

Poverty & Equity Brief

Latin America & the Caribbean

Colombia

October 2020

Monetary poverty increased in 2018, thus reversing a sustained downward trend in poverty reduction since 2012. Official poverty rates show that the percentage of people in poverty changed from 26.9 percent in 2017 to 27.0 percent in 2018. In that year, 13,073,000 Colombians lived in poverty, 190,000 more than in 2017. Extreme poverty went down to 7.2 percent in 2018 (a total of 3,508,000 Colombians) from 7.4 in 2017 (3,534,000).

Inequality measured by the official (national) Gini index rose from 50.8 in 2017 to 51.7 in 2018, reversing for the first time the equalizing trend started in 2010. Increases in inequality in urban areas explain this increment. In fact, inequality in rural areas continued to decline in 2018 although the change has not been sufficient to counteract the increase in inequality in urban areas. On the positive side, the evolution of the shared prosperity in Colombia reflects pro-poor growth in recent years. Between 2013 and 2018, households in the bottom 40 percent of Colombia's income distribution had income growth of 2.3 percent, compared to the 1.4 percent growth in average income per capita.

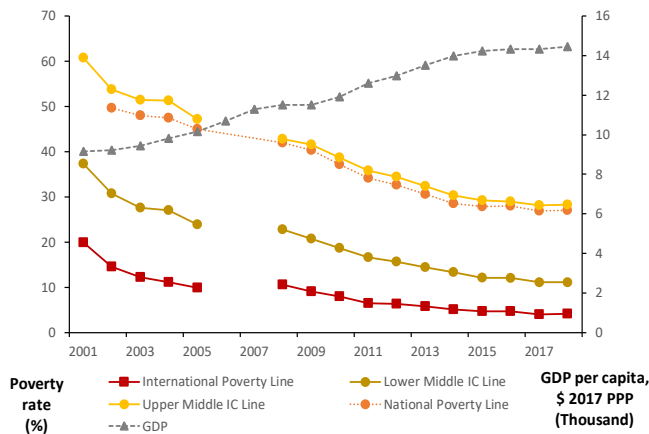
Unfortunately, the current global outbreak of COVID-19 in 2020 is having a substantial impact on poverty in Colombia. Multiple sectors are seeing declines in employment, including, among others, commerce, restaurants and hospitality services, and **manufacturing—all** activities with high levels of informality. The unemployment rate doubled since July 2019, reaching 20.2 percent in July 2020, with large increases in urban areas and among women, the youth, the self-employed, and workers in small firms, and 4.2 million jobs were lost. Hours worked have declined among the employed, and labor income has plummeted. The crisis is also affecting other dimensions of wellbeing, including food security, access to health services and to quality education, with potential long-term impacts on human capital and productivity.

Given the length and severity of the crisis, Government emergency transfers are estimated to mitigate around one third of the negative impact of the crisis on poverty. Yet, 4 million people are estimated to become poor, with an estimated increase in poverty of over 7 percentage points (US\$5.5/day poverty line), wiping out the gains since 2011. Inequalities between groups are expected to increase, as gender gaps and inequalities between high-skilled and low-skilled workers widen.

POVERTY	Number of Poor (million)	Rate (%)	Period
National Poverty Line	13.1	27.0	2018
International Poverty Line 3013.2 in Colombian peso (2018) or US\$1.90 (2011 PPP) per day per capita	2.1	4.2	2018
Lower Middle Income Class Poverty Line 5074.9 in Colombian peso (2018) or US\$3.20 (2011 PPP) per day per capita	5.5	11.1	2018
Upper Middle Income Class Poverty Line 8722.6 in Colombian peso (2018) or US\$5.50 (2011 PPP) per day per capita	14.0	28.2	2018
Multidimensional Poverty Measure		5.7	2018
SHARED PROSPERITY			
Annualized Income Growth per capita of the bottom 40 percent		2.34	2013-2018
INEQUALITY			
Gini Index		50.4	2018
Shared Prosperity Premium = Growth of the bottom 40 - Average Growth		1.93	2013-2018
GROWTH			
Annualized GDP per capita growth		1.34	2013-2018
Annualized Income Growth per capita from Household Survey		0.41	2013-2018
MEDIAN INCOME			
Growth of the annual median income/consumption per capita		1.45	2013-2018

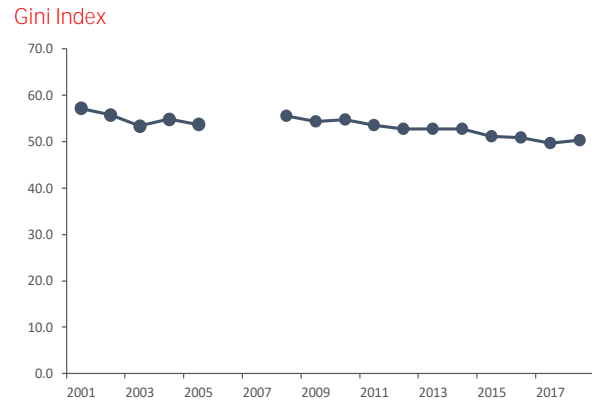
Sources: WDI for GDP, National Statistical Offices for national poverty rates, POVCALNET as of September 2020, and Global Monitoring Database for the rest.

POVERTY HEADCOUNT RATE, 2001-2018



Source: World Bank using GEIH/SEDLAC/GMD

INEQUALITY TRENDS, 2001-2018



Source: World Bank using GEIH/SEDLAC/GMD

KEY INDICATORS

Distribution among groups: 2018	Lower Middle Income line(%)		Relative group (%)		Multidimensional Poverty Measures: 2018 (% of population)
	Non-Poor	Poor	Bottom 40	Top 60	
Urban population				N/A	Monetary poverty (Income)
Rural population	77	23	65	35	Daily income less than US\$1.90 per person
Males	89	11	39	61	
Females	88	12	41	59	Education
0 to 14 years old	82	18	56	44	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	92	8	29	71	
Without education (16+)	79	21	61	39	Access to basic infrastructure
Primary education (16+)	85	15	50	50	No access to limited-standard drinking water
Secondary education (16+)	91	9	38	62	No access to limited-standard sanitation
Tertiary/post-secondary education (16+)	98	2	13	87	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 servants 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, the official methodology draws these thresholds from the consumption aggregate adjusted by spatial differences. The National Income and Expenditures Survey (ENIG) conducted in 2006–2007 was used to draw the official extreme poverty line, which reflects a minimum threshold of 2090 Kcal per person per day and includes 39 food products in urban areas, and 2,049 Kcal per person per day and 42 products in rural areas. The moderate poverty line uses an exogenous Orshansky coefficient of 2.4 (LAC Orshansky coefficient mean) and 1.74 for urban and rural areas, respectively. Poverty lines are updated across time using a CPI for low-income households by department. The official extreme and moderate poverty lines in 2011 PPP are \$2.50 and \$5.40, respectively, and the poverty lines are being updated towards the publication of the 2019 poverty numbers.

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.