

Poverty & Equity Brief

Latin America & the Caribbean

Dominican Republic

April 2021

Poverty levels (\$5.50 per person per day, in PPP 2011) continued to decline steadily, from 15.9 percent in 2017 to 12.4 in 2019. The decline in poverty was faster in rural areas than in urban areas. Increasing labor income was the main driver behind poverty reduction in 2019, accounting for 90 percent of the total reduction in poverty in that year. Despite the positive results on poverty reduction, household income growth was not remarkably pro-poor during the same period: the average household income of the top 60 percent of the income distribution grew 12.7 percent compared to 12.6 percent for the bottom 40. As a result, income inequality as measured by the Gini coefficient remained almost static at around 0.42.

The ongoing economic crisis in the country unleashed by the COVID-19 pandemic created job and income losses. By the end of 2020, national employment declined around 6 percent, with women in the informal sector being the most affected group (-8.4 percent). According to official estimates, moderate poverty increased from 21 percent in 2019 to 23.4 percent in 2020, which represents over a quarter million people (270,000) falling into poverty. The impact was higher in urban areas and the east region of the country, characterized by its high dependency on tourism. Poverty afflicted women more than any other population group, reaching one in every four women by 2020. Inequality dropped to 0.40 in 2020 given the rise in social transfers towards the most vulnerable.

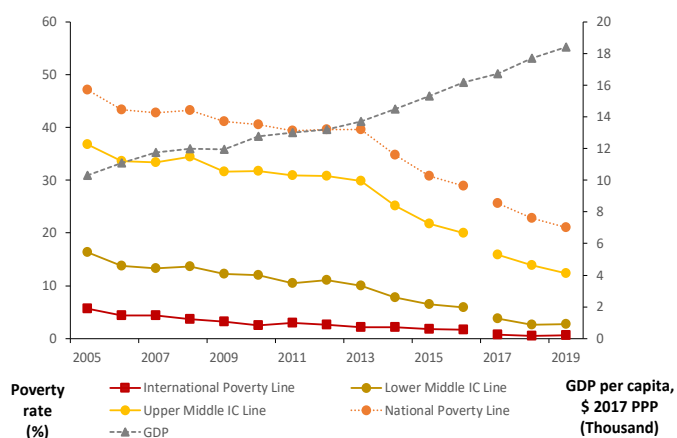
The crisis has also been felt across multiple non-monetary dimensions of welfare. According to the WB High Frequency Survey, 1 in 3 households were food insecure by August 2020. Lower incomes combined with higher food prices (72 percent reported experiencing an increase in food prices) triggered food insecurity. Furthermore, 20 percent of households with children reported non-attendance to school, one of the highest impacts of the pandemic in LAC.

The Central Bank interventions eased pressure on the exchange rate, allowing remittances to rebound by 5 percent y/y between January and July. This measure partially mitigated the impact on household consumption and poverty. Remittances account for 30 percent of incomes for recipient households in the bottom 40 percent of the income distribution. The expansion and creation of new social programs to mitigate the impact of the crisis attenuated poverty: conditional cash transfers were temporarily expanded; partial wage subsidies for formal firms to retain their workers, emergency food support, and an unconditional cash transfer to support independent workers that have access to banking services were put in place. Without the assistance packages poverty level would have reached 29 percent in 2020.

POVERTY	Number of Poor (thousand)	Rate (%)	Period
National Poverty Line	2,175.1	21.0	2019
International Poverty Line 49.3 in Dominican peso (2019) or US\$1.90 (2011 PPP) per day per capita	60.7	0.6	2019
Lower Middle Income Class Poverty Line 83 in Dominican peso (2019) or US\$3.20 (2011 PPP) per day per capita	289.6	2.7	2019
Upper Middle Income Class Poverty Line 142.7 in Dominican peso (2019) or US\$5.50 (2011 PPP) per day per capita	1,331.1	12.4	2019
Multidimensional Poverty Measure		2.2	2019
SHARED PROSPERITY			
Annualized Income Growth per capita of the bottom 40 percent		5.19	2011-2016
INEQUALITY			
Gini Index		41.9	2019
Shared Prosperity Premium = Growth of the bottom 40 - Average Growth		0.94	2011-2016
GROWTH			
Annualized GDP per capita growth		4.42	2011-2016
Annualized Income Growth per capita from Household Survey		4.25	2011-2016
MEDIAN INCOME			
Growth of the annual median income/consumption per capita		5.56	2011-2016

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

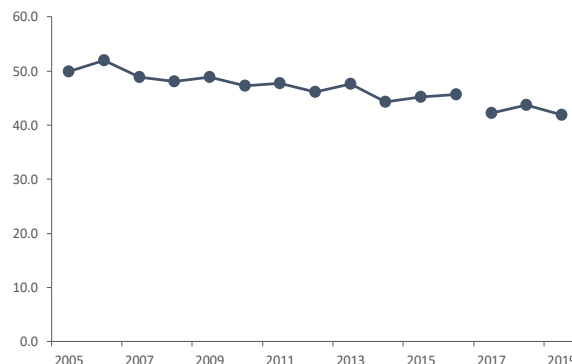
POVERTY HEADCOUNT RATE, 2005-2019



Source: World Bank using ECNFT-Q03/SEDLAC/GMD

INEQUALITY TRENDS, 2005-2019

Gini Index



Source: World Bank using ECNFT-Q03/SEDLAC/GMD

KEY INDICATORS

Distribution among groups: 2019	Upper Middle Income line(%)		Relative group (%)		Multidimensional Poverty Measures: 2019 (% of population)
	Non-Poor	Poor	Bottom 40	Top 60	
Urban population	88	12	39	61	Monetary poverty (Income)
Rural population	87	13	45	55	Daily income less than US\$1.90 per person
Males	89	11	38	62	
Females	87	13	42	58	Education
0 to 14 years old	78	22	58	42	At least one school-aged child is not enrolled in school
15 to 64 years old	91	9	35	65	No adult has completed primary education
65 and older	94	6	24	76	
Without education (16+)	86	14	43	57	Access to basic infrastructure
Primary education (16+)	90	10	38	62	No access to limited-standard drinking water
Secondary education (16+)	90	10	37	63	No access to limited-standard sanitation
Tertiary/post-secondary education (16+)	96	4	18	82	No access to electricity

Source: World Bank using ECNFT-Q03/SEDLAC/GMD

Source: World Bank using ECNFT-Q03/SEDLAC/GMD

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

POVERTY DATA AND METHODOLOGY

Official poverty estimates in the Dominican Republic are produced jointly by the Ministerio de Economía, Planificación y Desarrollo (MEPyD) and the Oficina Nacional de Estadística (ONE) based on data from the Encuesta Nacional de Fuerza de Trabajo (ENFT), collected biannually (April and October) by the Banco Central de la República Dominicana and available upon written request. This survey was replaced in 2017 by the new permanent household survey called Encuesta Continua Nacional de Fuerza de Trabajo (ECNFT) with year-round data collection. So since 2017 poverty measurements are calculated using the ECNFT. The poverty estimates using the two different surveys are not comparable.

The poverty measurement methodology was discussed and approved by the Poverty Committee in 2012 with participation of high levels of government and the international community. Monetary poverty in the Dominican Republic is based on a per-capita income-based measure using two different poverty lines (moderate and extreme poverty) in local currency units for urban and rural areas. The series for poverty headcount rates and inequality measures from 2000-2004 are not comparable to the period 2005-2015, due to methodological differences. Due to the COVID-19 crisis and subsequent mobility restrictions, the ECNFT was conducted by phone from Q2 onwards. Preliminary assessments on data quality show that comparability of the main indicators was not severely affected.

The international poverty lines (USD 1.9, 3.2, and 5.5 a day, expressed in 2011 PPP) allow comparability across countries but differ from the official poverty lines. Despite differences in poverty levels resulting from the use of official or international poverty lines, the trends in poverty rates are very similar.

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.