

Poverty & Equity Brief

Latin America & the Caribbean

Colombia

April 2023

Following a spike in poverty in 2020 due to the impacts of the COVID-19 shock, poverty rates have been on the decline. From the pandemic peak of 42.5 percent, the economy saw a recovery in 2021, and the national poverty rate dropped to 39.3 percent. The decline was led by urban areas, with poverty increasing in rural areas (from 42.9 percent in 2020 to 44.6 in 2021). Some 1.4 million people, mostly working in urban services and commerce, are estimated to have exited poverty in 2021, thanks to the economic recovery and the continuation of emergency transfers. The middle class also rebounded, and income inequality declined. Yet, the decline in poverty did not reach all groups: beyond the increase in rural poverty, afro-Colombians and indigenous people did not benefit from the recovery. Venezuelan migrants and victims of conflict saw a partial recovery but from an already dire pre-pandemic poverty situation.

With high economic growth in 2022, the labor market continued its recovery. Occupation and labor force participation increased across population groups (defined by gender, ethnicity, and location), although a slightly lower recovery for rural areas and high-poverty regions. While informality declined, inflation eroded wage gains, resulting in a slight real decline among formal workers.

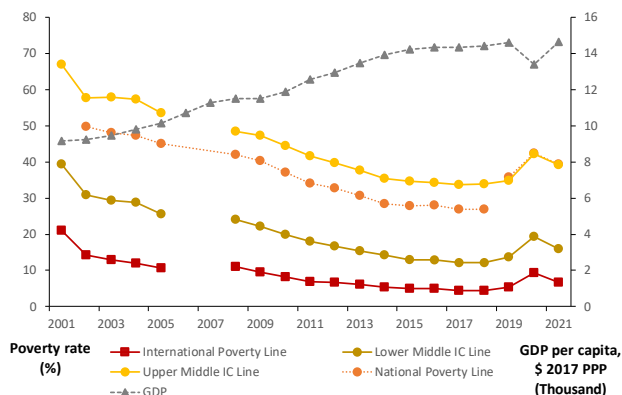
Despite high economic growth and labor market recovery, a modest reduction in total poverty is estimated for 2022 (using the national measures and the \$6.85/day line), with no recovery for national extreme poverty; both measures expected to remain higher than their pre-pandemic levels. This limited progress is due to inflation (especially food inflation estimated at 27.8 percent in 2022), which has eroded labor income gains. It is estimated that inflation offset 5 percentage points of reduction in the national poverty rate brought about by growth (and 4.2 ppts for the national extreme poverty rate). In addition, for over a year, Colombia has been hard hit by an exceptionally strong La Niña phenomenon, causing severe floods and landslides that have affected over 750,000 people, destroyed or damaged thousands of dwellings, and interrupted hundreds of health and education centers and road infrastructure, with many high-poverty departments in the Pacific and Caribbean being declared in stage of calamity. While rural labor markets did experience recovery, this exacerbated the increase in food prices.

Inflation, and its impact on real incomes and food security, will continue to be a source of concern in Colombia this year, as well as the impact of climate-related shocks. The poverty rate (at the \$6.85/day line) is expected to remain stagnant. The short-term rethinking of the social protection system, including in its coverage of poor and vulnerable people and its adaptiveness in the face of shocks, will influence the outlook. With Colombia as one of the most unequal countries in the world, structural challenges that limit upward socioeconomic mobility, particularly for some population groups, need to be addressed to reduce inequality and accelerate poverty reduction.

POVERTY	Number of Poor (million)	Rate (%)	Period
National Poverty Line	19.6	39.3	2021
International Poverty Line 3517.5 in Colombian peso (2021) or US\$2.15 (2017 PPP) per day per capita	3.4	6.6	2021
Lower Middle Income Class Poverty Line 5971.5 in Colombian peso (2021) or US\$3.65 (2017 PPP) per day per capita	8.2	16.0	2021
Upper Middle Income Class Poverty Line 11206.9 in Colombian peso (2021) or US\$6.85 (2017 PPP) per day per capita	20.2	39.2	2021
Multidimensional Poverty Measure		7.0	2021
SHARED PROSPERITY			
Annualized Income Growth per capita of the bottom 40 percent		-2.39	2016-2021
INEQUALITY			
Gini Index		51.5	2021
Shared Prosperity Premium = Growth of the bottom 40 - Average Growth		-0.77	2016-2021
GROWTH			
Annualized GDP per capita growth		0.40	2016-2021
Annualized Income Growth per capita from Household Survey		-1.62	2016-2021
MEDIAN INCOME			
Growth of the annual median income/consumption per capita		-2.17	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.

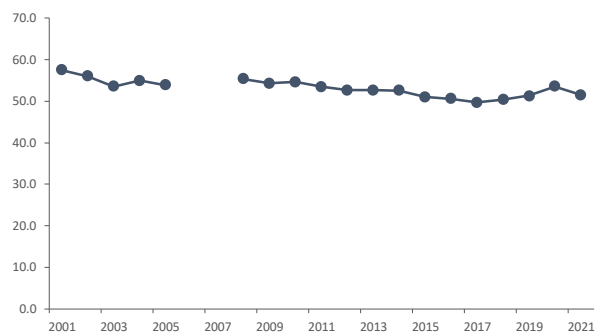
POVERTY HEADCOUNT RATE, 2001-2021



Source: World Bank using GEIH/SEDLAC/GMD

INEQUALITY TRENDS, 2001-2021

Gini Index



Source: World Bank using GEIH/SEDLAC/GMD

KEY INDICATORS

Distribution among groups: 2021	Lower Middle Income line (%)		Relative group (%)	
	Non-Poor	Poor	Bottom 40	Top 60
Urban population				N/A
Rural population	73	27	58	42
Males	85	15	39	61
Females	83	17	41	59
0 to 14 years old	75	25	56	44
15 to 64 years old	86	14	36	64
65 and older	90	10	27	73
Without education (16+)	76	24	56	44
Primary education (16+)	83	17	43	57
Secondary education (16+)	86	14	39	61
Tertiary/post-secondary education (16+)	95	5	15	85

Source: World Bank using GEIH/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	6.6
Education	
At least one school-aged child is not enrolled in school	3.1
No adult has completed primary education	4.4
Access to basic infrastructure	
No access to limited-standard drinking water	1.7
No access to limited-standard sanitation	7.4
No access to electricity	1.0

Source: World Bank using GEIH/SEDLAC/GMD

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 2021 was \$ 354,031 Colombian pesos, and the per capita extreme poverty line was \$161,099.

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.