

# Poverty & Equity Brief

Latin America & the Caribbean

## Bolivia

October 2020

For most of the 2000s, economic growth was mainly driven by extractive industries, which benefited from a large demand from export markets in Brazil and Argentina. High levels of economic growth resulted in significant reductions in poverty and inequality, which were mainly driven by higher labor earnings. Since 2014, progress in poverty and inequality reduction decelerated, likely linked to lower commodity prices and reduced potential for labor income gains. While 154,000 people escaped poverty per year (on average) between 2005 and 2014, an average of 35,000 people did between 2014 and 2018; and while lower than in the past, income growth for the bottom 40 percent was higher than for the average in that latter period. There was null progress between 2014 and 2016, with the national poverty rate hovering around 39 percent. Self-employment has been on the rise coupled with falling average earnings, signaling a weakening labor market.

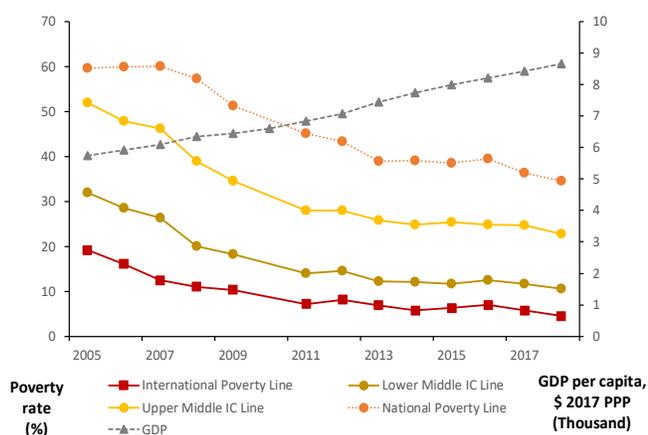
With GDP expected to contract in 2020 due to impacts from COVID-19 and low oil prices, poverty is expected to increase significantly; estimates suggest a rise of around 9 percentage points (\$5.5 day, 2011 PPP) with 1.1 million new poor, thus wiping out a decade of gains. The main channel is through labor markets, affecting mainly informal salaried employees, the self-employed, and small businesses, as well as urban areas and those in the most affected sectors (industry and services). Between December 2019 and July 2020, urban unemployment increased from 4.8 to 11.8 percent, underemployment rose from 4.3 to 18.7 percent, and labor participation decreased from 69 to 63 percent. Phone surveys reveal that by May 2020, around 70 percent of households saw a decline in their incomes since the quarantine began; and almost half reported further declines in July. Inequalities between groups – between men and women, skilled and unskilled, wage and non-wage workers – could widen, and the Gini coefficient, which stood at 0.422 in 2018 based on harmonized regional data, could increase.

The government has deployed mitigation measures that, while having nearly universal coverage, do not fully mitigate the shock on households' income given the severity and length of the crisis. Beyond the short-term impacts, there could be negative long-term implications from the crisis due to a decline in households' assets (e.g. human capital, savings): recent evidence shows that food security, and access to health and education are being affected.

| POVERTY   | Number of Poor (thousand) | Rate (%) | Period    |
|---|---------------------------|----------|-----------|
| National Poverty Line   | 3,928.2                   | 34.6     | 2018      |
| International Poverty Line<br>7.4 in Bolivian boliviano (2018) or US\$1.90 (2011 PPP) per day per capita              | 509.2                     | 4.5      | 2018      |
| Lower Middle Income Class Poverty Line<br>12.4 in Bolivian boliviano (2018) or US\$3.20 (2011 PPP) per day per capita | 1,196.7                   | 10.5     | 2018      |
| Upper Middle Income Class Poverty Line<br>21.3 in Bolivian boliviano (2018) or US\$5.50 (2011 PPP) per day per capita | 2,593.0                   | 22.8     | 2018      |
| Multidimensional Poverty Measure  |                           | 12.4     | 2018      |
| SHARED PROSPERITY   |                           |          |           |
| Annualized Income Growth per capita of the bottom 40 percent  |                           | 1.78     | 2013-2018 |
| INEQUALITY  |                           |          |           |
| Gini Index  |                           | 42.2     | 2018      |
| Shared Prosperity Premium = Growth of the bottom 40 - Average Growth  |                           | 3.43     | 2013-2018 |
| GROWTH  |                           |          |           |
| Annualized GDP per capita growth  |                           | 3.06     | 2013-2018 |
| Annualized Income Growth per capita from Household Survey   |                           | -1.65    | 2013-2018 |
| MEDIAN INCOME   |                           |          |           |
| Growth of the annual median income/consumption per capita   |                           | -0.02    | 2013-2018 |

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

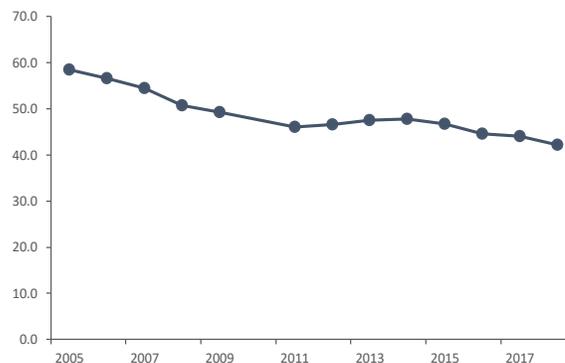
## POVERTY HEADCOUNT RATE, 2005-2018



Source: World Bank using EH/SEDLAC/GMD

## INEQUALITY TRENDS, 2005-2018

### Gini Index



Source: World Bank using EH/SEDLAC/GMD

## KEY INDICATORS

| Distribution among groups: 2018         | International Poverty Line(%) |      | Relative group (%) |        | Multidimensional Poverty Measures: 2018<br>(% of population) |
|---|-------------------------------|------|--------------------|--------|--|
|   | Non-Poor                      | Poor | Bottom 40          | Top 60 |  |
| Urban population                        | 99                            | 1    | 28                 | 72     | <b>Monetary poverty (Income)</b>                             |
| Rural population                        | 87                            | 13   | 68                 | 32     | Daily income less than US\$1.90 per person                   |
| Males                                   | 95                            | 5    | 39                 | 61     |  |
| Females                                 | 96                            | 4    | 41                 | 59     | <b>Education</b>   |
| 0 to 14 years old                       | 93                            | 7    | 53                 | 47     | At least one school-aged child is not enrolled in school     |
| 15 to 64 years old                      | 96                            | 4    | 34                 | 66     | No adult has completed primary education                     |
| 65 and older                            | 98                            | 2    | 40                 | 60     |  |
| Without education (16+)                 | 92                            | 8    | 67                 | 33     | <b>Access to basic infrastructure</b>                        |
| Primary education (16+)                 | 94                            | 6    | 48                 | 52     | No access to limited-standard drinking water                 |
| Secondary education (16+)               | 97                            | 3    | 35                 | 65     | No access to limited-standard sanitation                     |
| Tertiary/post-secondary education (16+) | 99                            | 1    | 13                 | 87     | No access to electricity                                     |

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.