

Poverty & Equity Brief

Latin America & the Caribbean

Costa Rica

April 2019

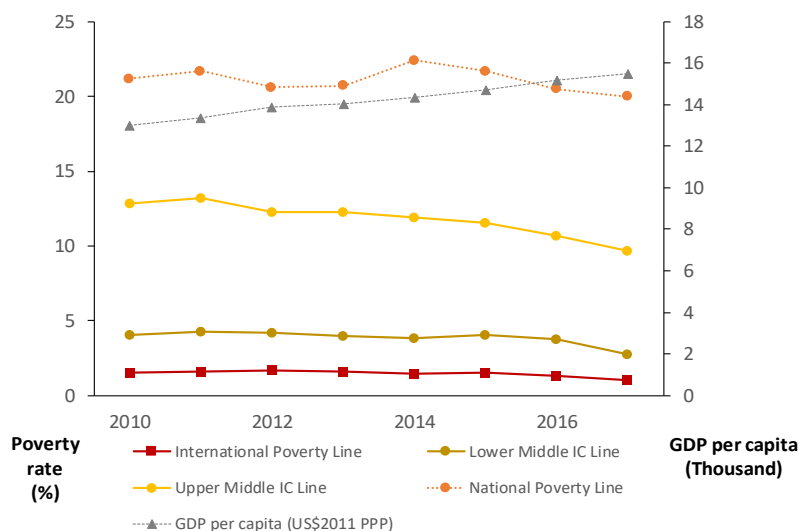
Poverty response to economic growth has been limited in recent years. The share of the population living on less than \$5.50 per person per day in 2011 PPP slightly decreased from 12.9 to 9.7 percent between 2010 and 2017. Despite limited progress, poverty in Costa Rica is among the lowest in LAC. Lower income growth among the less well-off is behind the limited responsiveness of poverty to economic growth. Annualized income growth for the bottom 40 percent of the population was 2 percent (relative to 1.7 percent for the overall population) in the last five years, among the lowest in Latin America and the Caribbean (LAC). In recent years, income inequality has slightly decreased and contributed to poverty reduction. Even so, inequality is still relatively high for international standards; the country went from ranking among the most egalitarian countries in LAC to be one of the most unequal economies in the world.

Non-labor incomes were the main source of the modest poverty reduction in Costa Rica in the past six years. However, there is room for improvement, since most of the social assistance programs have low coverage and are insufficiently targeted in Costa Rica. Labor incomes have decreased at the lower end of the income distribution since 2010, which has offset the contribution of non-labor incomes to poverty reduction. Poverty would have increased by more than half a percentage point if non-labor income had not grown since 2010. These results contrast with the evolution of poverty in LAC, where both labor and non-labor income together contributed to reduce poverty.

POVERTY	Number of Poor (thousand)	Rate (%)	Period
National Poverty Line (Households)	N/A	20.0	2017
International Poverty Line 769.5 in Costa Rican colón (2017) or US\$1.90 (2011 PPP) per day per capita	48.8	1.0	2017
Lower Middle Income Class Poverty Line 1295.9 in Costa Rican colón (2017) or US\$3.20 (2011 PPP) per day per capita	133.5	2.7	2017
Upper Middle Income Class Poverty Line 2227.4 in Costa Rican colón (2017) or US\$5.50 (2011 PPP) per day per capita	474.7	9.7	2017
SHARED PROSPERITY			
Annualized Income Growth per capita of the bottom 40 percent		2.04	2012-2017
INEQUALITY			
Gini Index		48.3	2017
Shared Prosperity Premium = Growth of the bottom 40 - Average Growth		0.38	2012-2017
GROWTH			
Annualized GDP per capita growth		2.3	2012-2017
Annualized Income Growth per capita from Household Survey		1.66	2012-2017

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

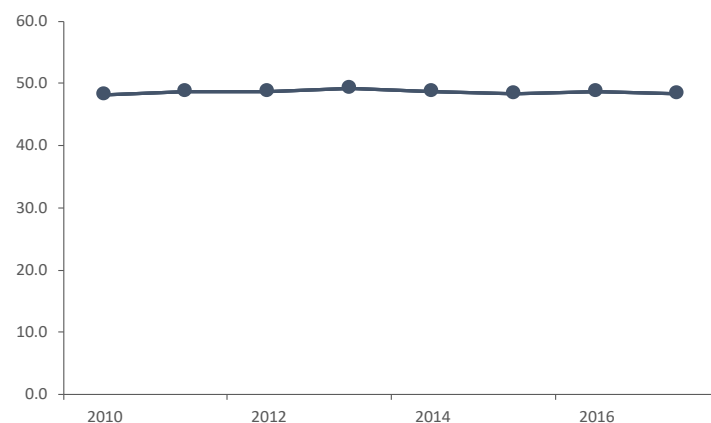
POVERTY HEADCOUNT RATE, 2010-2017



Source: World Bank using ENAHO/SEDLAC/GMD

INEQUALITY TRENDS, 2010-2017

Gini Index



Source: World Bank using ENAHO/SEDLAC/GMD

KEY INDICATORS (distribution among groups)

	Upper Middle Income line (%)		Relative Group (%)		Year
	Non-Poor	Poor	Bottom 40	Top 60	
Urban population	92	8	35	65	2017
Rural population	85	15	53	47	2017
Males	90	10	41	59	2017
Females	91	9	39	61	2017
0 to 14 years old	82	18	58	42	2017
15 to 64 years old	92	8	36	64	2017
65 and older	96	4	27	73	2017
Without education (age 16 and older)	85	15	60	40	2017
Primary education (age 16 and older)	86	14	54	46	2017
Secondary education (age 16 and older)	92	8	39	61	2017
Tertiary/post-secondary education (age 16 and older)	99	1	8	92	2017

Source: World Bank using Global Monitoring Database

POVERTY DATA AND METHODOLOGY

Official poverty estimates in Costa Rica are produced by the Instituto Nacional de Estadísticas y Censos (INEC) based on data from the Encuesta Nacional de Hogares (ENAHO), which are available to the public. Costa Rica estimates poverty based on the Cost of Basic Needs method by determining an absolute extreme and an overall poverty line per person per month. Poverty lines refer to the lack of per capita income required to access a basket of goods and services needed to achieve adequate living conditions. The most recent monetary poverty numbers (percentage of households) in Costa Rica correspond to 2017, and the extreme and overall official poverty rates at the national level were 5.7 and 20.0 percent, respectively. The latest harmonized poverty numbers for 2016 are available at the LAC Equity Lab. There are many differences between INEC's official poverty numbers and the harmonized international poverty measures. INEC's official methodology uses current income per adult equivalent, which includes labor income, public and private transfers, and capital rents. The value of official poverty lines is divided into urban and rural areas. Harmonized international poverty measures, on the other hand, use net income per household member, which includes the value for housing and self-consumption, and are spatially adjusted at the urban/rural level (not included in official estimates).

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.