

## Poverty & Equity Brief

Latin America & the Caribbean

# Dominican Republic

October 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 in 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.

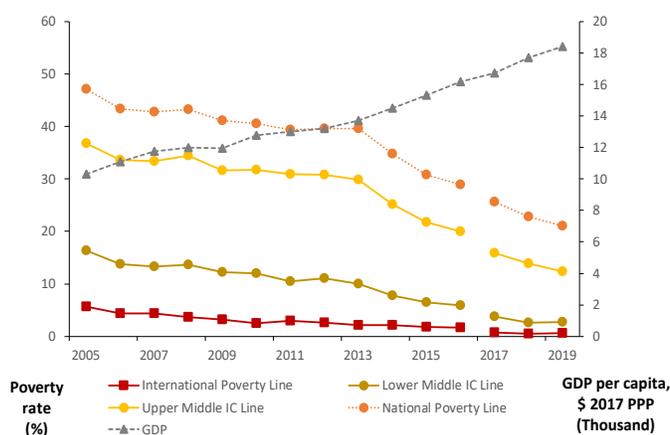
COVID-19 had a major impact on growth and poverty, partially mitigated by the government response. In 2020, the economy contracted by 6.7% and official poverty increased by 2.4 percentage points to 23.4%; poverty levels would have reached 29% in absence of fiscal transfers, indicating that they were partially effective. The increase in poverty represents over a quarter million people (270,000) falling into poverty. Women and the urban population were disproportionately affected, as was the tourism-intensive sector mostly located in the Eastern region. The Gini coefficient fell from 0.431 in 2019 to 0.405 in 2020, partly because of the generous emergency assistance targeted to 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. Additionally, 20 percent of the households with children reported non-attendance to school, one of the highest impacts in LAC.

The economic recovery in the first half of 2021 is projected to reduce poverty (US\$5.5 PPP 2011/day) from 14.4 to 13.2%, but still adding more than 80,000 people into the ranks of the poor and remaining above pre-crisis levels. This is because labor markets are not fully recovered, with unemployment levels at around 12.8% in Q1 of 2021, far from pre-COVID levels, and many workers are either underemployed or accessing jobs in the informal sector. In Q1, there were 10% fewer formal sector jobs than a year earlier; on the other hand, the creation of jobs in the informal sector has been faster and back to the levels before the pandemic. Female employment is recovering particularly slowly, contributing to increasing (historically high) gender gaps in employment rates. Persistently high (and rising) inflation rates and the downscale of social assistance programs also pose challenges to poverty alleviation and the recovery of economic welfare among those most affected.

| POVERTY  | Number of Poor (thousand) | Rate (%) | Period    |
|--|---------------------------|----------|-----------|
| National Poverty Line  | 2,175.1                   | 21.0     | 2019      |
| International Poverty Line<br>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<br>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<br>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 |

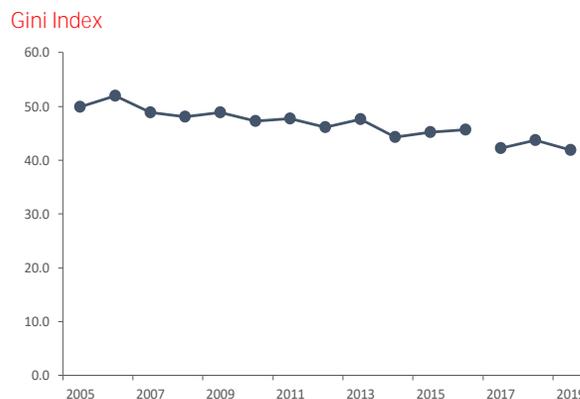
Sources: WDI for GDP, National Statistical Offices for national poverty rates, POVICALNET as of September 2021, and Global Monitoring Database for the rest.

## POVERTY HEADCOUNT RATE, 2005-2019



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

## INEQUALITY TRENDS, 2005-2019



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

## KEY INDICATORS

| Distribution among groups: 2019         | Upper Middle Income line(%) |      | Relative group (%) |        | Multidimensional Poverty Measures: 2019<br>(% of population) |
|---|-----------------------------|------|--------------------|--------|--|
|   | Non-Poor                    | Poor | Bottom 40          | Top 60 |  |
| Urban population                        | 88                          | 12   | 39                 | 61     | <b>Monetary poverty (Income)</b>                             |
| 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     | <b>Education</b>   |
| 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     | <b>Access to basic infrastructure</b>                        |
| Primary education (16+)                 | 90                          | 10   | 37                 | 63     | 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). The ENFT is 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 and are not fully comparable to those from the ENFT.

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. Current discussions are taking place within the Poverty Committee to update the poverty lines. The series for poverty headcount rates and inequality measures from 2000-2004 are not comparable to those for 2005-2015, due to methodological differences. Due to the COVID-19 crisis and subsequent mobility restrictions, the ECNFT was conducted by phone from Q2 2020 until Q1 2021. 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. The poverty trends resulting from official or international poverty lines are very similar though.

## 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.