

Poverty & Equity Brief

Latin America & the Caribbean

Colombia

April 2022

Pre-pandemic, poverty and inequality rates were on the rise in Colombia. Official monetary poverty went from 34.7 percent in 2018 to 35.7 percent in 2019 and the official Gini index also increased, reaching 52.7 in 2019 (compared to an average of 46.7 in the Andean region and 44.3 in the Southern Cone in 2019).

The COVID-19 crisis contracted the economy and exacerbated labor market weaknesses. Around 2.5 million jobs were lost in 2020. The unemployment rate increased by 50 percent, reaching 15.9 percent, with large increases in urban areas and among women, the youth, the self-employed, and workers in small firms. The national poverty rate increased from 35.7 percent in 2019 to 42.5 percent in 2020, wiping out over a decade of progress in lifting people out of poverty, shrinking the middle class by 5 percentage points, and increasing inequality. As household income plummeted, other dimensions of wellbeing (especially food security, access to health services and to quality education) worsened.

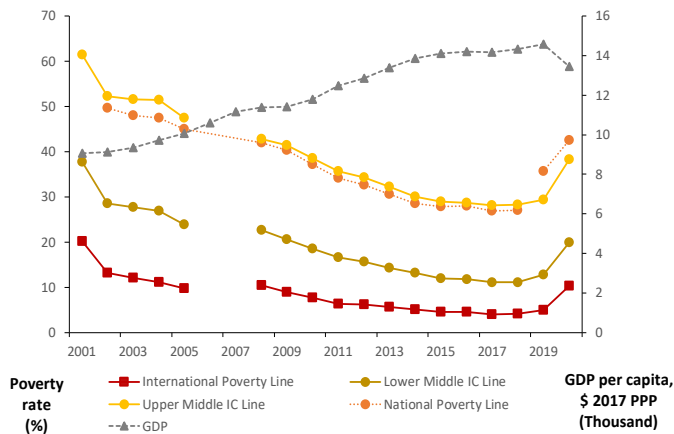
The economy partially recovered in 2021 and the national poverty rate is estimated to have dropped to 38.6 percent. Some 1.9 million people, mostly working in urban services and commerce, are estimated to have exited poverty in 2021, causing the middle class to rebound slightly. Yet, in 2021-Q4, inactivity was higher than in 2019, and employment rates remained lower, mostly because female employment had not fully recovered. Moreover, about 81 percent of employment created in 2021 was informal, and urban, female, and youth unemployment remain high. Labor incomes remained 12.8 percent lower than pre-pandemic. By mid-2021, a third of households were not able to consume three meals a day, compared to only 8 percent before the pandemic.

With the continuation of emergency transfers, 1.2 million people are projected to exit poverty in 2022, though they will remain vulnerable to income shocks. Income inequality is also expected to fall slightly to 52.8 (Gini Index). Yet, risks from higher international food and fuel inflation are expected to impact households' purchasing power - disproportionately affecting the poor - and undermine progress towards poverty reduction. Inflation is projected to be 6.6 percent in 2022. Similarly, long-term pandemic effects on human capital accumulation are likely to affect the poor and vulnerable the most.

POVERTY	Number of Poor (million)	Rate (%)	Period
National Poverty Line	21.0	42.5	2020
International Poverty Line 3213.1 in Colombian peso (2020) or US\$1.90 (2011 PPP) per day per capita	5.2	10.3	2020
Lower Middle Income Class Poverty Line 5411.5 in Colombian peso (2020) or US\$3.20 (2011 PPP) per day per capita	10.1	19.9	2020
Upper Middle Income Class Poverty Line 9301.1 in Colombian peso (2020) or US\$5.50 (2011 PPP) per day per capita	19.5	38.3	2020
Multidimensional Poverty Measure		5.5	2019
SHARED PROSPERITY			
Annualized Income Growth per capita of the bottom 40 percent		-5.98	2015-2020
INEQUALITY			
Gini Index		54.2	2020
Shared Prosperity Premium = Growth of the bottom 40 - Average Growth		-2.66	2015-2020
GROWTH			
Annualized GDP per capita growth		-0.94	2015-2020
Annualized Income Growth per capita from Household Survey		-3.31	2015-2020
MEDIAN INCOME			
Growth of the annual median income/consumption per capita		-4.18	2015-2020

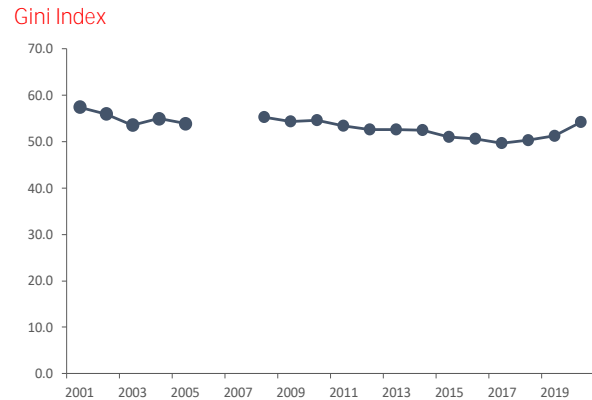
Sources: WDI for GDP, National Statistical Offices for national poverty rates, POVCALNET as of April 2022, and Global Monitoring Database for the rest.

POVERTY HEADCOUNT RATE, 2001-2020



Source: World Bank using GEIH/SEDLAC/GMD

INEQUALITY TRENDS, 2001-2020



Source: World Bank using GEIH/SEDLAC/GMD

KEY INDICATORS

Distribution among groups: 2020	Lower Middle Income line(%)		Relative group (%)		Multidimensional Poverty Measures: 2019 (% of population)
	Non-Poor	Poor	Bottom 40	Top 60	
Urban population				N/A	Monetary poverty (Income)
Rural population	75	25	54	46	Daily income less than US\$1.90 per person
Males	81	19	39	61	
Females	79	21	40	60	Education
0 to 14 years old	72	28	53	47	At least one school-aged child is not enrolled in school
15 to 64 years old	82	18	36	64	No adult has completed primary education
65 and older	86	14	28	72	
Without education (16+)	73	27	55	45	Access to basic infrastructure
Primary education (16+)	79	21	43	57	No access to limited-standard drinking water
Secondary education (16+)	81	19	39	61	No access to limited-standard sanitation
Tertiary/post-secondary education (16+)	92	8	17	83	No access to electricity

Source: World Bank using GEIH/SEDLAC/GMD

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

POVERTY DATA AND METHODOLOGY

Colombia's official poverty numbers are based on income, published once per year, and have been reported since 2002 except for 2006 and 2007, transition years for moving between the two surveys used to compute income (the former Encuesta Continua de Hogares and the Gran Encuesta Integrada de Hogares, used since 2008). The World Bank (WB) also uses income to estimate international poverty but the difference with the official aggregate is that the WB does not include domestic workers as members of the household. Additionally, the WB adjusts the per-capita income for people living in rural areas using an adjustment factor of 1.15. Regarding the poverty lines, a new methodology was launched in 2020 alongside the 2019 official poverty figure, and applied to the series from 2012 to 2019, based on the 2016-2017 Encuesta Nacional de Presupuesto de los Hogares (ENPH). The food basket and its value were updated, and an endogenous Orshansky coefficient was estimated for each of the geographic domains. Poverty lines will be updated across time using a new price deflator. The official per capita poverty line in 2020 was \$331,688 Colombian pesos, and the per capita extreme poverty line was \$145,004.

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.