

# Poverty & Equity Brief

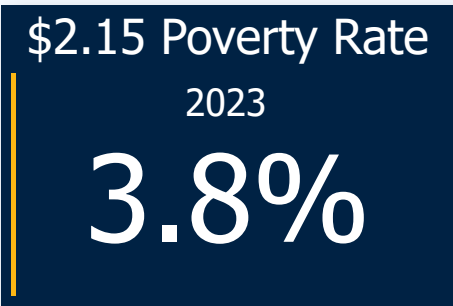
October 2024

## ECUADOR

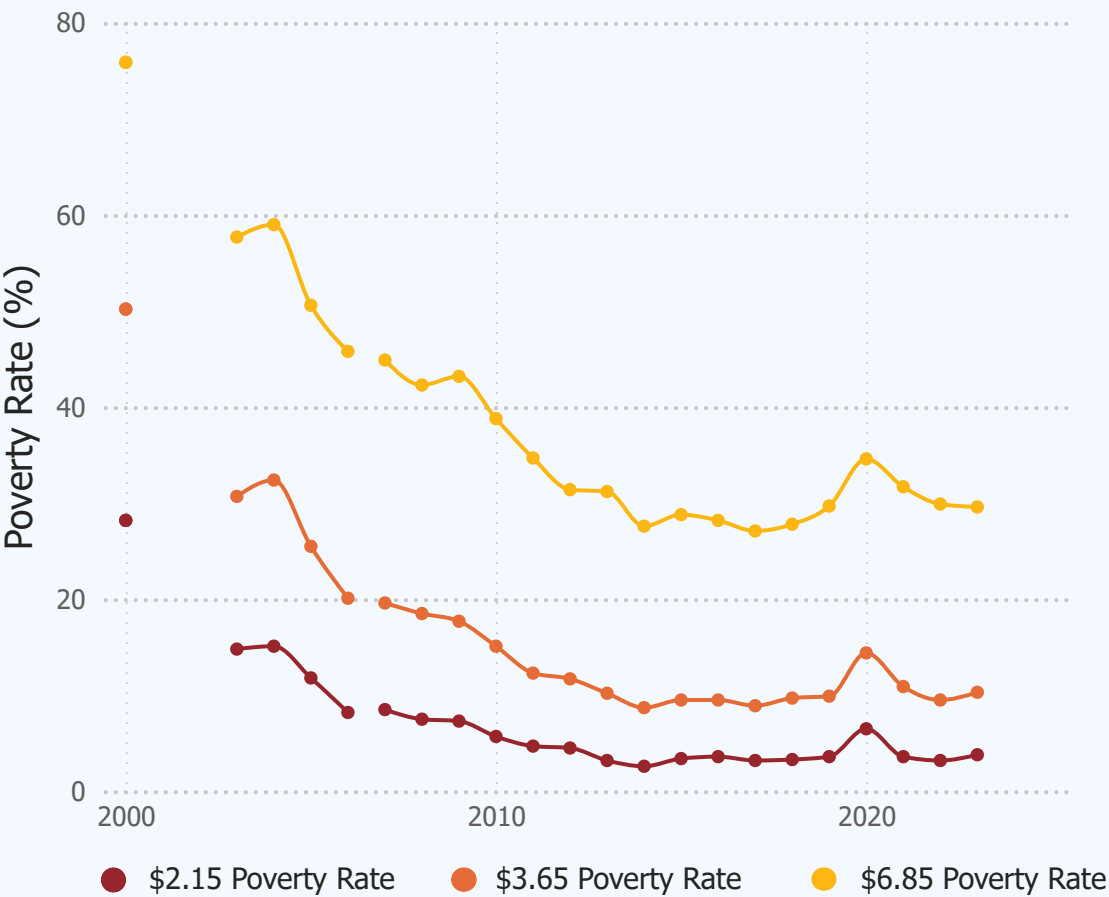
Ecuador’s challenging fiscal situation, compounded by natural disasters and rising insecurity linked to drug trafficking, has constrained poverty reduction in the country. By June 2024, a quarter of Ecuadorians were living below the national poverty line, with nearly one in ten living in extreme poverty. These adverse conditions have worsened existing regional disparities, with moderate poverty (measured at national poverty lines) affecting 43.2 percent of rural populations, compared to 17.2 percent in urban areas. Similarly, extreme poverty in rural areas reached 24.1 percent, compared to 4.4 percent in urban areas.

In response to severe fiscal constraints, the government increased the value-added tax (VAT) from 12 to 15 percent and removed gasoline subsidies. While the absolute impact of the VAT increase was greater for the wealthiest, the relative impact (as a percentage of income) was neutral. In contrast, removing subsidies had a more significant relative impact on the poorest, as the combined direct and indirect effects disproportionately affected those at the lower end of the income distribution. To mitigate these effects, the government proposed expanding the social assistance system to cover an additional 45,000 families, while providing direct transfers to approximately 84,000 individuals in the transport sector to help offset the anticipated rise in transport costs. Ecuador also faced an electricity generation shortfall, exacerbated by historically low investments and a drought caused by "El Niño." Provinces like Manabí, Esmeraldas, Los Ríos, Santa Elena, and Guayas were among the most affected. According to Census data, Esmeraldas, Manabí, and Los Ríos had poverty levels (measured by unsatisfied basic needs) exceeding 60 percent, compared to the national average of 40 percent. Labor income, heavily impacted by these shocks, has been the main factor driving changes in poverty levels between 2022 and 2024. Despite the challenges, inequality at the national level, as measured by the Gini coefficient, remained virtually unchanged by June 2024. However, urban areas saw a slight decrease in inequality from 0.44 to 0.42, largely due to a minor decline in income in the upper part of the income distribution.

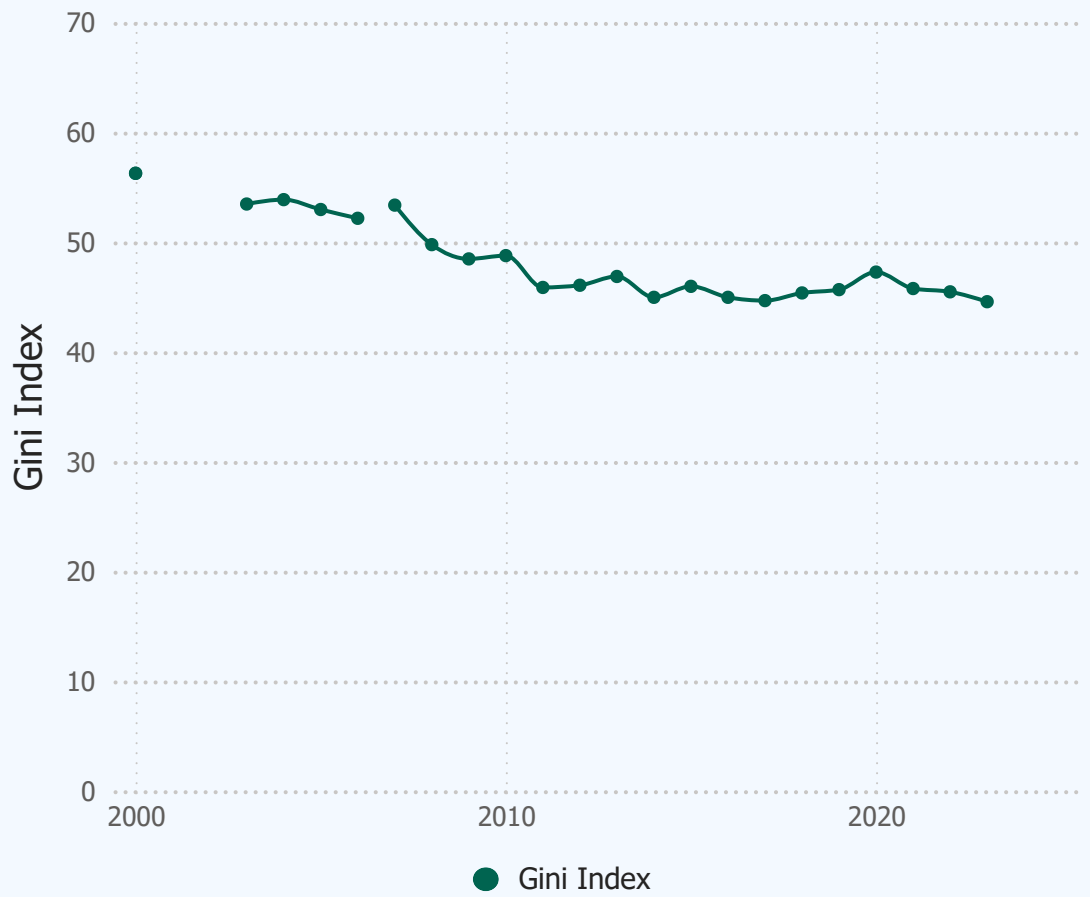
Other aspects of wellbeing, such as education and health, have been gradually improving since the COVID-19 pandemic, but will still require significant time to recover from these compounded shocks fully. In 2023, school dropout rates remained 1.88 percentage points below pre-pandemic levels. Furthermore, one in five children under two years old suffered from chronic undernutrition in 2023, a situation particularly severe among indigenous populations, those with lower education and income levels, and residents of rural areas in the Sierra and Amazon regions.



Poverty Rate



Inequality



# Poverty at Different Lines

Poverty Line	Number of Poor (Thousands)	Rate (%)	Year
National Poverty Line	4,728.5	26.0	2023
International Poverty Line (\$2.15/day)	691.0	3.8	2023
Lower Middle Income Class Poverty Line (\$3.65/day)	1,875.3	10.3	2023
Upper Middle Income Class Poverty Line (\$6.85/day)	5,379.6	29.6	2023
Multidimensional Poverty Measure		4.7	2023

## Group and Multidimensional Poverty

Poverty by Group	Poverty Rate (%)	Multidimensional Poverty Components	(% of Pop.)
Urban population	23.4	Daily income less than US\$2.15 per person	3.8
Rural population	42.7	At least one school-aged child is not enrolled in school	3.3
Males	29.1	No adult has completed primary education	3.4
Females	30.0	No access to limited-standard drinking water	6.0
0 to 14 years old	45.0	No access to limited-standard sanitation	6.8
15 to 64 years old	24.7	No access to electricity	2.0
65 and older	14.3		
Without education (16+)	34.6		
Primary education (16+)	29.0		
Secondary education (16+)	25.5		
Tertiary/post-secondary education (16+)	5.6		

**Note:**  
Data for the "Poverty by Group" table is derived from a 2023 survey and data for the "Multidimensional Poverty Components" table is derived from a 2023 survey. The rates in the "Poverty by Group" table above are shown at the \$6.85 upper-middle income line. "N/A" denotes a missing/removed value, while "N/A\*" refers to a value which was removed due to having fewer than 30 observations.

### Poverty Data & Methodology

Ecuador's official poverty numbers are based on income, published twice yearly (June and December). Comparable poverty numbers have been reported since 2007 based on the Encuesta Nacional de Empleo, Desempleo y Subempleo (ENEMDU). The World Bank (WB) uses income to estimate and report comparable poverty rates across countries, but there are some differences with the official aggregate: (1) WB does not include contributions to social security and taxes for salaried workers; (2) WB includes other public transfers while the official aggregate includes only the Bono de Desarrollo Humano; (3) WB includes imputed rent using hedonic model using the QR approach; (4) differences in urban/rural prices adjust WB, while the official aggregate does not correct by spatial differences; and (5) WB does not include domestic workers as members of the household. The official methodology draws the poverty line from the consumption aggregate adjusted by spatial differences and is updated across time using the total CPI. Official extreme and moderate poverty lines are equivalent to \$2.78 and \$4.93 per day 2017 PPP. Official poverty numbers based on consumption are also available from 1998, but these are reported every eight years.

### 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.