

Poverty & Equity Brief

Latin America & the Caribbean

Bolivia

April 2020

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. A new period has emerged in light of the COVID-19 crisis.

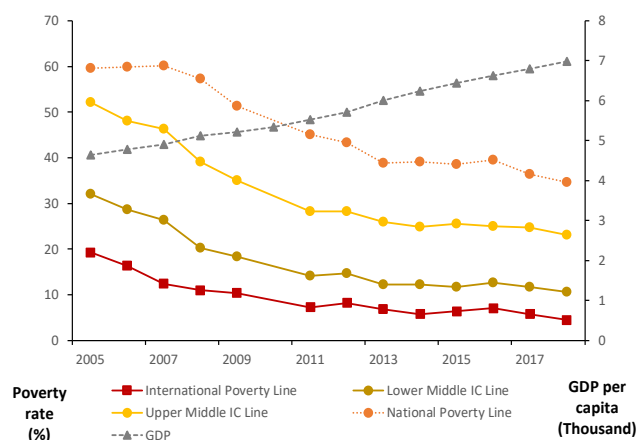
First, for the most part of the 2000s, economic growth was mainly driven by extractive industries, which benefited from a large demand from export markets in Brazil and Argentina. This growth resulted in significant reductions in poverty. Strong internal demand spurred activity in other sectors, including construction, services (among them finance, transport, and communications), and manufacturing. Higher labor earnings resulting from this process is the main factor behind poverty reduction. **We observe a 10-point decline of the Gini index in the period 2005–2013.**

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. Poverty began to decline once more in 2017 and 2018 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. The decline is highly vulnerable to reversals. Labor markets remain weak with a rising trend in lower-earnings self-employment, persistent by 2019 Q3 and particularly among women. Moreover, persistent disparities between groups in endowments and access to services need to be tackled. With GDP expected to contract in 2020 due to impacts from COVID-19 and low oil prices, poverty and inequality are expected to increase significantly. The main channel is through labor markets, affecting in particular informal salaried employees and the self-employed, and small businesses. Workers in urban areas and in sectors affected the most by social distancing measures, including in industry and services, will be more severely affected. The Government is introducing social assistance mechanisms through the existing programs, yet the lack of fiscal room and mechanisms to target the most vulnerable people may restrict sustained social assistance efforts.

POVERTY	Number of Poor (thousand)	Rate (%)	Period
National Poverty Line	3,928.2	34.6	2018
International Poverty Line 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 12.4 in Bolivian boliviano (2018) or US\$3.20 (2011 PPP) per day per capita	1,208.5	10.6	2018
Upper Middle Income Class Poverty Line 21.3 in Bolivian boliviano (2018) or US\$5.50 (2011 PPP) per day per capita	2,621.9	23.1	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 February 2020, and Global Monitoring Database for the rest.

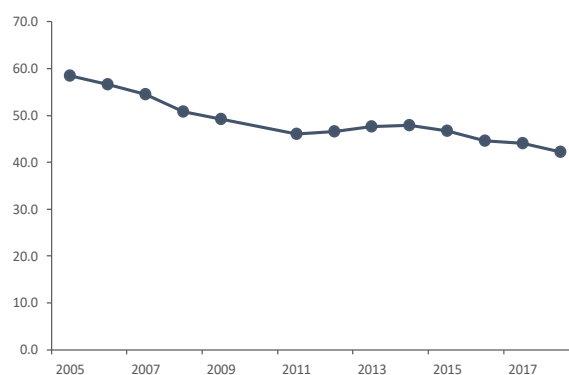
POVERTY HEADCOUNT RATE, 2005-2018



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 (% of people):	2018
	Non-Poor	Poor	Bottom 40	Top 60		
Urban population	99	1	28	72	Monetary poverty (Income)	
Rural population	87	13	68	32	Daily income less than US\$1.90 per person	4.5
Males	95	5	39	61	Education	
Females	96	4	41	59	At least one school-aged child is not enrolled in school	1.6
0 to 14 years old	93	7	53	47	No adult has completed primary education	15.3
15 to 64 years old	96	4	34	66	Access to basic infrastructure	
65 and older	98	2	40	60	No access to limited-standard drinking water	9.4
Without education (16+)	92	8	67	33	No access to limited-standard sanitation	19.4
Primary education (16+)	94	6	48	52	No access to electricity	7.2
Secondary education (16+)	97	3	35	65		
Tertiary/post-secondary education (16+)	99	1	13	87		

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 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.