

Poverty & Equity Brief

Latin America & the Caribbean

Bolivia

April 2023

After the rebound in 2021, the economy slowed down to 3.1 percent by 2022 amidst a drought in the eastern part of the country, a decline in gas exports, and social unrest related to the date of the population census and land tenure. Although the existing fuel subsidies helped control aggregate inflation (3.2 percent y-o-y), food prices increased (5 percent y-o-y), limiting household expenditures and threatening food security. In addition, the mitigation measures to counteract the COVID-19 crisis were removed in 2021. The middle class was mildly affected by food inflation, with the size of the vulnerable class virtually unchanged; however, the poor saw their purchasing power slightly erode, given the higher share of their income assigned to food products and the removal of the transfers. Estimated poverty, measured under the international poverty line of \$6.85 a day (2017 PPP), increased to 15.6 percent in 2022, representing 1.87 million Bolivians in poverty. As a result of the decline in real incomes of the poor, income distribution has moderately deteriorated, with the estimated Gini index moving from 40.9 in 2021 to 41.3 by 2022.

Although labor market conditions continued to recover in 2022 and may have helped contain a larger poverty increase, structural challenges persist. Labor market participation surpassed the pre-pandemic levels (73.18 vs. 68.48 in December 2022 and December 2019). Still, the recovery has been uneven, with men showing an 80.19 percent participation rate while women only 66.37, partly explained by women leaving the labor force during the pandemic and not returning at the same speed as men. Despite the recovery in urban unemployment to the pre-pandemic levels (4.32 vs. 4.83 in December 2022 and December 2019), the gender gaps (accentuated during the pandemic) persist. Job quality (already low before the pandemic) remains a structural problem in Bolivia. Indicators for June 2022 show that 65.57 percent of urban workers remain in informality affecting mostly women (72.03 percent) and especially women working in the agricultural sector.

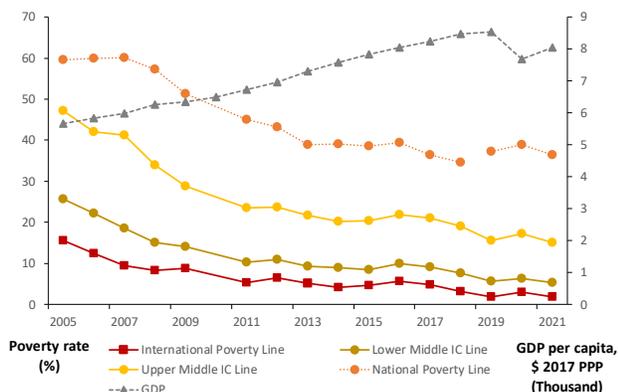
The negative impact of food insecurity on human capital, labor productivity, and job quality threatens further progress in poverty reduction and shared prosperity. In fact, by the end of 2021, 26 percent of households reported could not afford basic food items in the recent month (HFPS, 2021). With food inflation above household income growth, the prospects are not encouraging.

Conditions of limited access to external financing may reduce the margin for public expenditure in 2023, and falling international reserves may limit the economic growth prospects to 2.7 percent, causing poverty to stagnate. Moreover, the social unrest in Santa Cruz in December 2022 and January 2023 has already put additional pressure on food inflation since this region is the country's main food supplier. The limited fiscal space for mitigation measures may also curb potential poverty reduction strategies.

POVERTY	Number of Poor (thousand)	Rate (%)	Period
National Poverty Line	4,310.5	36.4	2021
International Poverty Line 6 in Bolivian boliviano (2021) or US\$2.15 (2017 PPP) per day per capita	237.3	2.0	2021
Lower Middle Income Class Poverty Line 10.1 in Bolivian boliviano (2021) or US\$3.65 (2017 PPP) per day per capita	652.7	5.4	2021
Upper Middle Income Class Poverty Line 19 in Bolivian boliviano (2021) or US\$6.85 (2017 PPP) per day per capita	1,834.1	15.2	2021
Multidimensional Poverty Measure		4.5	2021
SHARED PROSPERITY			
Annualized Income Growth per capita of the bottom 40 percent		4.42	2016-2021
INEQUALITY			
Gini Index		40.9	2021
Shared Prosperity Premium = Growth of the bottom 40 - Average Growth		3.73	2016-2021
GROWTH			
Annualized GDP per capita growth		0.04	2016-2021
Annualized Income Growth per capita from Household Survey		0.69	2016-2021
MEDIAN INCOME			
Growth of the annual median income/consumption per capita		1.56	2016-2021

Sources: WDI for GDP, National Statistical Offices for national poverty rates, PIP as of April 2023, and Global Monitoring Database for the rest.

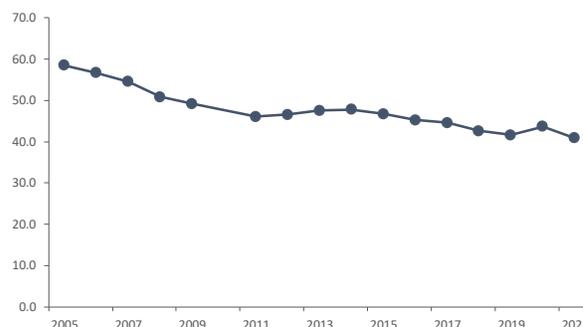
POVERTY HEADCOUNT RATE, 2005-2021



Source: World Bank using EH/SEDLAC/GMD

INEQUALITY TRENDS, 2005-2021

Gini Index



Source: World Bank using EH/SEDLAC/GMD

KEY INDICATORS

Distribution among groups: 2021	International Poverty Line (%)		Relative group (%)	
	Non-Poor	Poor	Bottom 40	Top 60
Urban population	100	0	32	68
Rural population	94	6	60	40
Males	98	2	39	61
Females	98	2	41	59
0 to 14 years old	96	4	54	46
15 to 64 years old	99	1	34	66
65 and older	100	N/A*	35	65
Without education (16+)	97	3	59	41
Primary education (16+)	97	3	46	54
Secondary education (16+)	99	1	37	63
Tertiary/post-secondary education (16+)	100	N/A*	15	85

Source: World Bank using EH/SEDLAC/GMD

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

Multidimensional Poverty Measures: 2021	(% of population)
Monetary poverty (Income)	
Daily income less than US\$2.15 per person	2.0
Education	
At least one school-aged child is not enrolled in school	1.4
No adult has completed primary education	12.3
Access to basic infrastructure	
No access to limited-standard drinking water	9.9
No access to limited-standard sanitation	13.9
No access to electricity	2.9

Source: World Bank using EH/SEDLAC/GMD

POVERTY DATA AND METHODOLOGY

Official poverty estimates 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. Starting in 2019, Bolivia updated its poverty line (with the previous one dating back to the early 1990s). The most recent official monetary poverty numbers in Bolivia, with the new poverty methodology, correspond to 2021; the national total poverty rate was 36.4 percent, and the national extreme poverty rate was 11.1 percent. The average poverty line in local currency units in 2020 was 435 bolivianos per person per month for urban areas and 344 bolivianos for rural areas.

The international dollar a day methodology is based on \$2.15 (2017 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: \$3.65 and \$6.85 (2017 PPP). Using the \$2.15 poverty line in Bolivia shows a non-negligible poverty level of 3.1 percent for 2020. The national and international poverty measures have shown a similar trend in the past.

Note on new global poverty lines: Poverty data are now expressed in 2017 Purchasing Power Parity (PPP) prices, versus 2011 PPP in previous editions. As price levels across the world evolve, global poverty lines have to be periodically updated to reflect the increase of the value of the lines in nominal terms. The new global poverty lines of \$2.15, \$3.65, and \$6.85 reflect the typical national poverty lines of low-income, lower-middle-income, and upper-middle-income countries in 2017 prices. In addition to reflecting updates in nominal terms, upper-middle-income countries raised the standards by which they determine people to be poor from 2011 to 2017. Hence, the increase in the upper line is larger, and the population that does not meet the new standard is higher in most countries than it was with 2011 PPPs. See pip.worldbank.org.

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.