

# Poverty & Equity Brief

Latin America & the Caribbean

## Dominican Republic

October 2020

Poverty levels (\$5.50 per person per day, in PPP 2011) continued to decline steadily, from 15.9 percent in 2017 to 12.9 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 2018, accounting for 80 percent of the total reduction in poverty in that year.

Despite reducing poverty, income inequality as measured by the Gini coefficient increased from 0.421 in 2017 to 0.437 in 2018. Such increase can be explained by the fact that non-poor people saw their income grow faster than the poor during the same period. The average household income of the top 60 percent of the income distribution grew 10.4 percent compared to 6.4 percent among the average household at the bottom 40.

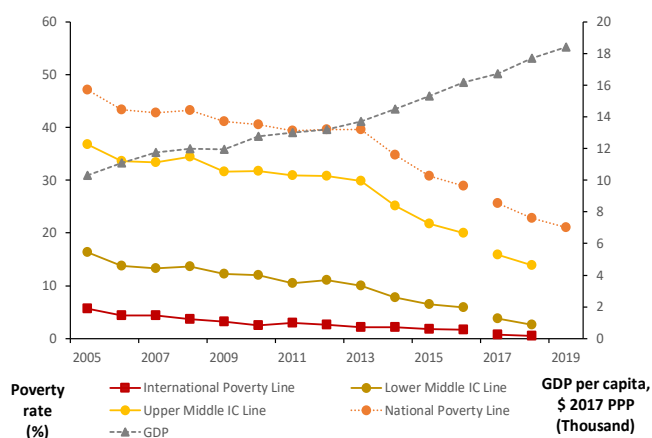
The ongoing economic crisis in the country unleashed by the Covid-19 pandemic created job and income losses. The first quarter of 2020 observed the first decline in employment growth since comparable measurements are available from 2014. Estimates from the World Bank High-Frequency Survey conducted in Dominican Republic to assess the impacts of the COVID-19 crisis show that national employment rates fell from 73 to 64 percent between May and the pre-lockdown period in early March. Impacts were higher among women (11 p.p.; from 60 to 49 percent) than men (4p.p.; from 86 to 82 percent).

The Central-bank interventions eased pressure on the exchange rate allowing US dollar-denominated 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 up to a third of the income of the recipient households in the bottom 40 percent of the income distribution. Additional counter measures have been put in place, such as a temporary expansion of conditional cash transfers, partial wage subsidies for formal firms that retain their workers, emergency food support, and an unconditional cash transfer to support independent workers that have access to banking services. However, even under very favorable assumptions on the incidence of these measures, the rate of poverty (defined as those subsisting on less than US\$5.5 a day at 2011 prices) is expected to rise from 12.9 in 2019 to 14.2 percent in 2020.

POVERTY	Number of Poor (thousand)	Rate (%)	Period
National Poverty Line	2,175.1	21.0	2019
International Poverty Line 48.4 in Dominican peso (2018) or US\$1.90 (2011 PPP) per day per capita	46.2	0.4	2018
Lower Middle Income Class Poverty Line 81.4 in Dominican peso (2018) or US\$3.20 (2011 PPP) per day per capita	276.1	2.6	2018
Upper Middle Income Class Poverty Line 140 in Dominican peso (2018) or US\$5.50 (2011 PPP) per day per capita	1,477.9	13.9	2018
Multidimensional Poverty Measure		6.0	2018
SHARED PROSPERITY			
Annualized Income Growth per capita of the bottom 40 percent		5.19	2011-2016
INEQUALITY			
Gini Index		43.7	2018
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

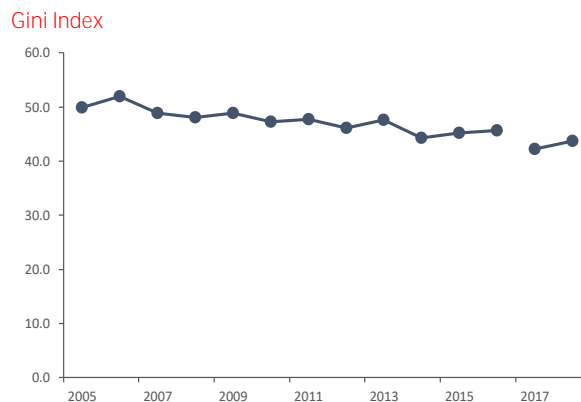
Sources: WDI for GDP, National Statistical Offices for national poverty rates, POVCALNET as of September 2020, and Global Monitoring Database for the rest.

## POVERTY HEADCOUNT RATE, 2005-2019



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

## INEQUALITY TRENDS, 2005-2018



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

## KEY INDICATORS

Distribution among groups: 2018	Upper Middle Income line(%)		Relative group (%)		Multidimensional Poverty Measures: 2018 (% of population)
	Non-Poor	Poor	Bottom 40	Top 60	
Urban population	86	14	39	61	<b>Monetary poverty (Income)</b>
Rural population	85	15	43	57	Daily income less than US\$1.90 per person
Males	87	13	38	62	
Females	85	15	42	58	<b>Education</b>
0 to 14 years old	75	25	57	43	At least one school-aged child is not enrolled in school
15 to 64 years old	89	11	35	65	No adult has completed primary education
65 and older	93	7	28	72	
Without education (16+)	85	15	48	52	<b>Access to basic infrastructure</b>
Primary education (16+)	88	12	38	62	No access to limited-standard drinking water
Secondary education (16+)	89	11	37	63	No access to limited-standard sanitation
Tertiary/post-secondary education (16+)	96	4	17	83	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.

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.