

## Bolivia

October 2019

Trends in poverty and inequality in Bolivia can be characterized in three distinct periods: a period of significant poverty and inequality reduction from the 2000s to 2013; a period of poverty and inequality stagnation from 2013-2016, and once more a downward trend from 2017 onwards.

First, for the most part of the 2000s, economic growth was mainly driven by extractive industries, which benefited from a large demand from export markets in Brazil and Argentina. This growth resulted in significant reductions in poverty. Between 2005 and 2013, the share of Bolivians living under \$5.50 per person per day (2011 PPP) declined from 52.1 percent to 26.1 percent, and those living under \$3.20 (2011 PPP) fell from 32.1 percent to 12.2 percent. Strong internal demand spurred activity in other sectors, including construction, services (among them finance, transport, and communications), and manufacturing. Higher labor earnings resulting from this process is the main factor behind poverty reduction. Job creation and wage increases concentrated in non-tradable sectors such as services and construction, which employ mostly low-skilled labor, so the poor benefitted more from increases in employment and earnings. Another positive effect of pro-poor and inclusive growth was that inequality decreased **significantly. We observe a 10-point decline of the Gini index in the period 2005–2013, down to 48.1.**

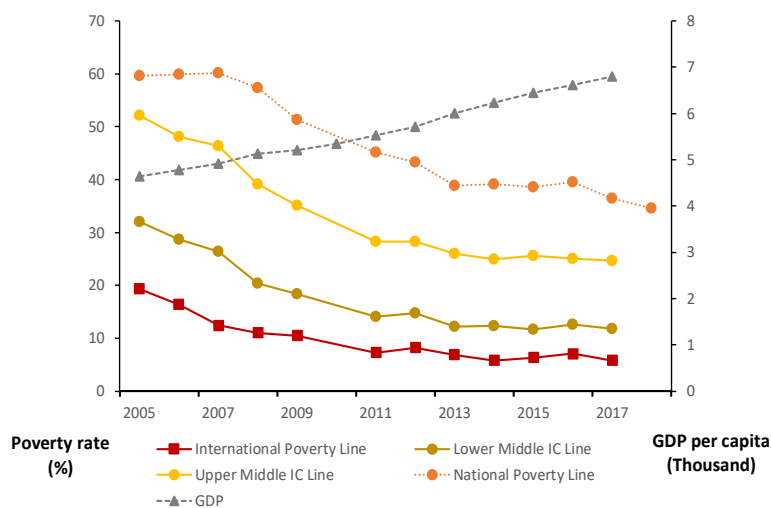
Second, since 2013 and until 2016, there was almost null progress in poverty reduction and inequality likely linked to lower commodity prices and reduced potential for labor income gains. Indeed, poverty at \$3.20 slightly increased in 2016, and moderate poverty stagnated, as labor incomes fell across the distribution and the quality of employment declined.

Finally, more recently, poverty began to decline once more: data for 2017 and 2018 shows a decline in national poverty numbers for both total and extreme poverty, and rural and urban areas, due to strong income growth for households at the bottom part of the income distribution. The declining trend may be associated, among others, with wage growth in certain sectors (including the retail services and manufacturing sectors) and lower inflation, particularly food inflation, which reduced the cost of living for the poor. Nevertheless, labor markets remain weak with a rising trend in lower-earnings self-employment, and persistent disparities between groups in endowments and access to services need to be tackled.

POVERTY	Number of Poor (thousand)	Rate (%)	Period
National Poverty Line	3,872.7	34.6	2018
International Poverty Line 7.2 in Bolivian boliviano (2017) or US\$1.90 (2011 PPP) per day per capita	648.7	5.8	2017
Lower Middle Income Class Poverty Line 12.2 in Bolivian boliviano (2017) or US\$3.20 (2011 PPP) per day per capita	1,321.6	11.8	2017
Upper Middle Income Class Poverty Line 21 in Bolivian boliviano (2017) or US\$5.50 (2011 PPP) per day per capita	2,766.3	24.7	2017
Multidimensional Poverty Measure		10.4	2017
SHARED PROSPERITY			
Annualized Income Growth per capita of the bottom 40 percent		2.63	2012-2017
INEQUALITY			
Gini Index		44.0	2017
Shared Prosperity Premium = Growth of the bottom 40 - Average Growth		1.86	2012-2017
GROWTH			
Annualized GDP per capita growth		3.5	2012-2017
Annualized Income Growth per capita from Household Survey		0.77	2012-2017
MEDIAN INCOME			
Growth of the annual median income		1.54	2012-2017

Sources: WDI for GDP, National Statistical Offices for national poverty rates, POVCALNET as of September 2019, and Global Monitoring Database for the rest.

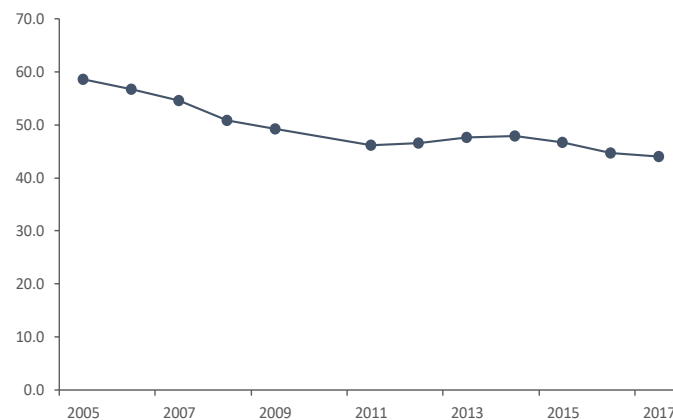
## POVERTY HEADCOUNT RATE, 2005-2018



Source: World Bank using EH/SEDLAC/GMD

## INEQUALITY TRENDS, 2005-2017

### Gini Index



Source: World Bank using EH/SEDLAC/GMD

## KEY INDICATORS

Distribution among groups: 2017	International Poverty Line (%)		Relative group (%)		Multidimensional Poverty Measures (% of people): 2017
	Non-Poor	Poor	Bottom 40	Top 60	
Urban population	99	1	28	72	<b>Monetary poverty (Income)</b>
Rural population	84	16	66	34	Daily Consumption or income is less than US\$1.90 per person
Males	94	6	39	61	<b>Education</b>
Females	94	6	41	59	At least one school-age child is not enrolled in school
0 to 14 years old	91	9	51	49	No adult in the household has completed primary education
15 to 64 years old	95	5	34	66	<b>Access to basic infrastructure</b>
65 and older	98	2	43	57	No access to limited-standard drinking water
Without education (16+)	89	11	67	33	No access to limited-standard sanitation
Primary education (16+)	92	8	48	52	No access to electricity
Secondary education (16+)	97	3	35	65	
Tertiary/post-secondary education (16+)	99	1	12	88	

Source: World Bank using EH/SEDLAC/GMD

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

## POVERTY DATA AND METHODOLOGY

Official poverty estimates in Bolivia 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. The most recent official monetary poverty numbers in Bolivia correspond to 2018; the national total poverty rate was 34.6 percent and the national extreme poverty rate 15.2 percent. The total poverty line in local currency units in 2018 was 782 bolivianos per person per month for urban areas and 568 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 5.8 percent for 2017, among the highest in South America. Both 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.