

# Poverty & Equity Brief

Latin America & the Caribbean

## Bolivia

April 2021

The COVID-19 crisis, accompanied by a further decline in oil prices, plunged the Bolivian economy into a deep recession and may have reversed eight years of poverty reduction. Poverty (\$5.5 line in 2011 PPP) is expected to have increased from 19.9 percent in 2019 to 28.7 percent in 2020, pushing more than one million people into poverty. Prior to the shock and up to 2014, high levels of economic growth linked to the commodity boom had resulted in significant reductions in poverty and inequality. Since 2014, progress in poverty and inequality reduction had decelerated. The COVID-19 crisis affected most economic sectors, and informal salaried employees, the self-employed, and small businesses the most, as well workers in urban areas. The impacts were more severe for those in the most affected sectors (industry and services).

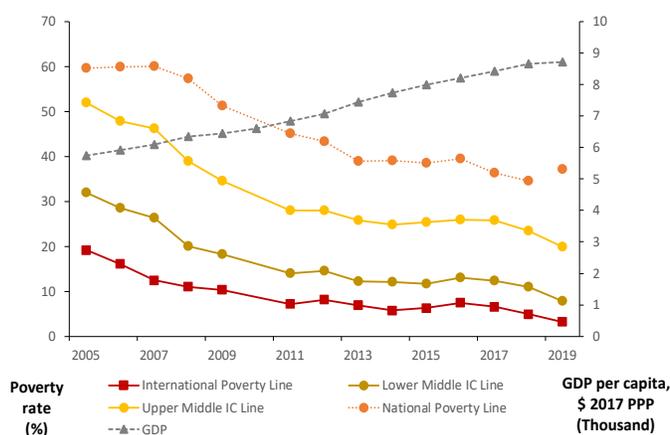
The shock could lead to increases in inequality - both income inequality as well as inequality between groups (e.g. between men and women, between regions). To mitigate the negative impacts of the shock, the government deployed measures in the form of social transfers that, while having nearly universal coverage, did not fully mitigate the shock on households' income given the one-off low generosity transfers, coupled with the severity and length of the crisis. Beyond the short-term impacts of the shock, there could be negative long-term implications due to a decline in households' assets (e.g. human capital, savings); according to the World Bank High Frequency Phone Surveys (HPFS) for mid-2020, food security and access to health and education were being affected.

Economic activity and the employment rate in urban areas showed a recovery towards the end of 2020; yet, the quality of jobs might not have recovered; both unemployment and underemployment remained above their pre-crisis levels, mainly among women. The disproportionate burden of the crisis on women might not only be explained by an increase in childcare responsibilities due to schools closure, but also a higher participation of women in sectors intensive in face-to-face interactions and most affected like commerce (22 percent of employed women worked in this sector pre-pandemic compared to 11 percent of men), social and personal services (18 percent of women vs. 7 percent of men), and hotels and restaurants (11 percent of women vs 2 percent of men). Also, some regions' labor markets have been more affected. In a less favorable economic context and tighter fiscal space, considering the redistributive impacts of any policy measure is important to avoid negative impacts on the poor and vulnerable.

POVERTY	Number of Poor (thousand)	Rate (%)	Period
National Poverty Line	4,282.7	37.2	2019
International Poverty Line 7.6 in Bolivian boliviano (2019) or US\$1.90 (2011 PPP) per day per capita	373.1	3.2	2019
Lower Middle Income Class Poverty Line 12.7 in Bolivian boliviano (2019) or US\$3.20 (2011 PPP) per day per capita	900.8	7.8	2019
Upper Middle Income Class Poverty Line 21.9 in Bolivian boliviano (2019) or US\$5.50 (2011 PPP) per day per capita	2,291.7	19.9	2019
Multidimensional Poverty Measure		6.6	2019
SHARED PROSPERITY			
Annualized Income Growth per capita of the bottom 40 percent		3.09	2014-2019
INEQUALITY			
Gini Index		41.6	2019
Shared Prosperity Premium = Growth of the bottom 40 - Average Growth		4.03	2014-2019
GROWTH			
Annualized GDP per capita growth		2.45	2014-2019
Annualized Income Growth per capita from Household Survey		-0.94	2014-2019
MEDIAN INCOME			
Growth of the annual median income/consumption per capita		0.72	2014-2019

Sources: WDI for GDP, National Statistical Offices for national poverty rates, POVCALNET as of February 2021, and Global Monitoring Database for the rest.

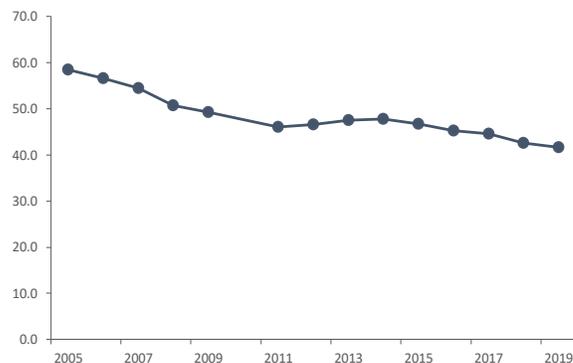
## POVERTY HEADCOUNT RATE, 2005-2019



Source: World Bank using EH/SEDLAC/GMD

## INEQUALITY TRENDS, 2005-2019

### Gini Index



Source: World Bank using EH/SEDLAC/GMD

## KEY INDICATORS

Distribution among groups: 2019	International Poverty Line(%)		Relative group (%)		Multidimensional Poverty Measures: 2019 (% of population)
	Non-Poor	Poor	Bottom 40	Top 60	
Urban population	99	1	31	69	<b>Monetary poverty (Income)</b> Daily income less than US\$1.90 per person 3.2
Rural population	91	9	61	39	
Males	97	3	39	61	<b>Education</b> At least one school-aged child is not enrolled in school 2.2 No adult has completed primary education 13.2
Females	97	3	41	59	
0 to 14 years old	95	5	54	46	<b>Access to basic infrastructure</b> No access to limited-standard drinking water 7.4 No access to limited-standard sanitation 16.3 No access to electricity 4.9
15 to 64 years old	97	3	34	66	
65 and older	99	N/A*	31	69	
Without education (16+)	94	6	59	41	
Primary education (16+)	96	4	45	55	
Secondary education (16+)	98	2	37	63	
Tertiary/post-secondary education (16+)	100	0	14	86	

Source: World Bank using EH/SEDLAC/GMD

Source: World Bank using EH/SEDLAC/GMD

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

## POVERTY DATA AND METHODOLOGY

Official poverty estimates are produced by the Ministerio de Planificación del Desarrollo, Unidad de Análisis de Políticas Sociales y Económicas (UDAPE), and the National Statistics Office (INE) based on data from the Encuesta de Hogares (EH) and are available to the public. Bolivia estimates poverty using an income-based measure that relies on an absolute poverty line representing the minimum cost of purchasing a basket of goods and services necessary to achieve adequate living conditions. Starting in 2019, Bolivia updated its poverty line (with the previous one dating back to the early 1990's). The most recent official monetary poverty numbers in Bolivia, with the new poverty methodology, correspond to 2019; the national total poverty rate was 37.2 percent (in 2018 it was 39.9 under the new methodology and 34.6 under the previous one), and the national extreme poverty rate 12.9 percent (15.3 under the new methodology in 2018, compared to 15.2 under the previous one). The average poverty line in local currency units in 2019 was 911.7 bolivianos per person per month for urban areas and 668.1 bolivianos for rural areas. The international dollar a day methodology is based on \$1.90 (2011 PPP), using income per capita as the welfare aggregate measure. However, by this definition, most Latin American countries have low extreme poverty rates. For this reason, higher poverty lines that are more coherent with the region's reality are used: \$3.20 and \$5.50 (2011 PPP). In Bolivia, using the \$1.90 poverty line shows a non-negligible poverty level of 4.5 percent for 2018, among the highest in South America. The national and international poverty measures have shown a similar trend in the past.

## HARMONIZATION

The numbers presented in the brief are based on the regional data harmonization effort known as the Socio-economic Database for Latin America and the Caribbean (SEDLAC) - a joint effort of the World Bank and CEDLAS from the National University of La Plata (Argentina). SEDLAC includes 18 countries and more than 300 household surveys since the 80s. Several Caribbean countries have not been included in the SEDLAC project due to lack of data. Since an income-based welfare aggregate is widely used in the region for official poverty estimates, income-based microdata is used for the Global Monitoring Database (GMD) and Global Poverty Monitoring. SEDLAC covers demographics, income, employment, and education. Terms of use of the data adhere to agreements with the original data producers.