a result of the low progressivity of its tax structures on paper, as well as its dependence on VAT and GST for tax collection in many countries, Asian governments' tax systems are actually **increasing inequality by 1.4% on average** –the highest of any region. Only nine Asian countries perform any redistribution using their tax systems (Australia, China, India, South Korea, Sri Lanka, Vietnam, Indonesia, Hong Kong, SAR China and Japan). Of these, only the first two reduce inequality by more than 2%. The worst offender for increasing inequality via tax is Kyrgyzstan.

2.4 LABOUR RIGHTS: WEAKER RIGHTS ON PAPER MEAN HIGH WAGE INEQUALITY

The labour pillar of the CRI measures whether countries have policies on rights for unions and workers (especially women), as well as minimum wages, which are potentially reducing inequality; the proportion of the workforce which actually benefits from these rights; and the resulting level of wage inequality (measured by Gini coefficient).³⁰

Overall, Asian countries do only moderately well on this pillar (0.52), well behind LAC (0.6). A relatively high proportion of workers in lower-income countries, especially in South Asia, are in informal or vulnerable jobs and therefore deprived of labour rights. In addition, the rights granted to formal workers (including women) lag well behind those in LAC. OECD Asian countries again lead on labour rights, followed by North and Central Asia, with Southeast Asia, and especially South Asia doing less well. The top five Asian countries are relatively wealthy (OECD members plus Hong Kong, SAR China). However, in other global regions poorer countries such as Ukraine, Cape Verde and El Salvador perform well. All the bottom five Asian performers (India, Laos, Bhutan, Nepal and Afghanistan) would need to do up to four times as well to match the best global performers.

TABLE 4: CRI INDEX PERFORMANCES AND RANKINGS ON LABOUR

REGIONAL SCORES		TOP FIVE GLOBAL RANKINGS			BOTTOM FIVE GLOBAL RANKINGS		
Region	Score	Country	Score	Rank	Country	Score	Rank
OECD Asia	0.73	Japan	0.76	29	India	0.28	151
North and Central Asia	0.59	New Zealand	0.75	35	Laos	0.33	141
Southeast Asia	0.52	Australia	0.74	40	Bhutan	0.34	140
South Asia	0.45	Hong Kong, SAR China	0.72	47	Nepal	0.39	126
		South Korea	0.66	57	Afghanistan	0.44	117

Asia does much worse than Africa and LAC **in terms of formal union and worker rights**, measured by formal legal adoption and implementation of International Labour Organization (ILO) conventions. However, the Penn State University assessment of this is rather out of date (data from 2017).³¹ Looking at the more recent International Trade Union Confederation (ITUC) Global Rights Index for 2022, Asia is the second-worst region for union rights, ahead of only the Middle East.³² Myanmar, Bangladesh and the Philippines are in their list of the 10 worst countries for union rights, 14 countries have the worst ranking of 5 ('no guarantee of rights'), and only Japan, New Zealand and Singapore reach the second highest category ('systematic violations of rights').³³

According to the CRI labour database Asia also scores slightly lower than other regions on **women's labour rights**. Only South Korea comes in the top 20 countries globally, reflecting excellent laws on non-discrimination, equal pay, rape and sexual harassment, and generous parental leave. On the other hand, Asia accounts for three of the world's bottom 20 countries (Singapore, Uzbekistan and Afghanistan). Singapore is among only 10 countries in the world that have neither non-discrimination nor equal pay laws. Many more countries lack laws against sexual harassment, or have rape laws that exclude spousal rape.

On **minimum wages**, as compared to per capita GDP, Asia does much worse than Africa but equal to LAC (**see Figures 27 and 30**). However, this average hides significant disparities. In terms of sub-regions, South Asia is marginally better and Southeast Asia worse. As for countries, Afghanistan, Laos, Nepal and Timor-Leste are in the global top 20, while the bottom 20 features Bangladesh, Kazakhstan and the Philippines, which have very low minimum wages, Cambodia, India and Singapore score worst because they have no national minimum wage. On the other hand, the Maldives has recently introduced one.

There is also a very mixed picture across Asia on the **proportion of the workforce in each country entitled to labour rights** because they have contracts (and are not either unemployed or in 'vulnerable' non-contractual employment). On average, 57% of Asia's workers have formal rights, compared to 59% in LAC and 29% in Africa (**see Figures 28 and 31**). South Asia is the worst-performing sub-region, with only 41% of workers having rights (30% if the Maldives are excluded). Asia contains only one of the world's bottom 20 countries (Afghanistan) and three in the top 20 (Japan, Hong Kong, SAR China and Singapore).

Finally, in terms of the **impact of labour policies and rights on wage inequality**, mainly because of its relatively high levels of formal contract work, Asia performs moderately well, with an average Gini coefficient of 0.49 compared with 0.68 for Africa but 0.47 for LAC (**see Figures 29 and 32**). However, wage inequality is higher in South Asia (0.54). Six countries (Australia, Bangladesh, Hong Kong, SAR China, Kazakhstan, Myanmar and Singapore) are estimated by the ILO to have wage Gini coefficients below 0.4. On the other hand, three countries have wage Ginis above 0.6 (India, Nepal and Timor-Leste). As discussed in **Section 1**, all Asian countries need to strengthen their policy efforts to reduce inequality in the labour market by improving union rights, women workers' rights, minimum wage levels and enforcement.

FIGURE 27: MINIMUM WAGES IN GLOBAL REGIONS (2022, % per capita GDP)

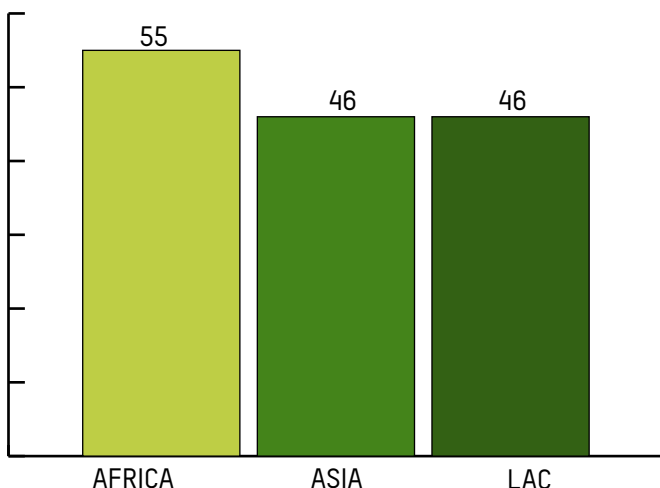


FIGURE 28: WORKERS WITH FORMAL LABOUR RIGHTS IN GLOBAL REGIONS (2021, % workforce)

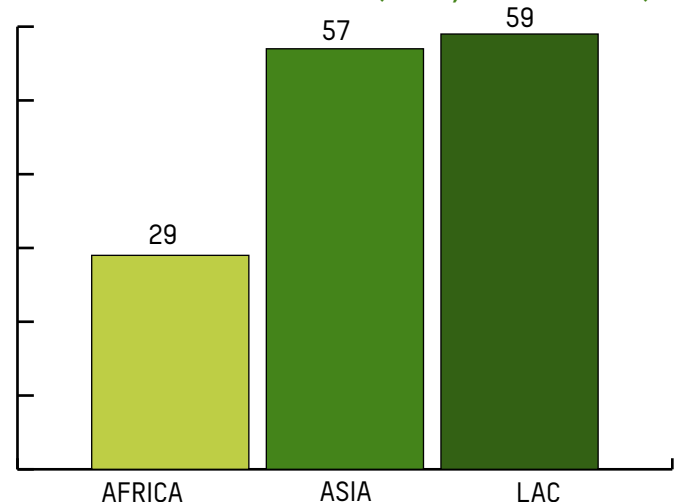


FIGURE 29: WAGE INEQUALITY IN GLOBAL REGIONS (2021, Gini of wages)

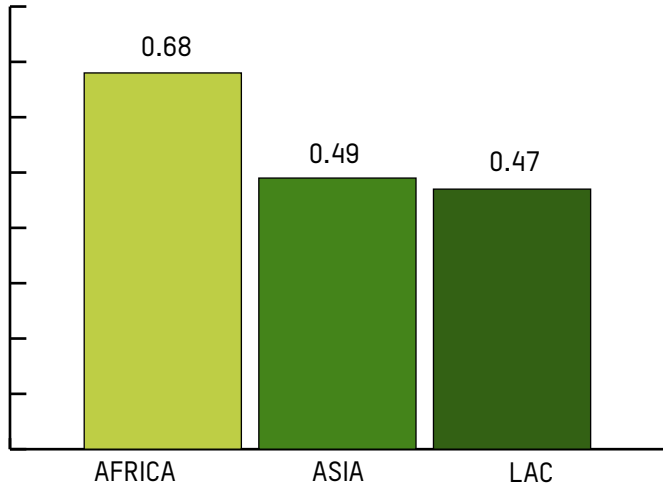


FIGURE 30: MINIMUM WAGES IN ASIAN SUB-REGIONS (2022, % per capita GDP)

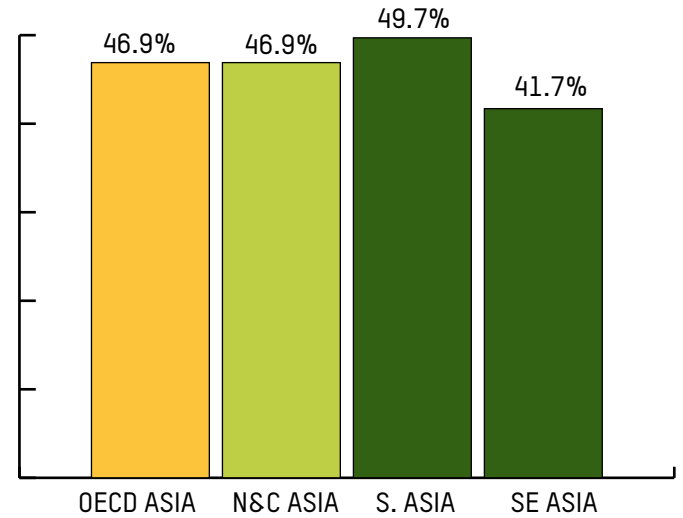


FIGURE 31: WORKERS WITH FORMAL LABOUR RIGHTS IN ASIAN SUB-REGIONS (2021, %)

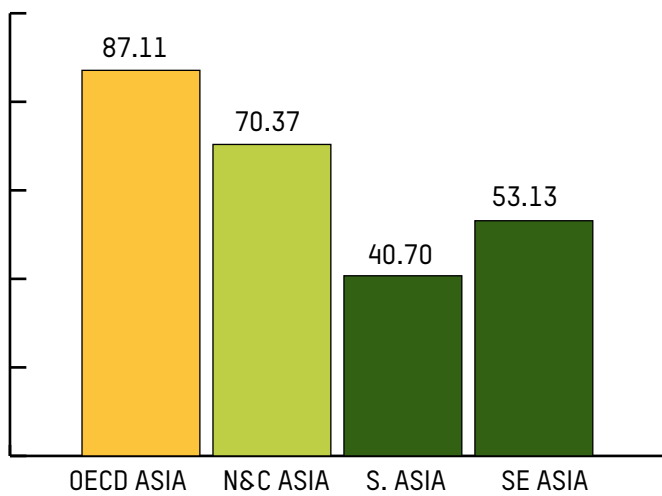
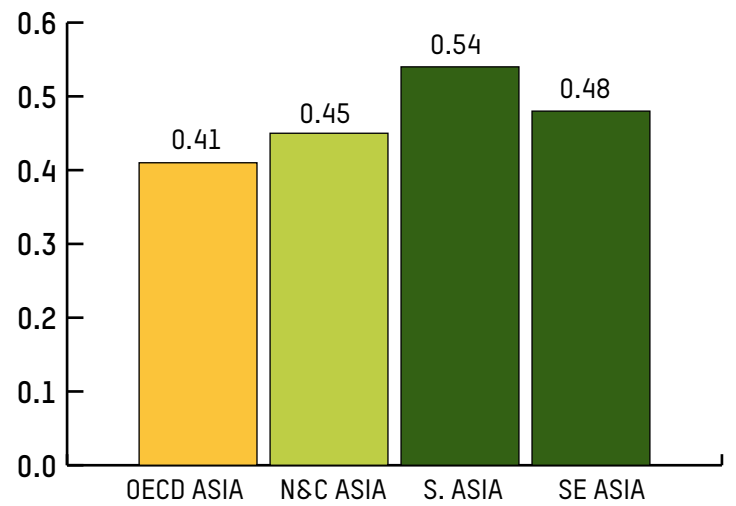


FIGURE 32: WAGE INEQUALITY IN ASIAN SUB-REGIONS (2021, Gini of wages)



Sources for Figure 27 to 32: Based on 2022 and 2020 CRI Databases available at www.inequalityindex.org

3. CONCLUSIONS AND RECOMMENDATIONS

There is nothing inevitable about the inequality crisis in Asia, nor its worsening during COVID-19. However, the pandemic must serve as a wakeup call to national, regional and global leaders to implement an inclusive recovery that tackles inequality aggressively. A few governments in the region (notably Bhutan and the Maldives) have made strong anti-inequality efforts before and during the pandemic. However, only reinforced commitment to anti-inequality policies in all countries, with regional and international support, can allow Asian countries to accelerate growth by reducing inequality.

RECOMMENDATIONS FOR GOVERNMENTS

Governments should urgently commit to tackle inequalities through policies designed to level playing field – and redistribute wealth and power. This should produce National Inequality Reduction Action Plans for inclusive post-COVID recovery and ensuring people living in poverty, women and minority groups have a voice in decision making. This also means rejecting austerity and focusing on enhancing the incomes of the poorest by increasing anti-inequality spending, making tax more progressive and increasing workers' rights and pay. Making taxes more progressive has enormous potential for funding government programmes to reduce inequality. If the governments were to implement a wealth tax of 2 – 5 % on Asia Pacific's multi-millionaires and billionaires, it could raise an additional \$776.5bn every year. That would be enough to increase public spending on health in the region by 60%.³⁴

Plans for specific areas are as follows:

Tax

- a. Make corporate and personal income taxes more progressive by raising top rates so they make a fair contribution to wider society, and can no longer generate excessive wealth while so many live in poverty.
- b. Dramatically reduce tax exemptions, incentives and allowances for large companies and individuals.
- c. Levy 'solidarity taxes' on the rich and 'windfall taxes' on companies profiting from high oil and food prices.
- d. Ensure that VAT and sales taxes exempt basic food products and small traders.
- e. Introduce wealth taxes for the richest corporations and individuals.
- f. Increase rates and progressivity of other taxes, e.g. capital gains, property, inheritance and financial income.
- g. Ensure multinational corporations pay fair taxes by tackling harmful tax practices and avoidance.

Public services

- a. Scale up spending on free public education, aiming to reach the Incheon target of 20% of government budgets, with special emphasis on ensuring high-quality secondary education for the poorest.
- b. Dramatically increase spending on public health to ensure that all citizens can access high-quality free public healthcare and be better protected in future pandemics.
- c. Enact universal social protection programmes going beyond pensions to ensure protection for the working poor, children, people living with disabilities, unemployed people, migrants and other vulnerable groups – and to protect citizens much more comprehensively against future pandemics and the impacts of climate change.

- d. End user fees on education and health services to ensure that they are free at the point of use, and make contributory social protection systems more progressive, to reduce the burden on the poor.
- e. Increase investment in care infrastructure to reduce women's disproportional care responsibilities.

Workers' rights and wages

- a. Ensure that people have rights to unionize, strike and bargain collectively, by introducing and respecting all laws needed to comply with ILO conventions
- b. Introduce and enforce laws for equal pay/non-discrimination and against harassment of women; and legislate to criminalize marital rape in all countries.
- c. Increase parental leave to at least 18 weeks paid at 100% of prior salary, in line with ILO recommendations, and expand paternity leave significantly to reduce the burden of unpaid care on women
- d. Increase minimum wages to match per capita GDP, and increase them annually thereafter
- e. Invest far more in agencies enforcing labour legislation, including minimum wages and women's rights.
- f. Set up systems to ensure the informal sector progressively complies with rights on working conditions and pay, and to incorporate informal and vulnerable workers gradually into social protection systems.
- g. Regulate value chains so that they protect and reward all workers and small producers.

RECOMMENDATIONS FOR THE ASIAN DEVELOPMENT BANK

Under its Strategy 2030, ADB aims to achieve a prosperous, inclusive, resilient, and sustainable Asia and the Pacific, while sustaining its efforts to eradicate extreme poverty. To reach these goals it must reduce inequality sharply by:

- Prioritizing tackling inequality in the agendas of Boards of Governors, Annual Meetings and Board meetings.
- Developing an action plan to set clear targets and accelerate measures to reduce inequality and poverty, through free public services, progressive taxation and enhanced labour rights.
- Support governments in bridging the financing gap to provide universal public services, social protection and care
- Establishing a robust mechanism to support and monitor the achievement of SDG 10 on reducing inequality.

RECOMMENDATIONS FOR THE INTERNATIONAL COMMUNITY

The international community should support national and regional efforts by:

- Enhancing global monitoring of progress in reducing income and wealth inequality under SDG-10, and of key tax, spending and labour policies to achieve this, setting targets to reduce Gini coefficients to 0.25 by 2030.
- Mandating the IMF, World Bank and ADB to ensure all country programmes and policy advice focus on cutting inequality, and contain specific urgent tax, public services and labour measures to achieve this more rapidly.
- Providing comprehensive debt reduction to all countries which need it, to reduce their debt service to low levels and ensure that they have enough financing to achieve the SDGs for universal healthcare, education and social protection.
- Finalizing re-allocation of the 2021 IMF Special Drawing Rights (SDRs) to lower-income countries, and issuing a further US\$650 billion SDRs in 2024, reallocated to developing countries to enhance progressive spending.

- Significantly increasing aid to low and low-middle income countries, to support anti-inequality spending on education, health and social protection. This could be funded by solidarity taxes in their own countries on wealth, income, financial transactions or carbon emissions, with part of the revenue going to lower-income countries.

ANNEX: CRI 2022 ASIA BRIEFING DETAILED TABLES

ANNEX TABLE 1: ASIAN COUNTRY CRI RANKINGS OVERALL

Country	Overall Rank	Public Services Pillar Rank	Tax Pillar Rank	Labour Pillar Rank
Australia	1	3	1	3
Japan	2	1	8	1
New Zealand	3	2	3	2
South Korea	4	5	4	8
Maldives	5	12	5	6
Kyrgyzstan	6	9	11	9
Mongolia	7	8	9	13
Tajikistan	8	11	12	10
China	9	7	2	23
Kazakhstan	10	6	27	7
Uzbekistan	11	4	18	22
Thailand	12	10	15	17
Singapore	13	14	28	5
Malaysia	14	15	26	11
Hong Kong, SAR China	15	13	29	4
Vietnam	16	16	14	20
Cambodia	17	22	7	16
Myanmar	18	26	20	12
Indonesia	19	19	16	21
Philippines	20	17	23	14
Bangladesh	21	25	17	18
Sri Lanka	22	23	21	15
Nepal	23	21	13	26
Timor-Leste	24	18	24	19
Bhutan	25	20	10	27
India	26	24	6	29
Pakistan	27	28	19	24
Afghanistan	28	29	25	25
Laos	29	27	22	28

ANNEX TABLE 2: SHARES OF BUDGETS GOING TO SOCIAL SECTORS

Country	Education share of budget (%)	Country	Health share of budget (%)	Country	Social protection share of budget (%)
Uzbekistan	22.82	Japan	24.21	Uzbekistan	38.12
Malaysia	20.35	New Zealand	19.04	Japan	37.67
Tajikistan	19.91	Australia	18.66	New Zealand	31.90
Kazakhstan	19.81	Maldives	16.50	Mongolia	29.24
Kyrgyzstan	19.23	Thailand	15.45	South Korea	28.88
Cambodia	17.57	South Korea.	15.32	Australia	27.46
Bhutan	17.38	Hong Kong, SAR China	13.40	Kazakhstan	26.63
Singapore	16.48	Singapore	11.90	China	25.76
Indonesia	16.00	Kazakhstan	11.70	Thailand	22.12
South Korea.	15.57	Uzbekistan	10.82	Kyrgyzstan	19.96
Philippines	15.55	Indonesia	10.52	Vietnam	17.79
Hong Kong, SAR China	15.40	China	10.50	Malaysia	17.00
Bangladesh	15.23	Vietnam	10.22	Hong Kong, SAR China	15.70
Vietnam	14.82	Malaysia	9.42	Philippines	15.10
China	14.80	Cambodia	9.35	Tajikistan	14.85
Australia	14.41	Philippines	9.33	Maldives	13.46
Myanmar	14.02	Bhutan	9.31	Pakistan	10.82
Mongolia	13.04	Tajikistan	8.36	Indonesia	10.47
New Zealand	12.27	Nepal	7.80	Bhutan	9.71
Thailand	12.14	Laos	7.71	Sri Lanka	9.25
Maldives	11.91	Sri Lanka	5.88	India	8.75
Laos	11.76	Myanmar	5.36	Cambodia	7.04
Nepal	11.68	Mongolia	5.32	Timor-Leste	6.15
Pakistan	11.59	Bangladesh	5.19	Bangladesh	5.78
Afghanistan	11.21	Timor-Leste	4.86	Singapore	5.59
India	8.82	Pakistan	4.31	Myanmar	4.55
Timor-Leste	7.80	Kyrgyzstan	4.11	Afghanistan	3.74
Japan	7.66	India	3.64	Laos	3.54
Sri Lanka	7.50	Afghanistan	3.40	Nepal	0.79

ANNEX TABLE 3: PERSONAL, CORPORATE AND SALES TAX RATES

Country	Top Personal Income Tax Rate (%)	Country	Corporate Income Tax Rate (%)	Country	VAT or Sales Tax Rate (%)
Japan	55.95	Japan	35.00	Tajikistan	18.00
South Korea	49.50	Bangladesh	32.50	India	18.00
China	45.00	Bhutan	30.00	Pakistan	17.00
Australia	45.00	New Zealand	28.00	Uzbekistan	15.00
India	42.74	South Korea	27.50	Bangladesh	15.00
Nepal	36.00	Australia	26.00	New Zealand	15.00
Vietnam	35.00	India	25.17	Nepal	13.00
Thailand	35.00	Nepal	25.00	China	13.00
Pakistan	35.00	Myanmar	25.00	Kyrgyzstan	12.00
Philippines	35.00	China	25.00	Kazakhstan	12.00
New Zealand	33.00	Philippines	25.00	Philippines	12.00
Bhutan	30.00	Malaysia	24.00	Afghanistan	10.00
Malaysia	30.00	Sri Lanka	24.00	Japan	10.00
Indonesia	30.00	Pakistan	23.61	Mongolia	10.00
Bangladesh	30.00	Tajikistan	23.00	Cambodia	10.00
Laos	25.00	Indonesia	22.00	Laos	10.00
Myanmar	25.00	Afghanistan	20.00	Malaysia	10.00
Singapore	22.00	Kazakhstan	20.00	Indonesia	10.00
Afghanistan	20.00	Vietnam	20.00	Vietnam*	10.00
Cambodia	20.00	Thailand	20.00	Australia	10.00
Sri Lanka	18.00	Cambodia	20.00	South Korea	10.00
Hong Kong, SAR China	17.00	Laos	20.00	Sri Lanka	8.00
Maldives	15.00	Mongolia	17.50	Singapore	7.00
Tajikistan	13.00	Singapore	17.00	Thailand	7.00
Uzbekistan	12.00	Uzbekistan	15.00	Bhutan	7.00
Timor-Leste	10.00	Maldives	15.00	Maldives	6.00
Kyrgyzstan	10.00	Timor-Leste	10.00	Timor-Leste	5.00
Mongolia	10.00	Kyrgyzstan	10.00	Myanmar	5.00
Kazakhstan	10.00	Hong Kong, SAR China	0	Hong Kong, SAR China	0

*To address the economic hardships brought on by the pandemic and subsequent lockdowns, Vietnam authorities approved a 2% VAT reduction for 2022, which means the VAT rate in Vietnam is 8% for 2022 only. See: <https://www.cekindo.vn/blog/vietnam-vat-reduction#:~:text=In%20which%2C%20Vietnam%20authorities%20approves,the%20revitalization%20of%20Vietnam%27s%20economy>

ANNEX TABLE 4: KEY LABOUR INDICATORS FOR EACH ASIAN

Country	Minimum Wage/Per Capita GDP (%)	Country	Workers with Formal Rights (% of Work-force)	Country	Wage Inequality (Gini coefficient of Wages)
Afghanistan	141%	Hong Kong, SAR China	94.00	India	0.65
Laos	99%	Japan	91.88	Nepal	0.64
Timor-Leste	98%	Singapore	91.53	Timor-Leste	0.63
Nepal	95%	Australia	89.24	Laos	0.59
Pakistan	80%	New Zealand	86.43	Afghanistan	0.56
Myanmar	70%	Maldives	82.74	Pakistan	0.56
New Zealand	59%	South Korea	80.87	Bhutan	0.56
South Korea	45%	Kazakhstan	79.34	Indonesia	0.55
Australia	44%	Malaysia	79.08	Sri Lanka	0.55
Tajikistan	44%	Tajikistan	76.82	China	0.54
Uzbekistan	41%	Kyrgyzstan	68.41	Tajikistan	0.53
Vietnam	41%	Philippines	65.82	Thailand	0.50
Japan	38%	Sri Lanka	62.15	Philippines	0.49
Thailand	33%	Uzbekistan	60.46	Cambodia	0.48
Mongolia	33%	China	59.46	Mongolia	0.46
Indonesia	32%	Mongolia	54.12	Vietnam	0.44
Malaysia	30%	Cambodia	52.95	Japan	0.44
Bhutan	26%	Indonesia	50.65	Uzbekistan	0.44
Maldives	25%	Thailand	50.52	Malaysia	0.43
Sri Lanka	22%	Vietnam	48.32	Kyrgyzstan	0.43
Hong Kong, SAR China	20%	Bangladesh	46.33	South Korea	0.42
Kyrgyzstan	19%	Pakistan	45.74	Maldives	0.42
China	19%	Myanmar	36.43	New Zealand	0.41
Kazakhstan	15%	Timor-Leste	33.47	Hong Kong, SAR China	0.39
Philippines	13%	Bhutan	27.04	Singapore	0.39
Bangladesh	9%	Nepal	22.75	Australia	0.38
India	#N/A	Laos	22.50	Bangladesh	0.37
Singapore	#N/A	India	21.10	Kazakhstan	0.37
Cambodia	#N/A	Afghanistan	17.74	Myanmar	0.26

Note: #N/A - India, Cambodia and Singapore do not have nationally applicable minimum wages.

NOTES

All links last accessed 21 September 2022 except where specified.

¹ Disposable income (after direct taxes and transfers) are Data on market income distribution (before taxes and transfers) are from the World Inequality Database. <https://wid.world/data/> from F. Solt. (2022). The Standardized World Income Inequality Database, version 9.3. <https://dataverse.harvard.edu/dataset.xhtml?persistentId=doi:10.7910/DVN/LM40WF>

² Throughout this report, the regions referred to cover the following countries (unless data are not available for a particular indicator):

North and Central Asia: China, Hong Kong, SAR China, Kazakhstan, Kyrgyzstan, Mongolia, Tajikistan, Uzbekistan

OECD Asia: Australia, Japan, New Zealand, South Korea

South Asia: Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka

Southeast Asia: Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam) plus Timor-Leste

³ The IMF has determined that a disposable income Gini coefficient over 0.27 means inequality is undermining growth, reducing annual per capita growth by between 1% and 4%, rising with inequality. F. Grigoli and A. Robles. (2017). Inequality Overhang. IMF. <https://www.imf.org/en/Publications/WP/Issues/2017/03/28/Inequality-Overhang-44774>

⁴ C. Lakner, M. Negre and E.B. Prydz. (2014). Twinning the Goals: How Can Promoting Shared Prosperity Help to Reduce Global Poverty? World Bank. <https://openknowledge.worldbank.org/handle/10986/20611>

C. Lakner, D.G. Mahler, M. Negre and E.B. Prydz. (2020). How Much Does Reducing Inequality Matter for Global Poverty? <https://documents1.worldbank.org/curated/en/765601591733806023/pdf/How-Much-Does-Reducing-Inequality-Matter-for-Global-Poverty.pdf>

⁵ Data from World Inequality Database: <https://wid.world/data/>

⁶ F. Solt. (2022). The Standardized World Income Inequality Database, version 9.3. <https://dataverse.harvard.edu/dataset.xhtml?persistentId=doi:10.7910/DVN/LM40WF>

⁷ Data on wealth concentration are from the World Inequality Lab: <https://wid.world/data>. No data is available for Hong Kong, SAR China.

⁸ *ibid*

⁹ Extreme poverty benchmark is \$1.90 a day, poverty benchmark is \$3.20. See Asian Development Bank, UNDP and UNESCAP. (2022). Building Forward Together: Towards an Inclusive and Resilient Asia and the Pacific. <https://www.adb.org/sites/default/files/publication/783946/building-forward-together-inclusive-resilient-asia-pacific.pdf>

¹⁰ This is calculated based on an average increase in the Gini coefficient of disposable income of 0.03, which represents 8% of average national pre-COVID inequality in Asia. World Bank. (2022). Global Economic Prospects, January 2022.

<https://openknowledge.worldbank.org/handle/10986/36519>

¹¹ See Patriotic Millionaires, Institute for Policy Studies, Fight Inequality Alliance and Oxfam. (2022). Taxing Extreme Wealth: An Annual Tax on the World's Multi-millionaires and Billionaires: What it Would Raise and What it Could Pay For. <https://ips-dc.org/wp-content/uploads/2022/01/Report-Taxing-Extreme-Wealth-What-It-Would-Raise-What-It-Could-Pay-For.pdf>

¹² Institute for Health Metrics and Evaluation. (n.d.). COVID-19 Projections: Cumulative deaths. <https://covid19.health-data.org>

¹³ Our World in Data. (2022). Coronavirus (COVID-19) Vaccinations. <https://ourworldindata.org/covid-vaccinations>

¹⁴ Data in this section and Chapter 2 come from the 2022 and 2020 CRI databases, available at www.inequalityindex.org

¹⁵ Data from: IMF. (2021). Database of Fiscal Policy Responses to COVID-19. <https://www.imf.org/en/Topics/imf-and-covid19/Fiscal-Policies-Database-in-Response-to-COVID-19>.

Due to lack of data, Brunei, North Korea and Turkmenistan were excluded from the databases.

¹⁶ IMF. (2022). World Economic Outlook database April 2022. <https://www.imf.org/en/Publications/WEO/weo-database/2022/April>

¹⁷ All debt service data are from the database compiled for Norwegian Church Aid. (Forthcoming.) A Nordic Initiative to Resolve the Debt Crisis. The data are based on country budget documents and IMF Article IV documents for debt

servicing and spending figures. No debt service data were available for Brunei, China, Kazakhstan, North Korea or Turkmenistan, and no debt stock data for North Korea.

¹⁸ World Bank. (2022, March 10). Debt Service Suspension Initiative. <https://www.worldbank.org/en/topic/debt/brief/covid-19-debt-service-suspension-initiative> and IMF. (2022, March 9). COVID-19 Financial Assistance and Debt Service Relief. <https://www.imf.org/en/Topics/imf-and-covid19/COVID-Lending-Tracker>

¹⁹ All debt service data are from the database compiled for Norwegian Church Aid. (Forthcoming.) A Nordic Initiative to Resolve the Debt Crisis. The data are based on country budget documents and IMF Article IV documents for debt servicing and spending figures. No debt service data were available for Brunei, China, Kazakhstan, North Korea or Turkmenistan, and no debt stock data for North Korea.

²⁰ Data for this paragraph and Figure 13 are total general government expenditure/GDP data taken from the IMF World Economic Outlook database available at <https://www.imf.org/en/Publications/WEO/weo-database/2022/April>

²¹ World Bank. (2021). The COVID-19 Impact on Livelihoods and Poverty in Sri Lanka: Background Note to Sri Lanka Poverty Assessment. <https://openknowledge.worldbank.org/handle/10986/35496>

²² These spending cuts are calculated using USS GDP and spending/GDP numbers from IMF. (2022). World Economic Outlook database April 2022. <https://www.imf.org/en/Publications/WEO/weo-database/2022/April>

²³ Total general government expenditure/GDP data taken from the IMF World Economic Outlook database available at <https://www.imf.org/en/Publications/WEO/weo-database/2022/April>

²⁴ For the research studies underlying the indicators included in the CRI, see the 2017, 2018 and 2020 CRI Index reports and their related methodology documents, available at www.inequalityindex.org

²⁵ More details on the definitions of the indicators and data sources can be found in the CRI Index methodology document: M. Martin, J. Walker and M. Lawson. (2020). The Commitment to Reducing Reducing Inequality Index 2020: Methodology note. DFI and Oxfam. <https://oxfamilibrary.openrepository.com/bitstream/handle/10546/621061/tb-commitment-reducing-inequality-index-081020-methodology-en.pdf>

²⁶ For the complete list of countries covered by the 2022 CRI, see Annex 1. Comprehensive data (sufficient to allow them to be included in the index) were unavailable for three Asian countries: Brunei, North Korea, Taiwan and Turkmenistan. Armenia, Azerbaijan and Georgia are included in the CRI but not in this report as they are not part of the Oxfam Asia region.

²⁷ All data in this section are from the CRI Index Equitable Public Services Database, available at <https://www.inequalityindex.org/#/exploreData>, and which is compiled from budget documents for 90 countries, and ADB, CEPAL, Eurostat, ILO, OECD, UNESCO and WHO secondary sources.

²⁸ The source for all tax rate and collection data in this section is the CRI Index Global Progressive Tax Database, available at <https://www.inequalityindex.org/#/exploreData>, which is itself based on country budget and tax code documents, as well as tax analyses by the key global accounting companies, and tax collection data from IMF country documents.

²⁹ Information on tax collection from OECD. (n.d.). Global Revenue Statistics Database. 2020 data. <https://www.oecd.org/tax/tax-policy/global-revenue-statistics-database.htm>. Information on tax rates from PWC. (n.d.). Worldwide Tax Summaries Online. <https://taxsummaries.pwc.com/>

³⁰ Labour data are from the CRI Index Labour Rights Database, available at <https://www.inequalityindex.org/#/exploreData> and which is in turn compiled from country labour laws and minimum wage announcements, as well as secondary ILO and World Bank sources.

³¹ This is based on Center for Global Workers' Rights. (2017). Labour Rights Indicators. <https://www.dept.psu.edu/liberalarts/WorkersRights/> However, these scores refer to 2017; the scores are in the process of being updated for more recent years.

³² The ITUC has a slightly different classification of countries from the CRI, with Kazakhstan and Kyrgyzstan in 'Europe', but if these are reclassified as Asia, then the region is still second worst. ITUC. (2022). Workers' rights in 2022. <https://www.globalrightsindex.org/en/2022>

³³ Ibid.

³⁴ Oxfam calculations in the report, Rising to the challenge : The case for permanent progressive policies to tackle Asia's coronavirus and inequality crisis, available at <https://policy-practice.oxfam.org/resources/rising-to-the-challenge-the-case-for-permanent-progressive-policies-to-tackle-a-621343/>

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