

Poverty & Equity Brief

Latin America & the Caribbean

Bolivia

April 2022

The COVID-19 crisis and the decline in oil prices led to an economic contraction of 8.8 percent in 2020, and the country ranked halfway in the incidence of deaths in the region. Most economic sectors were affected, particularly labor-intensive industry and service sectors. The rise in poverty in 2020 (driven by a slight contraction of the vulnerable and middle-class segments of the population) is milder than in other countries in the region: poverty increased from 19.9 percent in 2019 to 21.6 in 2020 (\$5.5/day), as per the household survey collected in end-2020. Yet, over two-thirds of households reported a decline in their income in mid-2020 (HFPS 2020). The official Gini index also increased from 42 in 2019 to 45 in 2020.

The economy started to recover in 2021, as restrictions on businesses' operations and mobility were relaxed. Urban unemployment declined from a peak of 11.6 percent in July 2020 to 5.4 percent in December 2021, back to pre-pandemic levels. There was also a large increase in labor market activity compared to the pre-pandemic level, particularly among women. Preliminary poverty numbers indicate a decline in 2021, driven by rural areas, and a fall in inequality.

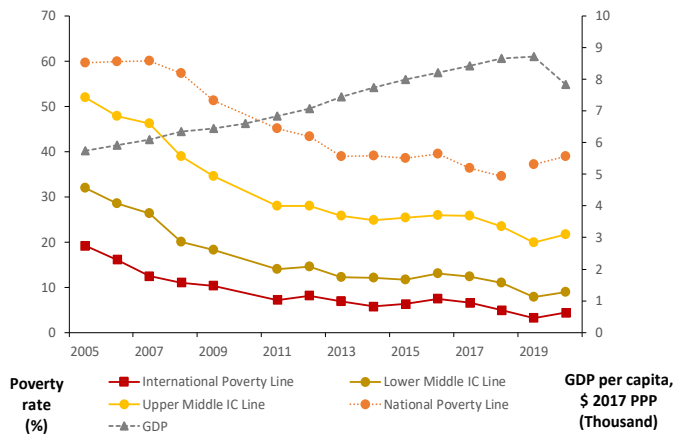
Despite the recovery in employment, job quality continued to deteriorate. Data for mid-2021 shows an increase in informality (particularly among youth) and in self-employment, and labor income remained on average 20 percent below its pre-pandemic level. As of mid-2021, 22.7 percent of households reported running out of food during the month, 5 percentage points above pre-pandemic levels. Food insecurity disproportionately affected households that were poorer, rural, and had least educated heads of households.

In 2022, poverty is expected to gradually decline, but domestic and external risks could limit the pace in the medium term. Increasing public debt and declining international reserves will restrict expansionary efforts, and global inflationary pressures on food and fuel may reduce households' purchasing power, disproportionately affecting the poor and vulnerable. The limited fiscal space and categorical design of social programs could undermine efforts to protect the poor and vulnerable. Long-term pandemic effects will also affect these groups the most. In addition to school closures, children from rural households had less frequent direct interaction with teachers during remote learning. The impact of food insecurity on human capital, and eventually labor productivity, as well as declines in job quality, pose a threat to further progress in poverty reduction and shared prosperity.

POVERTY	Number of Poor (thousand)	Rate (%)	Period
National Poverty Line	4,554.2	39.0	2020
International Poverty Line 7.5 in Bolivian boliviano (2020) or US\$1.90 (2011 PPP) per day per capita	514.5	4.4	2020
Lower Middle Income Class Poverty Line 12.6 in Bolivian boliviano (2020) or US\$3.20 (2011 PPP) per day per capita	1,045.9	9.0	2020
Upper Middle Income Class Poverty Line 21.6 in Bolivian boliviano (2020) or US\$5.50 (2011 PPP) per day per capita	2,524.6	21.6	2020
Multidimensional Poverty Measure		7.8	2020
SHARED PROSPERITY			
Annualized Income Growth per capita of the bottom 40 percent		2.25	2015-2020
INEQUALITY			
Gini Index		43.6	2020
Shared Prosperity Premium = Growth of the bottom 40 - Average Growth		2.42	2015-2020
GROWTH			
Annualized GDP per capita growth		-0.35	2015-2020
Annualized Income Growth per capita from Household Survey		-0.18	2015-2020
MEDIAN INCOME			
Growth of the annual median income/consumption per capita		0.05	2015-2020

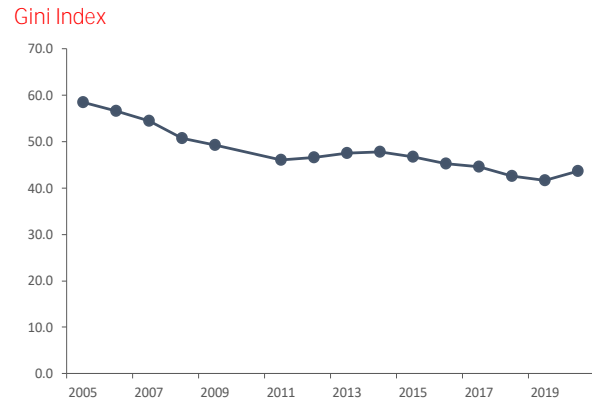
Sources: WDI for GDP, National Statistical Offices for national poverty rates, POVCALNET as of April 2022, and Global Monitoring Database for the rest.

POVERTY HEADCOUNT RATE, 2005-2020



Source: World Bank using EH/SEDLAC/GMD

INEQUALITY TRENDS, 2005-2020



Source: World Bank using EH/SEDLAC/GMD

KEY INDICATORS

Distribution among groups: 2020	International Poverty Line(%)		Relative group (%)		Multidimensional Poverty Measures: 2020	(% of population)
	Non-Poor	Poor	Bottom 40	Top 60		
Urban population	99	1	29	71	Monetary poverty (Income)	
Rural population	87	13	65	35	Daily income less than US\$1.90 per person	4.4
Males	96	4	39	61	Education	
Females	96	4	41	59	At least one school-aged child is not enrolled in school	2.1
0 to 14 years old	92	8	54	46	No adult has completed primary education	14.1
15 to 64 years old	96	4	35	65	Access to basic infrastructure	
65 and older	99	N/A*	31	69	No access to limited-standard drinking water	6.6
Without education (16+)	95	5	57	43	No access to limited-standard sanitation	17.9
Primary education (16+)	94	6	45	55	No access to electricity	4.4
Secondary education (16+)	97	3	37	63		
Tertiary/post-secondary education (16+)	100	0	17	83		

Source: World Bank using EH/SEDLAC/GMD

Source: World Bank using EH/SEDLAC/GMD

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

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 1990's). The most recent official monetary poverty numbers in Bolivia, with the new poverty methodology, correspond to 2020; the national total poverty rate was 39 percent, and the national extreme poverty rate was 13.7 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. Preliminary release of poverty rates for 2021 place the national total poverty rate at 36.3 percent, and the national extreme poverty rate at 11.1 percent.

The international dollar a day methodology is based on \$1.90 (2011 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: \$3.20 and \$5.50 (2011 PPP). In Bolivia, using the \$1.90 poverty line shows a non-negligible poverty level of 4.4 percent for 2020. The national and international poverty measures have shown a similar trend in the past.

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.