

Regional Human Development Report for  
Latin America and the Caribbean

# Multidimensional progress: well-being beyond income



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Resilient nations.*



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Microeconomic household analyses in 18 countries of the region, shows that the factors associated with exiting poverty, primarily education and labour market integration are systematically different from those that prevent people from falling back into poverty, which are linked to social protection systems (social transfers and pensions), care systems, access to physical and financial assets, and improved employment skills. A “multidimensional basket of resilience” that includes a combination of assets and social protection interventions, provides a starting point for public policymakers aimed at ensuring that people do not fall back into poverty. An analysis of changes in the income pyramid over the period 2003-2013 shows that while 49 percent of the population moved up the pyramid, some 13 percent actually slipped down it. The current climate demonstrates that people escaping poverty is not enough: improving their resilience is also essential.



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# Multidimensional progress: well-being beyond income

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## **Regional Human Development Report for Latin America and the Caribbean**



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(UNDP)

# Foreword

Each Human Development Report since 1990 has focused on some aspect of well-being “beyond income”. The human development approach is precisely about enlarging people’s choices –focusing on the richness of human lives rather than on material wealth or income alone. The 2016 Regional Human Development Report for Latin America and the Caribbean takes this approach to a new level by expanding the way we think about progress and multiple dimensions of well-being, applying the human development approach to the new, holistic sustainable development agenda, and adapting it to the needs and aspirations of Middle Income Countries (MICs) and Small Island Developing States (SIDSs) alike.

The key ideas of this report are embedded in its title, *Multidimensional progress: well-being beyond income*. Why focus on “progress” at all? First, because Latin American and Caribbean countries have gone through a historic transformation process, reshaping both income and non-income dimensions of well-being. Over 72 million people have exited from poverty and close to 94 million have joined the ranks of the middle class since 2003. These were achieved through innovative social policies and inclusive economic growth. Second, this forward momentum is threatened by a global economic slowdown and changes in oil and commodity prices. For Middle Income Countries, “development” does not expire at a GDP threshold. Inequalities, discrimination, and longstanding exclusions --including gender, ethnic and racial gaps-- require policy attention above and below income lines.

The “multidimensional” focus builds both on past work on human development and the more recent and pioneering policy work on multidimensional poverty in the region. The explicit measurement of acute deprivations has inspired a generation of policymakers to also think about policy in a multidimensional and

integrated fashion. There is now an interest in addressing multidimensional challenges *above the poverty line* –to include issues such as the quality of work, social protection across the life cycle, systems of care, use of time between men and women, citizen security, and freedom from shame and humiliation, among others.

All of this relates to the *2030 Agenda for Sustainable Development*, including the Sustainable Development Goals (SDGs). Last year, 193 heads of state signed an historic and universal agreement which will shape the development conversation for the next fifteen years. If there ever was a “multidimensional” moment, this is it.

This report ties into UNDP and UN system efforts to mainstream, accelerate, and provide policy support on SDGs to Member States in a timely and effective fashion. A key novelty of the report is a tool to tackle poverty in its multiple dimensions, providing an SDG entry point for each country according to their specific needs.

The poverty eradication tool, tested across 18 countries for this report, focuses on the dynamics of leaving and of falling back into poverty. While exiting poverty correlates mostly with labour markets and educational achievement, the factors which prevent people from falling back into poverty are mostly correlated with access to social protection, through both social transfers and pensions, as well as access to systems of care, physical and financial assets, and labour skill upgrading. A “basket of multidimensional resilience” combined with a comprehensive set of policy interventions charts a new course for social and economic policymakers to make sure that no one slides back into poverty after they have exited it. While 49 per cent of the region’s population experienced upward mobility between 2003 and 2013, close to thirteen per cent also experienced downward mobility during the same period. Thus, it’s not enough

to focus on poverty reduction alone –boosting resilience to relapse into poverty is vital.

This year’s report is timely, both because it addresses the vulnerabilities –and key strengths - of Latin American and Caribbean countries, but also because it kick-starts a new development conversation for Middle Income Countries around the world. Human Development Reports are at their best when they document good practice, measure progress, and push the frontiers of how we think about development in a changing world. This Regional Human Development Report should be no exception in its capacity to

engage stakeholders across a rich empirical, conceptual policy debate –one which will be seminal to our work for at least the next fifteen years.



**Helen Clark**  
*Administrator*  
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# Presentation

25 to 30 million people in the region risk falling back into income poverty. This amounts to more than a third of the population that quit poverty since 2003. The first priority is to protect the population that is in vulnerability while addressing hard forms of exclusion affecting millions who never left poverty, measured either by income or in multidimensional terms.

The 2016 Regional Human Development Report for Latin America and the Caribbean focuses on the increasingly pressing challenges facing the region. In times of global economic fragility, eradicating poverty and reducing inequalities in all their dimensions require a twofold strategy. Protecting the achievements of the last decade – to prevent millions from falling back into poverty- while promoting comprehensive policies adapted to populations suffering from discrimination and historical exclusions.

We see **multidimensional progress** as a space for development regulated by certain limits: “nothing that diminishes the rights of people and communities or jeopardizes the environmental sustainability of the planet can be regarded as progress.”

Latin America and the Caribbean is a diverse region and does not follow a single pattern of development. This Report is separated into two volumes, which share the same narrative: the Regional Human Development Report - the first volume - covers the entire region, while deepening the analysis on Latin America; and the Caribbean Human Development Report - the second volume - approaches the multidimensional challenges of sustainable development and human progress taking into consideration the particularities of the Caribbean.

The significant social and economic transformations experienced by every country of the region in recent years are threatened by an unfavorable global economic context. In this regard, the report lists three challenges. The first challenge is that, despite the current global environment, governments of the region are able to implement policies that preserve the achievements. Twenty-five to 30 million people in the region risk falling back into income poverty. This amounts to more than a third of the population that quit poverty since 2003. Thus,

the first priority is to protect the population that is in a situation of vulnerability, while addressing deep-rooted forms of exclusion affecting millions who never left poverty - measured either by income or in multidimensional terms:

- To protect the achievements, resuming economic growth is not enough. This report shows that **social protection** throughout the life cycle; expansion of **systems of care** for children, elderly and persons with disabilities; broader access to **physical and financial assets**; and continuous improvements in **labour quality** - particularly in the case of young people and women- are vital.
- In addition, many forms of exclusion transcend income and are associated with unequal treatment, discrimination, violence or stigmatization based on ethnicity, race, skin color, identity and sexual orientation, gender, physical or mental disability, religion, migrant status or nationality. Closing material gaps is not enough to eradicate these forms of exclusions. A level playing field for citizenship requires implementing **protection policies, affirmative action, empowering citizens and recognizing individual and collective rights.**

The second challenge is to move towards a new public policy framework that can break sectoral and territorial silos and provide social protection throughout the life cycle. Part of the responsibility lies with States, which should generate and coordinate sustainable financial resources for public policies; but part also lies with the citizens, to the extent that it is necessary to build a culture of resilience and prevention in each household and community.

The third challenge is to adapt the 2030 Agenda for Sustainable Development to the priorities of each country in the region. Sustainable Development Goals (SDGs) are

multidimensional par excellence. They represent an invitation to adopt a new way of building resilience and integrating economic, social and environmental dimensions worldwide, including peace and justice.

Like many in Latin America and the Caribbean, we believe that the challenges of sustainable, holistic and universal development are not resolved by crossing a given income threshold. There is no "graduation" from the development challenges unless appropriate answers are provided to the multiple dimensions that allow people to live lives they have reasons to value.

We believe that one of the main assets of this Report comes from its comprehensive approach to development challenges, given the multi-causal nature of the problems identified. We squeezed the quantitative analysis to the extent possible; and we went further: we challenged its findings, by combining them with perceptions generously shared by citizens of twenty countries in the region. Remarkable approaches to development already present in the region have also been taken into account. This includes the concepts of "good living" and "living well", for which harmony with the nature and the community are intrinsically linked to development.

The efforts of our own development experts, working in 26 country offices and in the Regional Hub of the United Nations Development Programme (UNDP) in Panama - as well as those of dozens of academics and opinion leaders in the region - are reflected in this Regional Human Development Report. Their dedication and joint efforts are truly appreciated.

In an effort to generate practical proposals, specific case studies of public policies in the region were undertaken; challenges faced by national and local institutions were analyzed; success stories were identified, as well as barriers to holistic integration. May this section reflect our sincere gratitude to governments and public institutions in the region for having shared their knowledge and enriched our analysis.

A special thanks to the members of the Advisory Panel of this Report for their

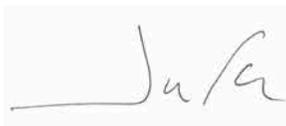
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# List of abbreviations and acronyms

ART	Coordination of Territorial and Thematic Networks for Human Development Cooperation, UNDP	MAF	MDG Acceleration Framework
BIPS	Integrated Social Programmes Bank, Chile	MAPS	Mainstreaming, Acceleration and Policy Support Strategy
CAF	Development Bank of Latin America	MDG	Millennium Development Goals
CARICOM	Caribbean Community	MDR	Managing for Development Results
CASEN	National Socioeconomic Characterization Survey, Chile	MPI	Multidimensional Poverty Index
CCVI	Climate Change Vulnerability Index	NGO	Non-governmental organization
CEDLAS	Center for Distributive, Labor and Social Studies	NSDS	National Sustainable Development Strategy, Belize
CIS	Centre for Social Research, Bolivia	OECD	Organisation for Economic Cooperation and Development
CLAD	Latin American Centre for Development Administration	OECS	Organisation of Eastern Caribbean States
DANE	National Administrative Statistics Department, Colombia	OPHI	Oxford Poverty & Human Development Initiative
ECLAC	Economic Commission for Latin America and the Caribbean	PEI	Poverty-Environment Initiative
ECOSOC	Economic and Social Council, United Nations	PRODEV	Program to Implement the External Pillar of the Medium-Term Action Plan for Development Effectiveness, IBD
ECVMAS	Post-Earthquake Household Living Conditions Survey, Haiti	SDG	Sustainable Development Goals
ENIGH	National Survey of Income and Spending in Households, Mexico	SEDLAC	Socio-Economic Database for Latin America and the Caribbean
FAO	United Nations Food and Agriculture Organization	SIDS	Small Island Developing States
GDP	Gross Domestic Product	SIUBEN	Standardized System of Beneficiaries, Dominican Republic
GPRS	Growth and Poverty Reduction Strategy, Belize	SSE	Social and Solidarity Economy
GSDS	Growth and Sustainable Development Strategy, Belize	SSM	Social Stratification and Social Mobility Survey, UNDP
HDI	Human Development Index	UNDAF	United Nations Development Assistance Framework
IBD	Inter-American Development Bank	UNDESA	United Nations Department for Economic and Social Affairs
IEAG-SDG	Inter-agency and Expert Group on SDG Indicators	UNDG	United Nations Development Group
ILO	International Labour Organization	UNDP	United Nations Development Programme
IMF	International Monetary Fund	UNEP	United Nations Environment Programme
LGBTI	Lesbian, Gay, Bisexual, Trans and Intersex	UNICEF	United Nations Children's Fund
LIMTIP	Levy Institute Measure of Time and Income Poverty	WDI	World Development Indicators, World Bank
		WTO	World Trade Organization

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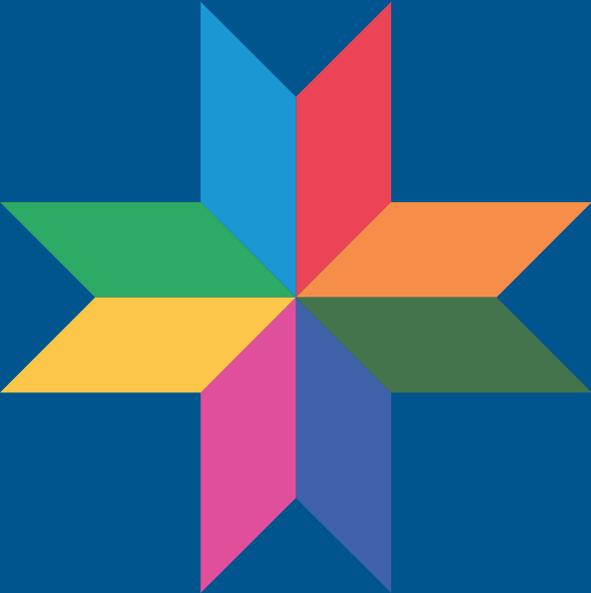
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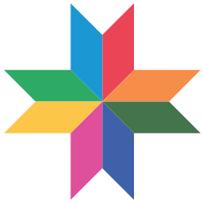
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# Executive Summary





# Executive Summary

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In this Report, **multidimensional progress** is defined as a space for development regulated by certain limits: nothing that diminishes the rights of people and communities or jeopardizes the environmental sustainability of the planet can be regarded as progress.

Why focus on **multidimensional progress**? What does it mean and how can it help to frame the new development challenges in the region? Firstly, it means looking beyond per capita income, economic growth rates and GDP as the main criteria for measuring development levels in middle-income countries and Small Island Developing States (SIDS). Countries do not “graduate” simply by crossing a certain income threshold. Secondly, it focuses on building intersectoral, holistic and universal policies that are able to respond to the multidimensional problems of development. With the publication of the 1990 Human Development Report, the 2009 Stiglitz-Sen-Fitoussi Commission and the recent approval of the 2030 Agenda for Sustainable Development, there is growing demand for more integrated policy actions. It is no longer sufficient to move forward “gap by gap”; actions must now adopt a multidimensional approach.

In Latin America and the Caribbean, the notion of multidimensional progress helps us to address development problems that transcend income thresholds, basic needs or deprivations. It means, among other things, guaranteeing social protection systems throughout the life cycle, raising employment standards, improving the quality of social services, expanding access to care systems for children and older persons, ensuring gender parity both inside and outside the home, recognizing the multicultural and plurinational rights of peoples and communities, improving public security in communities and beyond, protecting the environment, ensuring access to renewable energies and improving people’s resilience to natural disasters.

**Multidimensional progress is a conceptual umbrella that encompasses two normative limits: nothing that diminishes the rights of people and communities or jeopardizes the environmental sustainability of the planet can be regarded as progress.** This definition

builds on Amartya Sen’s capabilities approach, and on the historic agreements of the 2030 Agenda for Sustainable Development, in order to include missing dimensions of well-being appropriate to each time and place.

Multidimensional progress can be illustrated as a tree of multidimensional indicators and actions: at its base are the measures and responses to poverty and extreme poverty; the trunk comprises the measures and responses to vulnerability, while the branches represent the measures and responses to sustainability. This conceptual framework opens up a new field of research and action. It includes indices and policies aimed at overcoming multidimensional poverty but goes further by considering the exclusions that transcend levels of income, basic needs and deprivations. It involves human development indices and policies focused on education and health, but it does not stop there, for the development challenges stretch beyond these two dimensions.

This Report looks in more depth at what is currently the major threat to multidimensional progress in the region: **millions of households falling back into poverty and extreme poverty**, which, according to estimates, could affect between 25 and 30 million people in situations of falling back into economic vulnerability. It includes both measures and policies for escaping poverty, and measures and policies to avoid falling back into it. Although each is different, they need synchronizing in order to maximize their impacts. In order to speed up the escape from poverty, the focus is on an analysis of lasting exclusions that cannot be explained by a lack of income and, in order to prevent people from falling back into poverty, four critical factors with which to build resilience are analysed: social protection throughout the life cycle, systems of care for children and older persons, household access to physical and financial assets and better quality work.

The first part of the Report (chapters 1, 2 and 3) analyses changes in income and beyond income. None of the recent social and economic achievements in the region were the result of *laissez-faire* policies. The rate of economic growth and social achievements in employment, social protection and in gender equality have all been shaped by innovative public policy and strategic interventions in the development process.

- i) The region has seen dynamic changes in income. Millions of people have been removed from a situation of exclusion and poverty, attaining greater economic and material well-being. Nevertheless, at the same time, another sector of the population has emerged which, while it has escaped income poverty, still finds itself in a situation of extreme vulnerability, at risk of falling back down.
- ii) There have also been transformations that moved beyond income. Such changes include changes in the region's demographic profile, increased access to education, and a broadening of labour market participation. There has also been an intensification of the extractivist process unfolding in a region that relies on natural resources.
- iii) A multidimensional focus is helpful when defining the transformations yet to be completed as part of this historic process. Such a focus emphasizes a holistic perspective that can be useful when tackling the challenges of the current context and making the first steps towards implementing the 2030 Agenda for Sustainable Development in the region. This Report proposes some likely sets or "baskets" of factors to combat vulnerability, calling for the promotion of social protection policy and care systems, as well as access to assets and quality work in the case of populations at risk of falling into poverty.

The family of multidimensional indicators has grown and now incorporates innovations developed in many of the region's countries in spheres that range from the eradication of poverty in all its dimensions through to resilience to vulnerability or building environmental sustainability.

The second part of the Report (chapters 4, 5 and 6) offers a number of public policy responses.

As multidimensional problems require multidimensional solutions, this Report ends by offering a new perspective on the challenges facing public policy. It offers a new agenda based on multisectoral interventions and with the effective achievement of universal rights at its core.

- i) This agenda requires **policies capable of protecting past achievements**. The region's countries face the dual challenge of constructing inclusive economies and consolidating the achievements they have made in all of those dimensions that go beyond income and strengthen people in the long term. It is therefore necessary to promote the development of social protection systems, the expansion of care systems and the extension of the boundaries of gender equality, as well as the development of better quality employment and of the skills required by the labour market, along with improved access to physical and financial assets.
- ii) It also requires **inclusion policies** capable of combating the types of exclusion that go beyond the poverty line, including discrimination against indigenous people and Afro-descendant populations; the violence against intimate partners perpetrated by men and suffered by millions of women; and other forms of exclusion related to skin colour, residence in rural areas, or sexual identity. More than the closure of material gaps, these forms of exclusion require the closure of gaps in citizenship in the region.
- iii) Finally, it requires a **new policy framework for multidimensional progress** based on (i) greater horizontal (intersectoral) and (ii) vertical (inter-territorial) articulation of policies, (iii) social protection throughout the life cycle, and (iv) citizen participation in the articulation of the new framework.

The final part of the Report (chapters 7 and 8) considers future challenges. The capacity-building process focuses on people, households and communities. This Report advocates thinking beyond the pressing issues of the current context and defining possible ways of implementing the 2030 Agenda for Sustainable Development in the region's countries — the first agenda for universal, holistic and multidimensional development in the post-war era.

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The greatest challenge faced by this generation is that of building the capacity to achieve a **multidimensional progress** that can contribute to eradicating poverty in all its dimensions, overcoming vulnerabilities and building sustainability in the long term, expanding the boundaries of the definition of well-being.

## A consideration of income alone underestimates the achievements made in the region: the social successes in Latin America and the Caribbean exceed the results that might be expected based on per capita income levels

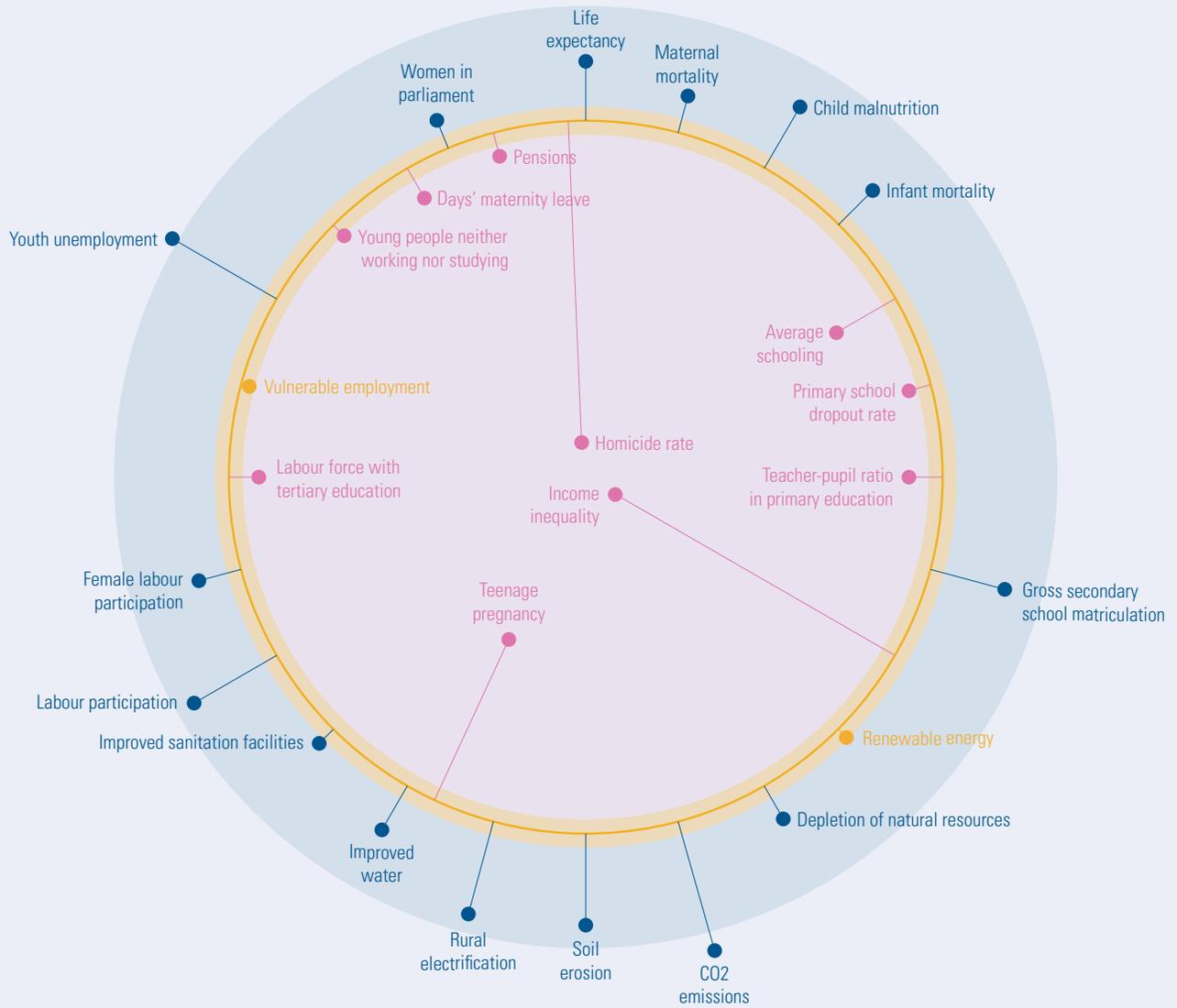
The following diagram confirms that social progress does not depend solely on the region's economic growth. Latin America and the Caribbean has shown *better performance than expected based on income* levels in all of the indicators outside the circle, such as maternal mortality, infant malnutrition, renewable energy, or access to basic services such as rural electricity, and improved sanitation and water supplies. Nevertheless, this does not mean that there are no challenges left in relation to these indicators. For example, although maternal mortality was reduced by almost half between 1990 and 2014, 69 mothers still die per 100,000 births on an annual basis.<sup>1</sup> There have been notable improvements in other areas such as access to

improved water supply, improved sanitation, and energy, yet some 23 million inhabitants still do not have an electricity service.<sup>2</sup> Based on this same logic, it should be noted that although some of these indicators are inside the circle (such as teenage pregnancy and average years of education), this does not mean that no progress has been made in the region in these dimensions but rather that the current level of achievement is *lower than expected based on income levels in the region*. This analysis highlights the fact that greater economic growth in the region is not enough on its own to maintain the achievements of recent decades, nor to accelerate the eradication of poverty in its multiple dimensions.

**Source:** Prepared by the authors based on data from the Human Development Report Office of the United Nations Development Programme (UNDP) and the World Bank's World Development Indicators (WDI) database.

**Note:** The indicators outside the circle are those that have shown better than expected development according to gross per capita income for the region, while the indicators situated inside the circle are those that have shown poorer performance than expected. The results shown in the figure on Latin America and the Caribbean should be interpreted in the context of a world comparison. In other words, the data is obtained from a regression based on information on 188 countries in which the dependent variable is the value observed for each of the 27 indicators taken into consideration, and is explained by the logarithm of gross national income per capita. Based on the coefficient obtained from each regression, an expected value is calculated for each of the 27 indicators for each country. The difference between the values observed and those expected is then standardized based on the standard deviation of the observed value for each indicator. The exercise follows the method employed by the Organisation for Economic Cooperation and Development (OECD) in their series of country diagnostic studies entitled *Development Pathways*. The aggregate for Latin America and the Caribbean is the weighted average per population of the values of each of the indicators for the countries for which information was available: 19 countries in the case of Latin America (Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay and Venezuela) and 12 in the case of the Caribbean, (Antigua and Barbuda, Bahamas, Belize, Dominica, Guyana, Haiti, Jamaica, Saint Lucia, Saint Vincent and the Grenadines, Suriname, and Trinidad and Tobago). Different countries were taken into account for each of the indicators considered. For indicators on life expectancy, infant mortality, average years of education, CO<sub>2</sub> emissions, rural electrification, teenage pregnancy, and homicide rates, all countries were included. For the maternal mortality indicator, Antigua and Barbuda, and Dominica were excluded. In the case of the indicator for child malnutrition, Bahamas, Barbados, Antigua and Barbuda, Saint Lucia and Dominica were excluded. For education indicators (dropout rates, pupil-teacher ratio, gross enrolment in secondary school education), Haiti was excluded. In the case of the inequality indicator, 18 countries in Latin America were included (all of those comprising the aggregate except Cuba), as well as Haiti and Jamaica. For the renewable energy indicator, 18 countries in Latin America were included (all of those comprising the aggregate except Cuba) and with the addition of Haiti, Jamaica, and Trinidad and Tobago. For the indicator related to the depletion of natural resources, Antigua and Barbuda was excluded. In the case of the soil erosion indicator, the 19 countries in Latin America were included, along with Belize, Haiti and Jamaica. The improved water resources indicator excludes Dominica. For the indicator on improved sanitation, Antigua and Barbuda was excluded, along with Dominica, San Vicente and the Grenadines. In the case of labour participation rates (total and female), Antigua and Barbuda, and Dominica were excluded. For the indicator on the labour force with tertiary education, the 19 countries of Latin America were included along with Barbados and Belize. In the case of youth unemployment, Haiti was excluded. In the case of young people neither employed nor in education, the indicator included 14 countries (Argentina, Belize, Brazil, Costa Rica, Colombia, Ecuador, Guatemala, Honduras, Mexico, Panama, Peru, Paraguay, Trinidad and Tobago, and Venezuela). The indicator on paid maternity leave (days) included all 18 countries in the Latin American region (all of those comprising the aggregate except Cuba), along with Haiti and Jamaica. For the pensions indicator, Cuba and Suriname were excluded, and for the indicator on the percentage of parliamentary seats held by women, Dominica was excluded. The definition, year and specific source for each indicator are indicated below. The following data comes from the UNDP Human Development Report Office: gross national income per capita at 2011 prices adjusted to purchasing power parity (2014); life expectancy at birth measured in years (2014); maternal mortality measured as the number of maternal deaths registered in a year for every 100,000 births (2013); child malnutrition, which corresponds to the indicator on chronic malnutrition, measured as a percentage of children aged under five with a low height-for-age (2008-2013); child mortality, measured as the number of deaths in under-fives registered in a year per 1,000 live births (2013); average schooling, measured as a mean of accumulated years of education (2014); primary school dropout rates, defined as the percentage school dropout rate for the education level in question (2008-2014); the pupil-teacher ratio in primary education, measured as the number of pupils per teacher at this education level (2008-2014); gross enrolment rates at secondary school, defined as the total enrolment corresponding to this education level, regardless of age, as a percentage of the school-age population at this education level (2008-2014); the indicator of renewable energy, defined as the percentage of total energy coming from natural resources that are constantly renewed, including solar, wind, geothermal, hydroelectric, biomass, and ocean resources, as well as some energies from waste, excluding nuclear energy (2012); income inequality, corresponding to the Gini coefficient (2005-2013); the indicator on the depletion of natural resources, measured as a proportion of gross national income (2008-2013); CO<sub>2</sub> emissions, measured as the volume of carbon dioxide emissions per capita in tonnes (2011); soil erosion, measured as the percentage of the population living on degraded land (2010); rural electrification, measured as the proportion of the rural population with an electricity supply (2012); the labour force with tertiary education, measured as the proportion of the workforce with some level of tertiary education (2007-2012); female labour participation, measured as the proportion of the female population aged 15 years or over that is economically active (2013); youth unemployment, measured as a proportion of the workforce aged between 15 and 24 that is unemployed (2008-2014); vulnerable employment, measured as a proportion of the people working as unpaid family workers and self-employed workers (2008-2013); young people who neither work nor study, measured as the percentage of young people aged between 15 and 24 who are neither in work nor in education (2008-2013); homicide rate, measured as the number of homicides registered per year per 100,000 people (2008-2012); days' maternity leave, measured as the number of days of paid maternity leave (2014); pensions indicator, measured as a percentage of legal beneficiaries of old-age pensions of an age to receive these pensions (2004-2012); teenage pregnancy, measured as the number of births registered per year per 1,000 women aged between 15 and 19 (2010-2015); and the position of women in parliament, measured as the proportion of parliamentary seats held by women (2014). The WDI database created by the World Bank provides data on improved sanitation and water indicators, measured as the percentage of the population with access to these services (2013).

## Differences between the expected and actual social achievements observed in Latin America and the Caribbean



■ Better than expected performance  
■ Expected performance  
■ Worse than expected performance  
 (given the region's level of income)

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For 16 social, employment and environmental indicators out of a total of 27 indicators considered, Latin America and the Caribbean show **greater achievements than expected** for the level of per capita GNI. GNI measures the value of goods and services produced in an economy, but it does not measure the well-being of the population.

## The transformation of the region's income pyramid

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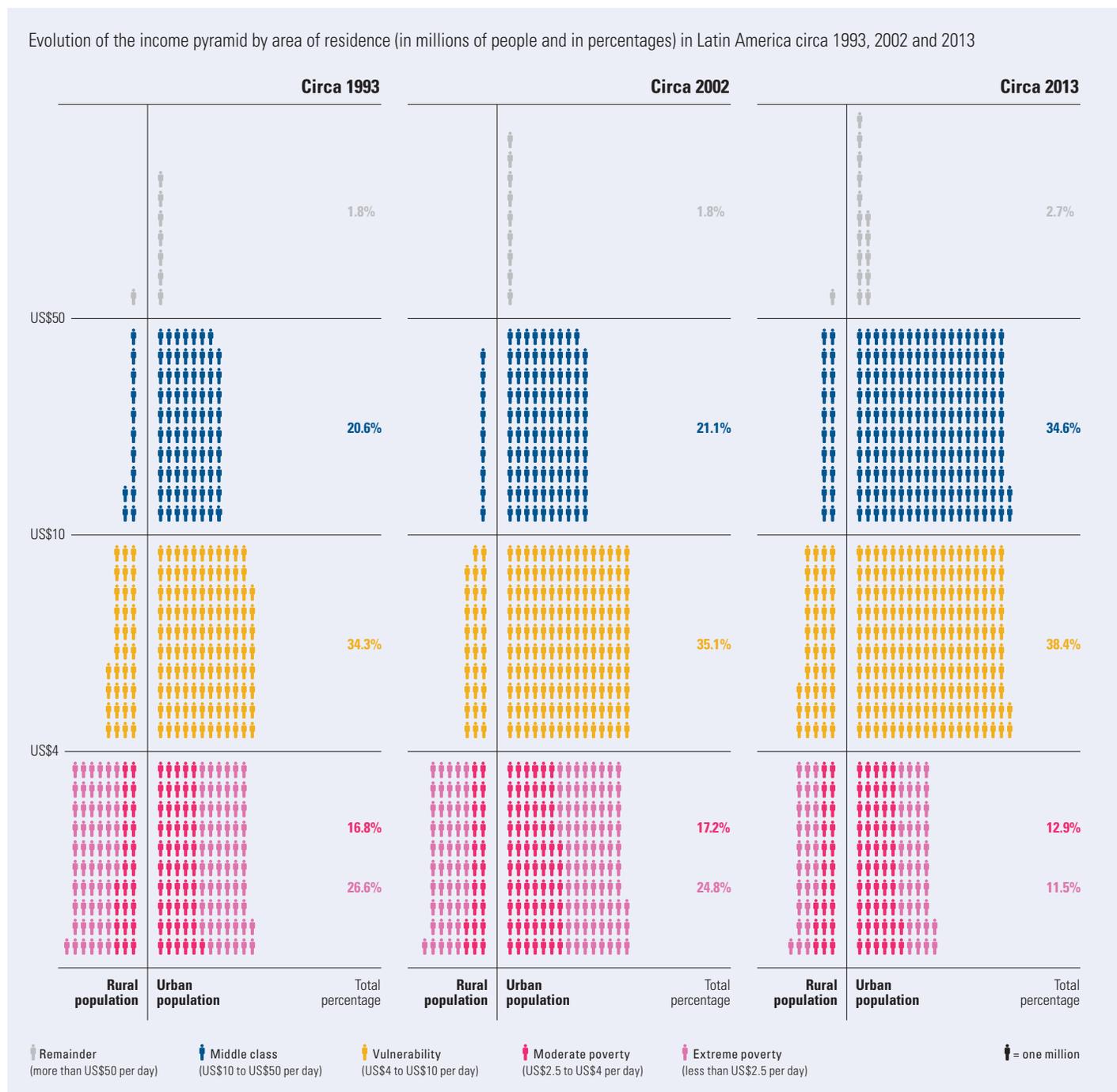
Latin America and the Caribbean is a very diverse region that does not follow a single pattern of change. However, one common feature among the countries of the region is that they have all undergone significant social, economic and environmental changes in recent years. These changes are not the result of a *laissez-faire* approach; rather, they have been caused by the implementation of public policies that have shaped not only economic growth (income) but also the population's achievements in the social sphere, employment and education (beyond income).

Some 42 percent of the population was shown to be living in income poverty in 2002, but this percentage had plummeted to a little over 24 percent a decade later in 2013. In absolute terms, the number of people living in income poverty decreased steadily throughout this period, from almost 214 million to under 142 million, which indicates that some 72 million people in the region were able to escape

their poverty. Of these 72 million people, 59 million were living in conditions of extreme poverty in 2002.<sup>3</sup> Alongside this reduction in poverty, a number of people experienced increasing incomes at a rate that allowed them to move into the middle strata of the income pyramid. On the one hand, the population living in economic vulnerability swelled by almost 45 million people during this period, rising from 179 million people in 2002 to 224 million people in 2013, a year in which this population accounted for some 38 percent of the region's population as a whole. On the other hand, the size of the middle class increased by almost 94 million people, rising from 108 million people in 2002 (equivalent to 21 percent of the total population) to almost 202 million people in 2013 (equivalent to 35 percent of the total population) (see figures 1 and 2).<sup>4</sup> These changes were accompanied by a notable drop in income inequality. The average level of inequality measured in terms of the Gini coefficient decreased from 0.539 to 0.493 over the period,<sup>5</sup> reaching its lowest level in the region since the pre-industrialization era.<sup>6</sup>

FIGURE 1

**A reduction in poverty rates over the period 2003-2013 led to the region's population being concentrated in the middle strata of the income pyramid**

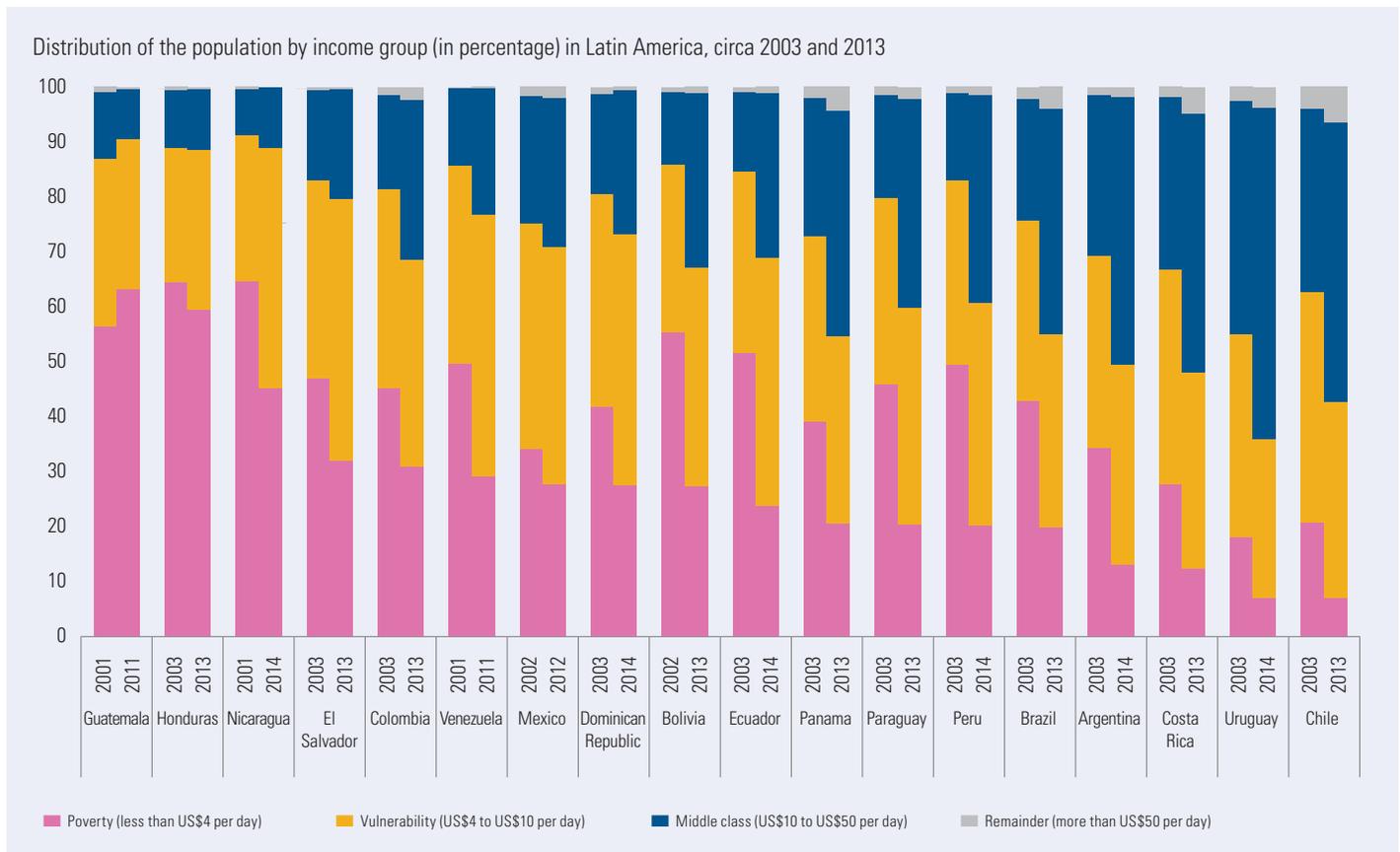


Source: Prepared by the authors based on estimates of the proportion of the population corresponding to each income group produced by the Center for Distributive, Labor and Social Studies (CEDLAS) using information obtained from the Socio-Economic Database for Latin America and the Caribbean - SEDLAC (CEDLAS and the World Bank), and data on each country's total population consulted in the World Bank's World Development Indicators (WDI).

Note: Monetary lines separating each group are expressed in US dollars (US\$) per person per day. Each person on the chart represents one million people. The absolute and relative figures correspond respectively to the total and weighted averages of the estimates for the following 18 countries, with the years indicated in parentheses: Argentina (1992, 2003 and 2014), Bolivia (1997, 2002 and 2013), Brazil (1993, 2003 and 2013), Chile (1992, 2000 and 2013), Colombia (1996, 2003 and 2013), Costa Rica (1992, 2002 and 2013), Ecuador (1994, 2003 and 2014), El Salvador (1991, 1998 and 2013), Guatemala (2000 and 2011), Honduras (1992, 2003 and 2013), Mexico (1992, 2000 and 2012), Nicaragua (1993, 2001 and 2009), Panama (1991, 2001 and 2013), Paraguay (1995, 2004 and 2013), Peru (1997, 2004 and 2014), Dominican Republic (1996, 2003 and 2014), Uruguay (1992, 2004 and 2014) and Venezuela (1992, 2001 and 2011).

FIGURE 2

The distribution of the income groups varies by country. While in Costa Rica and some countries of the Southern Cone almost half the population belongs to the middle classes, in some countries in Central America the middle classes account for less than 11 percent of the total population



Source: Prepared by the authors based on CEDLAS estimates using information obtained from SEDLAC (CEDLAS and the World Bank).  
 Note: The poverty rate circa 2013 was used to arrange the countries from highest to lowest. The years under analysis for each country are detailed on the chart.

Between 2003 and 2013, some 72 million people escaped poverty and around 94 million joined the middle class. Public policy shaped both the pace of income growth and its social, employment and gender impacts.

### Maintaining the achievements

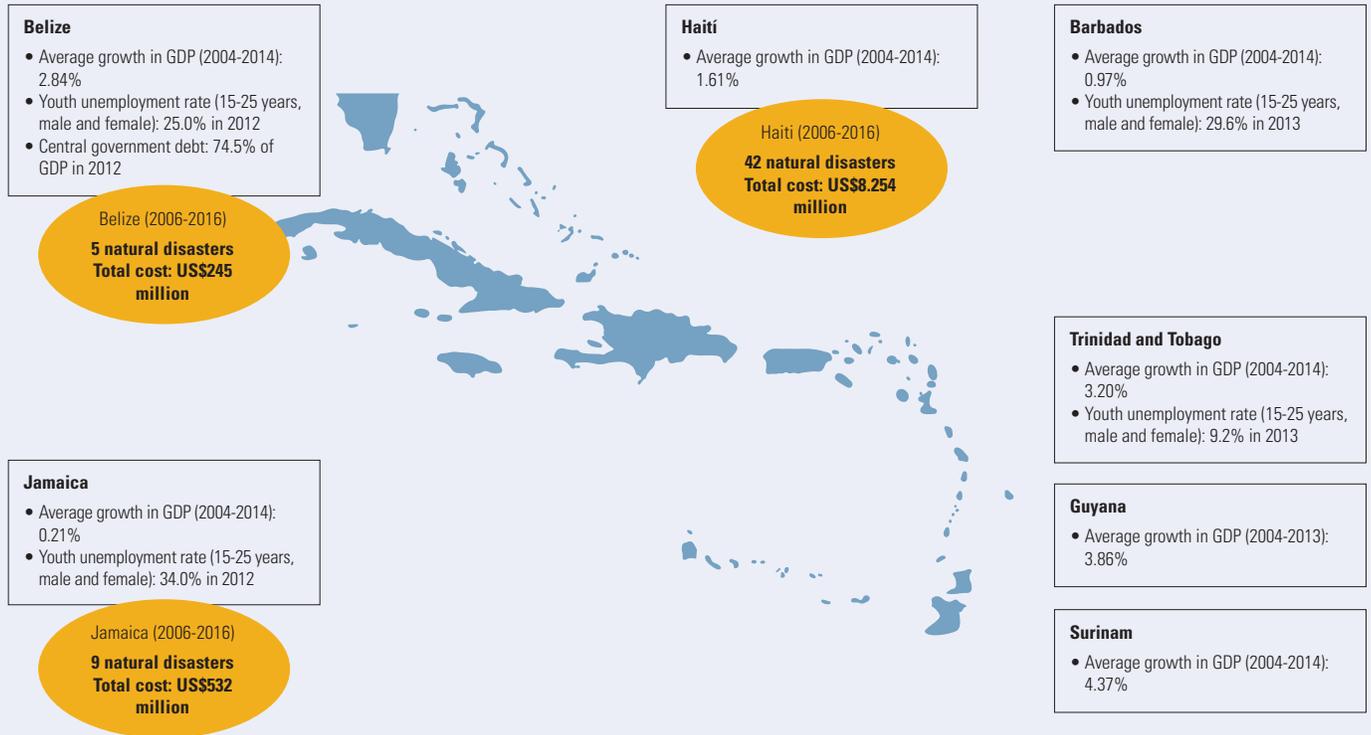
Dynamic shifts in income make it possible to observe the different processes involved in escaping or falling back into poverty. While millions of people escaped poverty through one route, a certain number of people also fell back into it through another route. Different employment and social processes are obscured by the net effect of these changes. For example, a reduction in poverty of 1 million people might be associated with an expanding economy during the boom (in which 1.5 million people escaped poverty while another 500,000 people fell into it) or it might be linked to an economy resisting the recession (in which 1.1 million people were lifted out

of poverty and another 100,000 people fell into it).

When examined overall, individual patterns of change in income over the period 2003 to 2013 suggest that between 49.6 and 65.4 percent of the region’s population experienced an improved economic situation that allowed them to move into a higher income group; for example from extreme poverty to moderate poverty or from moderate poverty into economic vulnerability. Just 0.5 to 3.6 percent of the population experienced a downward movement, for example from economic vulnerability to income poverty or from the middle class to vulnerability<sup>7</sup> (see box 1 and figure 3).

**Multidimensional progress in the Caribbean: the structural challenges**

GDP growth rate (in percentages), youth unemployment rate (in percentages), and number and cost of natural disasters (in millions of dollars) in the Caribbean, various years



Source: Prepared by the authors based on statistics from the United Nations (UNdata), the World Bank's World Development Indicators (WDI) and the EM-DAT database: the OFDA/CRED International Disaster Database (Guha-Sapir, Below and Hoyois, 2015).

Most Caribbean Community (CARICOM) economies face structural challenges to multidimensional progress, including high external debt burdens, greater vulnerability and exposure to natural disasters, and additional costs in Small Island Developing States (SIDS)<sup>9</sup> linked to energy and imports, in particular food imports. One example of this vulnerability to natural disasters can be found in the devastating consequences of the 2010 earthquake on Haiti, an event from which the country is still recovering and which, apart from claiming the lives of more than 200,000 victims, has had serious social and economic impacts. This is not the only natural disaster suffered by Haiti in recent years, as can be seen from the map given in this box: over the last decade, there have been 42 natural disasters in Haiti, with an estimated cost of some US\$8.254 billion.<sup>9</sup>

In recent decades, the majority of Caribbean countries have experienced significant improvements in terms of their human capital,

the expansion of education and health services, and the growth of per capita income. This has allowed a significant proportion of the population of these countries to move above the thresholds represented by the international and regional poverty lines of US\$1.25 and US\$4 per person per day, respectively.

The Caribbean Human Development Report, which complements this Report, provides an in-depth examination of the challenges faced by the countries of the Caribbean and the public policy actions required to achieve comprehensive, multidimensional progress that encompasses goals including but not limited to: reducing the debt burden; building re-silience to deal with adverse events; tackling the challenges faced by youth employment; reducing the risks posed by natural disasters; and accelerating the social inclusion of people in a situation of vulnerability.

Source: Prepared by the authors based on information consulted in UNDP (2016, forthcoming).

TABLE 1

**In the region, some 49 (conservative estimate) to 65 people (extreme estimate) per 100 inhabitants experienced an improvement in their economic situation that was significant enough to place them in a higher income group**

Matrix showing the transition of the population to different income groups (percentage) in Latin America, circa 2003 and 2013

		Circa 2013				Total
		Conservative estimate (lower end) (%)				
Circa 2003		Population living in extreme poverty	Population living in moderate poverty	Vulnerable population	Middle class	
	<b>Extreme poverty</b>	<b>10.6%</b>	9.7%	5.3%	0.0%	25.6%
	<b>Moderate poverty</b>	0.1%	<b>2.2%</b>	14.7%	0.4%	17.5%
	<b>Vulnerability</b>	0.0%	0.2%	<b>16.0%</b>	19.4%	35.6%
	<b>Middle class</b>	0.0%	0.0%	0.2%	<b>21.2%</b>	21.3%
	<b>Total</b>	10.7%	12.1%	36.1%	41.1%	<b>100.0%</b>
	Extreme estimate (upper end) (%)					
		Population living in extreme poverty	Population living in moderate poverty	Vulnerable population	Middle class	Total
	<b>Extreme poverty</b>	<b>0.4%</b>	1.9%	15.1%	8.2%	25.6%
	<b>Moderate poverty</b>	0.1%	<b>0.6%</b>	8.3%	8.4%	17.5%
<b>Vulnerability</b>	0.2%	0.6%	<b>11.4%</b>	23.5%	35.6%	
<b>Middle class</b>	0.0%	0.1%	2.6%	<b>18.6%</b>	21.3%	
<b>Total</b>	0.7%	3.3%	37.4%	58.6%	<b>100.0%</b>	

Source: Prepared by the authors based on CEDLAS estimates using information obtained from *SEDLAC* (CEDLAS and the World Bank).

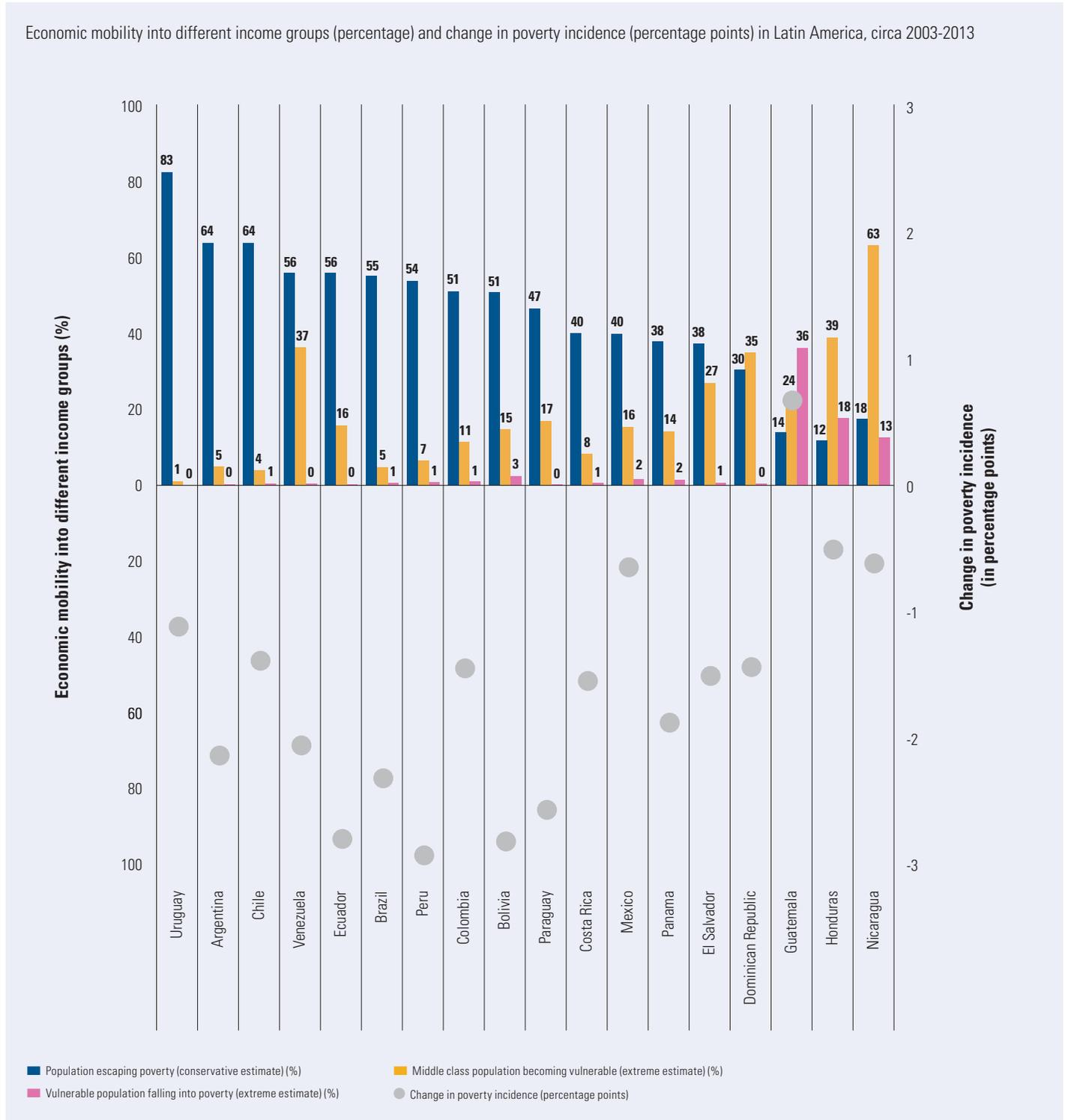
Note: The figures provided indicate the proportion of people that stayed in the same income group (in bold, on the diagonal) and the proportion of people that changed income group (outside the diagonal) in the years circa 2003 and 2013. They correspond to the following 18 countries for the periods indicated in parentheses: Argentina (2003 and 2013), Bolivia (2002 and 2013), Brazil (2003 and 2013), Chile (2003 and 2013), Colombia (2003 and 2013), Costa Rica (2003 and 2013), Dominican Republic (2003 and 2013), Ecuador (2003 and 2013), El Salvador (2002 and 2013), Guatemala (2000 and 2011), Honduras (2003 and 2013), Mexico (2002 and 2012), Nicaragua (2001 and 2009), Panama (2003 and 2013), Paraguay (2003 and 2013), Peru (2003 and 2013), Uruguay (2003 and 2013) and Venezuela (2003 and 2011).

The factors associated with people escaping poverty are **not the same** as those associated with people's resilience to adverse economic, personal and environmental events. The former tend to be related to educational attainment and the labour market. The latter tend to be related to the existence of social protection (in the form of social transfers

or non-contributory pensions) and access to physical and financial assets. At a time when growth in per capita income in various countries in the region is slowing down, this observation is crucial to formulating anti-crisis policies or policies designed to safeguard the achievements of the period 2003-2013.

FIGURE 3

Despite the achievements of the 2003-2013 period, a significant proportion of the population did not escape poverty, while another section moved down, descending from a vulnerable situation or from the middle class into another income group



Source: Prepared by the authors based on CEDLAS estimates using information obtained from SEDLAC (CEDLAS and the World Bank).

Note: The figures provided indicate the proportion of people that changed income group during the period circa 2003-2013. These figures were calculated using the synthetic panel technique. They correspond to the following 18 countries for the periods indicated in parentheses: Argentina (2003-2013), Bolivia (2002-2013), Brazil (2003-2013), Chile (2003-2013), Colombia (2003-2013), Costa Rica (2003-2013), Dominican Republic (2003-2013), Ecuador (2003-2013), El Salvador (2002-2013), Guatemala (2000-2011), Honduras (2003-2013), Mexico (2002-2012), Nicaragua (2001-2009), Panama (2003-2013), Paraguay (2003-2013), Peru (2003-2013), Uruguay (2003-2013) and Venezuela (2003-2011).

FIGURE 4

**Poverty reduction slowed following the 2009 crisis, and the cumulative increase of people living in income poverty is estimated at close to 2.8 million people in 2015-2016**



**Source:** Prepared by the authors based on the poverty and inequality data consulted in *SEDLAC* (CEDLAS and the World Bank) and the LAC Equity Lab of the World Bank; indicators for economic growth consulted in the World Economic Outlook Database of the International Monetary Fund (IMF), updated in October 2015; and indicators on population and social spending consulted in the ECLACSTAT database of the Economic Commission for Latin America and the Caribbean (ECLAC).

**Note:** The poverty rate is calculated on the basis of a threshold of US\$4 per person per day. The figures correspond to the aggregate of the following 17 countries: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, and Uruguay. The simulation corresponding to the years 2014, 2015 and 2016 is based on the coefficients obtained using a regression model of the average annual change in poverty levels, expressed in percentage points, explained by the annual average changes in GDP, the population, public social spending per capita and the Gini coefficient for the period 2000-2013. GDP forecasts for the simulated years are, respectively, 1.3, -0.3 and -0.3 percent, according to the IMF's World Economic Outlook, published in January 2016.

The factors associated with poverty reduction (education and labour market integration) are different from those associated with resilience to adverse economic, personal and environmental events (social protection and access to physical and financial assets).

## More-of-the-same does not deliver the same results

How will the new economic context impact on the poverty reduction trend? Not only is the pace of economic growth slowing down in a number of countries, but returns to social achievements also seem to be diminishing. Estimates show that the pace at which poverty was reduced slowed down following the crisis of 2009, and is thought to have reversed during the last year: while the annual average of people that escaped poverty during the period 2003 to 2008 reached almost 8 million people, this reduction stood at an

annual average of almost 5 million people during the period 2009 to 2014, while for the years 2015 and 2016 it is estimated that there will be a potential accumulated increase in the net number of people living in poverty (see figure 4).

Two factors seem to explain the above. The first is related to the limits to the expansion of the labour market in Latin America, which was responsible for a significant proportion of poverty reduction and income inequality reduction as of 2003. Work-related incomes underwent significant real growth during the period analysed, in particular in the case of the population living in poverty (see figure

FIGURE 5

Hourly wage growth was greater among the population living in poverty than among the rest of the income groups



Source: Prepared by the authors based on CEDLAS estimates using information obtained from SEDLAC (CEDLAS and the World Bank).

Note: The annual percentage changes equate to the average rates observed in the following 18 countries, with the periods indicated in parentheses: Argentina (2003-2014), Bolivia (2002-2013), Brazil (2003-2013), Chile (2000-2013), Colombia (2003-2013), Costa Rica (2002-2013), Dominican Republic (2003-2014), Ecuador (2003-2014), El Salvador (1998-2013), Guatemala (2000-2011), Honduras (2003-2013), Mexico (2000-2012), Nicaragua (2001-2009), Panama (2001-2013), Paraguay (2004-2013), Peru (2004-2014), Uruguay (2004-2014) and Venezuela (2001-2011).

5), and two out of every three new jobs created in the region corresponded to the service sector, which is characterized by low productivity and high rates of informality. Without future increases to productivity in sectors offering low-skilled jobs, the sustainability of growth — and, in consequence, of social achievements — would seem to be compromised. The second factor is that the expansion in public transfers, which explains another significant proportion of social achievements, also finds a fiscal limit in various countries in the region. Faced with the financial crisis of 2009, the region's countries mitigated the economic slowdown by implementing countercyclical spending policies. However, in recent years the fiscal space for reacting to the current deceleration has narrowed.

More-of-the-same, in terms of labour markets and social policy, will not necessarily achieve the same results regarding a reduction of poverty, exclusion and inequality in

the coming years. There are, of course, other public policy interventions in force at present — from changes in minimum wages to programmes offering vocational retraining or the payment of non-contributory pensions — but they require decisive intersectoral actions in order to tackle multidimensional problems. The region's countries face enormous vulnerability challenges. These challenges include the size of the population living in economic vulnerability: almost half of this population is lagging behind in aspects that are very sensitive to economic upheavals. Policy agendas, therefore, should not stop at achieving a certain threshold for per capita income, or adhere to a single definition of development. **This Report joins the growing chorus of voices calling attention to an unfinished agenda that seeks progress without detriment to the environment, social cohesion and democratic legitimacy itself.**

## The potential of multidimensional approaches

The first incursion into the debate on development *beyond income* started with the publication of the first Human Development Report of 1990 (UNDP, 1990). Since then, the demand for multidimensional measurements and development policies has gained in strength and importance at the global level, with the publication of the Stiglitz, Sen and Fitoussi (2010) report on economic and social progress and the definition of the current 2030 Agenda for Sustainable Development, which was adopted at the United Nations General Assembly in September 2015.<sup>10</sup> According to the human development approach inspired by the work of Amartya Sen, the interaction between the *functionings* (the “beings” and “doings” of a person, such as living a healthy lifestyle, participating in community activities or involvement in productive work) and the *capabilities* required for those purposes is the space where human progress takes place (Sen, 1992). The relationship between capabilities and functionings provides a vast space for freedoms that reflects the many possible ways of living available to each person in each context (Alkire, 2015). Some functionings form part of the existing multidimensional poverty indexes, while others comprise panels of multidimensional well-being indicators, and another set are common to both — such as improvements in access to, and the quality of, education and health.

In recent years, the measurement and conceptualization of poverty and well-being beyond income have been boosted in the countries of Latin America and the Caribbean.

The pioneering work of Alkire and Foster (2009), embodied in the Oxford Poverty & Human Development Initiative (OPHI) and published at the global level by UNDP in 2010, represented a decisive step forward in this conversation through the elaboration of the Multidimensional Poverty Index (MPI). The advances made in estimating multidimensional poverty led to the design of more ambitious goals and the adoption of dimensions previously not

considered that go beyond the traditional poverty thresholds. Various countries in the region have been innovative in this field, incorporating dimensions that go beyond income, are valued by their societies, and are measured in accordance with their level of development. These multidimensional focuses are changing the way that well-being is conceptualized in Latin America and the Caribbean.

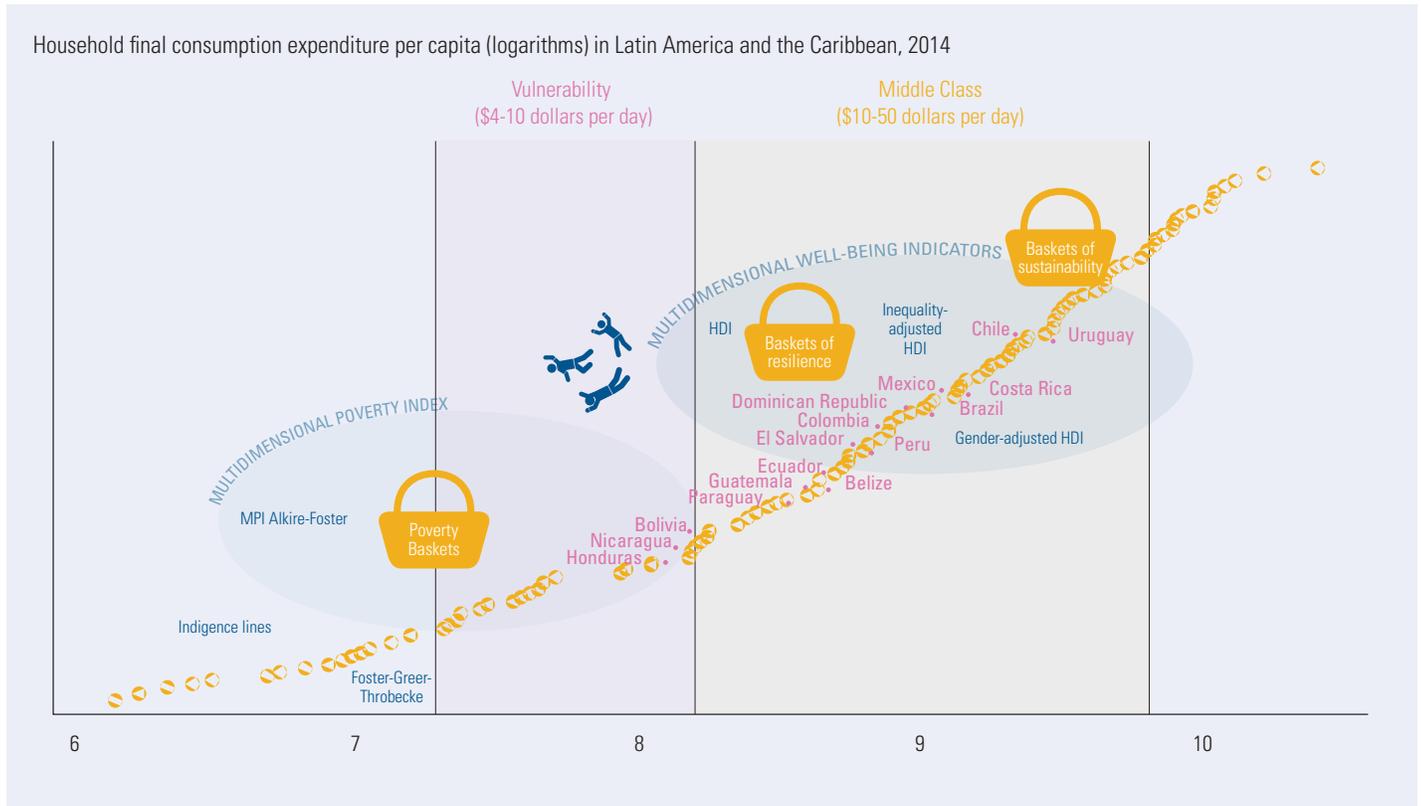
### Below the poverty line: the measures and actions designed to eradicate multidimensional poverty

The MPI allows acute poverty to be measured through the dimensions of education, health and standard of living, and provides an important point for comparison with income poverty lines. A household is multidimensionally poor if it has deprivations in at least 33% of weighted indicators used to measure these dimensions. The index has various advantages over other, similar measuring instruments. These advantages include the fact that it can be broken down both by dimension (into any of the 10 deprivation indicators) and by rate or intensity (to estimate the poverty level in relation to the number of deprivations) (Alkire, 2016).

Moving from measures based solely on income to others based on a range of social, employment and environmental indicators constitutes a huge leap forward not only in terms of the statistical value of these new measures, but also based on their value when defining public policy. Because these indexes can be broken down and aggregated, they make it possible to construct maps and intersectoral focuses that can be broken down by person, household, neighbourhood, municipality and region. This also makes it possible to steer the work of different sectors involved in the provision of services in the spheres of education, health, nutrition and housing, and basic services. This leap is accompanied by a tendency to expand the boundaries of what is measurable to incorporate dimensions traditionally absent from measures of poverty, including factors such as psychological well-being, humiliation,

FIGURE 6

The region requires decisive action in public policy, with a spectrum for action that extends beyond poverty thresholds



Source: Prepared by the authors based on data consulted in the World Bank's World Development Indicators (WDI).  
 Note: HDI = Human Development Index; MPI = Multidimensional Poverty Index.

empowerment, quality of work, and citizen security.

A natural evolution of the multidimensional approach involves analysing what happens at various levels of well-being, since not all obstacles exist below the thresholds of certain deprivations: many types of exclusion and discrimination based on ethnicity, race or gender can be found both above and below these thresholds. Thus, there is a need to develop new, regional measures that base their estimates of deprivations on the use of indicators concerning the labour market, social protection, and social and environmental vulnerabilities.

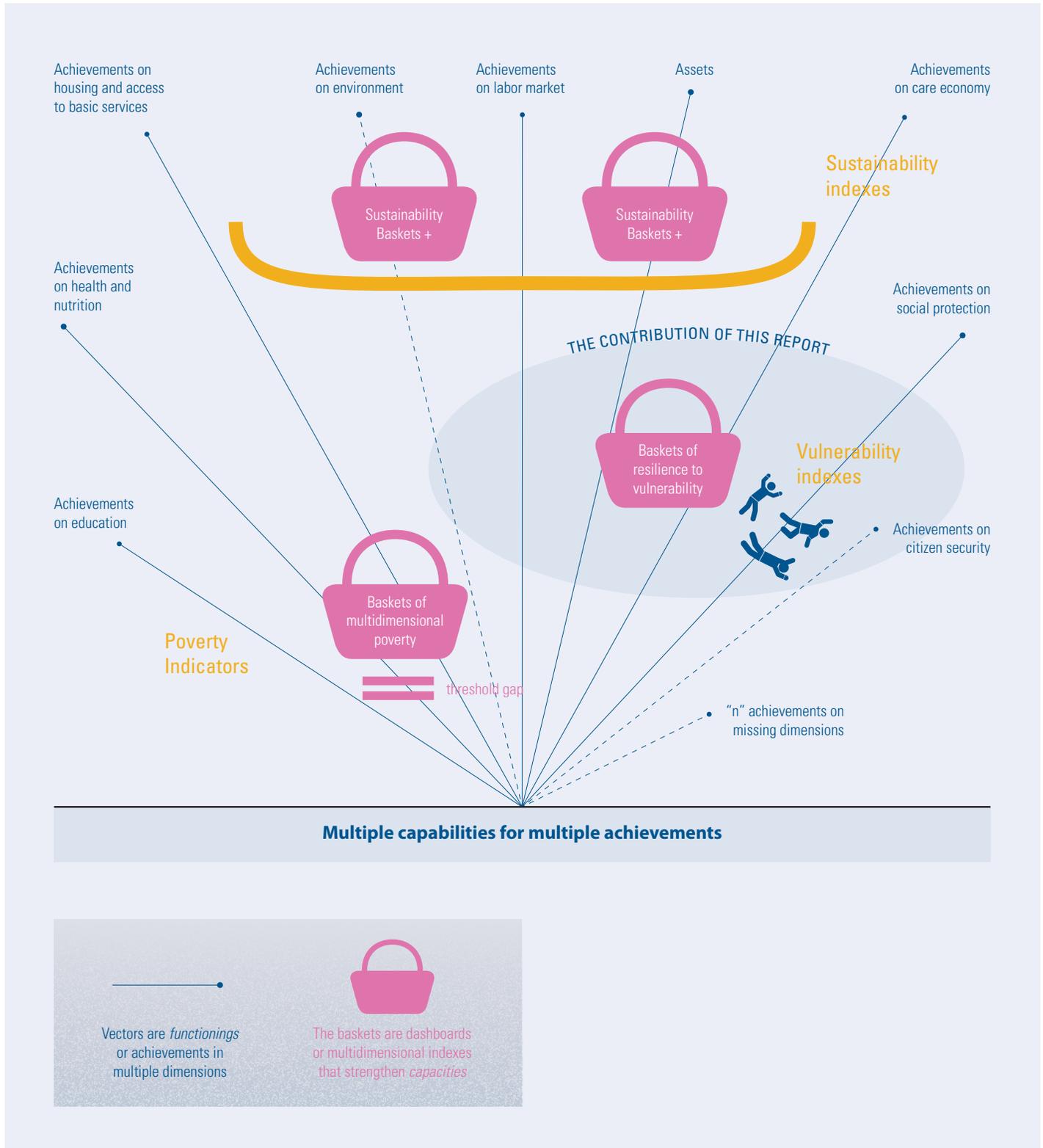
### Above the poverty line: the measures and actions designed to protect past achievements

Close to 95 percent of the regional population is situated above the international multidimensional poverty line.<sup>11</sup> Despite this, there are population groups that are exposed to vulnerabilities and forms of exclusion that limit their capacities and potential achievements in terms of well-being. The achievements of these population groups vary from one country to another, as well as within the same country.

How can we define dimensions encompassing achievements that go beyond poverty thresholds? Diagram 1 shows functioning vectors that are potentially unlimited for each person and each household and depend on idiosyncratic characteristics linked to

DIAGRAM 1

Multidimensional progress: poverty, vulnerability and sustainability indicators



Source: Prepared by the authors

the life cycle, cultural identity, interests, and preferences. Subsets of these vectors can also encompass unlimited capacities that make it possible to make achievements in each specific context. For example, in order to start a new artisan business, someone might need to have the initial skills of creative abilities, educational tools, work experience, access to physical and financial assets, and access to a potential market where they can sell or exchange their products. As the achievements increase, so do the capacities required.

Diagram 1 also shows three subsets of functionings that might be useful in the definition of public policy in middle-income countries. One of these subsets covers multidimensional poverty indicators, while the other two subsets describe baskets of indicators yet to be estimated in the region: one related to indicators of resilience to vulnerability, and another to sustainability indicators. Conceptually, these baskets of indicators constitute multidimensional subsets of achievements concerning social, economic and environmental factors, which are also correlated to the capacities required to realize these achievements.

A basket of indicators of resilience to vulnerability would, for example, consider aspects to reduce the risks related to falling into poverty. The economic and social transformation experienced in the region in recent years has resulted in some 224 million people in transit from income poverty to the middle class — the so-called population living in economic vulnerability. In this context, the definition and implementation of public policy interventions in areas that make it possible to minimize the risks of impoverishment are crucially important in guaranteeing the sustainability of the achievements made and boosting increased sustainable development in the region in the future.

While almost 72 million people escaped income poverty during the period 2003-2013, there is a potential group of people who risk falling back into poverty due to

decreased income and household assets, whether because of a loss of employment or employment insecurity, health risks, or the effects of natural disasters. Some estimates for the period 2000-2013 obtained based on the synthetic panel technique (Stampini et al., 2015), and longitudinal surveys for the period 1996-2009 in the case of Chile; the period 2002-2005 in the case of Mexico; and the period 2007-2010 in the case of Peru (Abud, Gray Molina and Ortiz-Juárez, 2015), show that 10 to 13 percent of the vulnerable population moved into a situation of income poverty. By extrapolating these proportions to the current total of people in a vulnerable situation, we can generate an approximate estimate of the number of inhabitants that face a high risk of falling into poverty: some 25 to 30 million people in coming years (see figure 7).

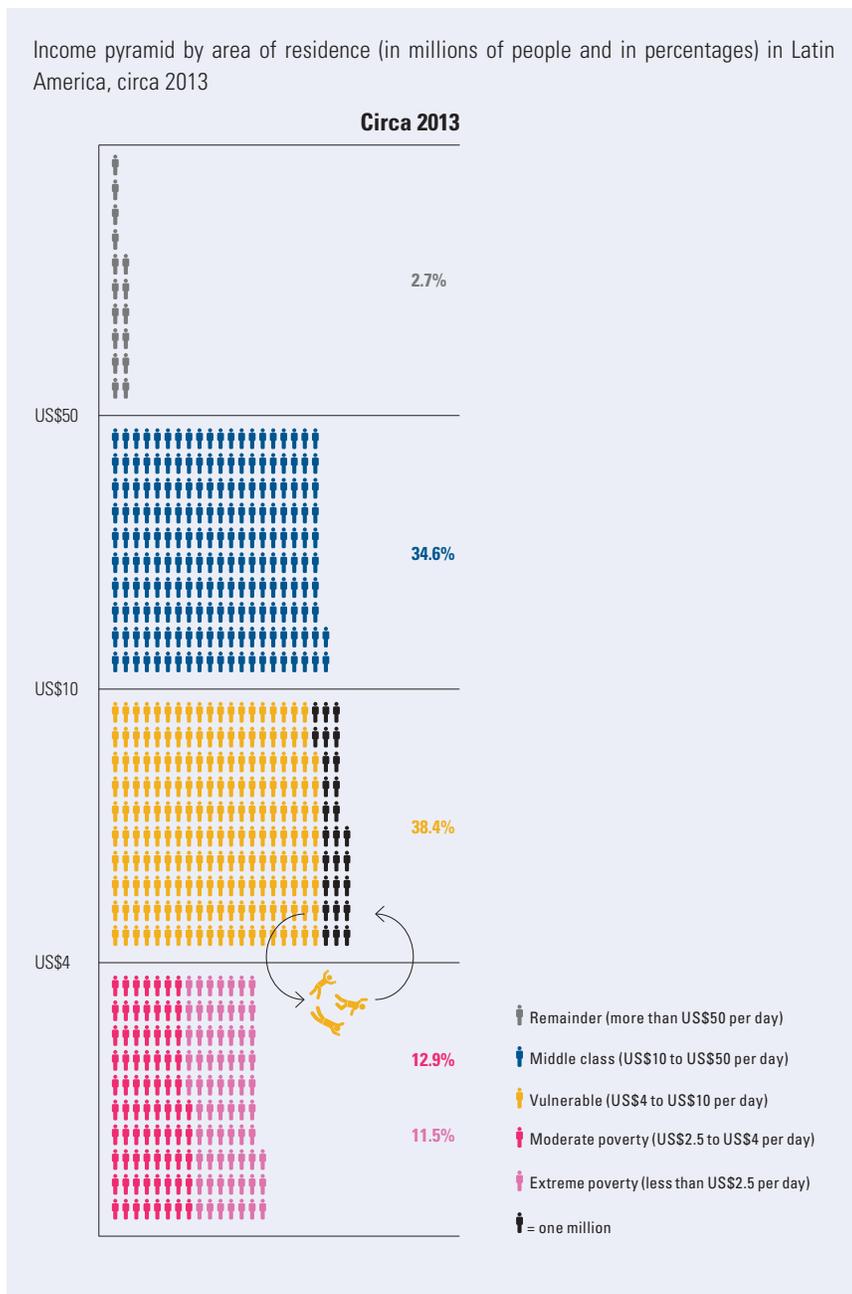
The empirical evidence presented in this Report enables some of these vectors for functionings to be defined within a basket of factors to build resilience to vulnerability. In general, four groups of common factors can be identified in the region's countries: those linked to the **labour market**, which can be addressed by improving the quality of employment; **social protection**, which can be expanded through universal access to a package of social benefits that are separate from the labour market; **access to physical or financial assets**, which can be promoted through the development of better mechanisms for financial inclusion and access to credit; and demographic aspects related to the presence of children and older persons in households, which can be addressed by developing **care systems** for children, older persons, and people with an illness or disability. These last aspects are generally related to the gender gap in terms of time use and labour participation. These vectors constitute a set of dimensions which, if taken into account in the design of public policy actions, could contribute to reducing the risks of falling into poverty.

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Some 25 to 30 million people in a vulnerable situation are at risk of falling into income poverty. Building resilience by means of universal social protection, the expansion of care systems, the promotion of greater access to physical and financial assets, and the development of increased employment skills are, therefore, of vital importance.

FIGURE 7

**The importance of building baskets of resilience factors specific to each country: between 25 and 30 million people are at risk of falling into income poverty**



Source: Prepared by the authors based on estimates of the proportion of the population corresponding to each income group produced by CEDLAS using information obtained from SEDLAC (CEDLAS and the World Bank) and data on each country's total population consulted in the World Bank's World Development Indicators (WDI).  
 Note: Monetary lines separating each group are expressed in US dollars (US\$) per person per day. Each person on the chart represents one million people. The absolute and relative figures correspond respectively to the total and weighted averages for the estimates for the following 18 countries, with the years indicated in parentheses: Argentina (2014), Bolivia (2013), Brazil (2013), Chile (2013), Colombia (2013), Costa Rica (2013), Dominican Republic (2014), Ecuador (2014), El Salvador (2013), Guatemala (2011), Honduras (2013), Mexico (2012), Nicaragua (2014), Panama (2013), Paraguay (2013), Peru (2014), Uruguay (2014) and Venezuela (2011). The people in black represent the size of the population at risk of falling into poverty. Estimates are based on the extrapolation of the proportions of people moving from vulnerability towards poverty calculated for Latin America by Stampini et al. (2015), based on synthetic panels, and by Abud, Gray Molina and Ortiz-Juárez (2015) for the cases of Chile, Mexico and Peru, based on longitudinal surveys.

**Policies to protect gains: preventing people from falling back into poverty**

The region of Latin America and the Caribbean requires a renewed focus on public policy to deal with current challenges, as well as to sustain, consolidate and continue with past achievements in terms of well-being. Among the main challenges are reduced productive inclusion, the regressive nature of many tax systems, the substandard quality of education, the segmentation of social protection systems, and the absence of care systems.

**Policies to promote productive inclusion**

Low productive inclusion in quality jobs constitutes one of the challenges still to be addressed in the region, and it is also an obstacle to achieving future transformations. The region is characterized by a high level of precarious, informal and low-productivity jobs. On the one hand, more than half of the 300 million people employed in the region work as salaried employees in micro-enterprises with fewer than five workers, as unqualified self-employed workers, or as unpaid workers. These conditions employ seven out of 10 working people who live in poverty, and five out of 10 working people who are in a vulnerable situation.<sup>12</sup> These figures underline a high level of informality in the region's enterprises: of the more than 50 million small and medium-sized enterprises in the region, some 37 million (70 percent) are informal.<sup>13</sup> On the other hand, the economic growth experienced in the region as of 2003 was mainly due to factors concerning capital and labour. Therefore, the contribution of these factors to total productivity was very low: just 4.5 percent of the growth experienced in the 2003-2008 period was due to increases in productivity, while during the years following the crisis of 2009, the contribution of productivity to growth was negative.<sup>14</sup>

Comprehensive policies that can act simultaneously on various fronts must be developed.

On the **demand** side, interventions are required to create incentives favourable to the creation of formal jobs. Regarding enterprises, there are at least two restrictions: i) the low level of access to credit and restrictions to financing, and ii) the high costs involved in hiring a worker formally in relation to productivity gains, in particular due to the non-wage-related costs involved in hiring formal labour in terms of health, pensions and training. As for the labour force, some institutional arrangements still constitute a disincentive to formal labour. Apart from the cost of social security contributions also paid for by the worker, there is the regressive nature of certain tax systems that can involve significant losses of per capita income, in particular among the labour force living in poverty and vulnerability (see figure 8).

On the **supply** side, active interventions are required in the labour market, along with investment in the training of human capital

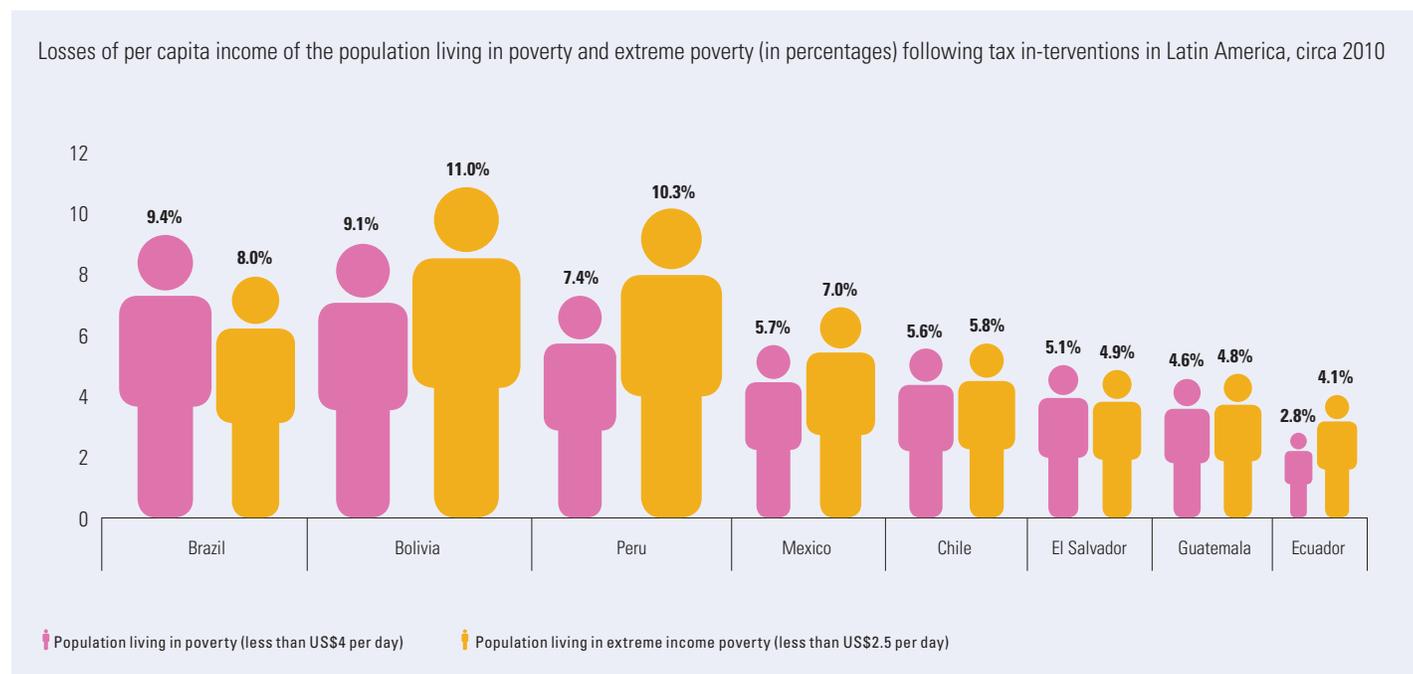
and mechanisms that enable inclusion and reincorporation in the labour market to be promoted. Finally, the development of **cross-cutting policies** — such as the minimum wage, which make it possible to improve the income of the most vulnerable populations without distorting efforts to increase formality, or unemployment insurance, which allows people who are unemployed to seek alternative jobs without risking impoverishment — should be evaluated in the context of each country.

### Towards universal social protection systems

In a region where two thirds of the population lives in income poverty and economic vulnerability, expanding social protection systems to guarantee universal coverage and combat the variety of risks that arise during the life cycle is a crucial step.

FIGURE 8

#### Some tax systems in the region may generate impoverishment



Source: Prepared by the authors based in information consulted in Lustig and Martínez-Aguilar (2016).

Note: The figures correspond to the eight countries listed below, with the years indicated in parenthesis: Bolivia (2009), Brazil (2009), Chile (2013), Ecuador (2011), El Salvador (2011), Guatemala (2010), Mexico (2012) and Peru (2011). According to Higgins and Lustig (2015), losses are calculated as the difference between pre-tax earnings and post-tax income in the case of those individuals in a situation of poverty before any tax intervention. These losses are estimated based on the difference between the poverty line and post-tax earnings for those individuals who fall into poverty following tax interventions. The above is true so long as post-tax income is lower than pre-tax income.

It is necessary to eliminate segmentation by employment type or income level and increase both the quality and coverage of the benefits offered. In this sense, there are at least four priority interventions, as follows: i) the protection of children, with the aim of helping to eliminate the intergenerational transmission of poverty and promote access to assets of social interest such as education and health; ii) protection during economically active age, with the aim of supporting income security through measures such as the establishment of unemployment benefits or benefits related to occupational risk or invalidity; iii) protection during old age; and iv) universal health coverage.

Another of the biggest challenges consists in making the transition towards the establishment of universal transfers, in order to avoid segmentation and horizontal equity problems caused by focalized programmes. Priority actions for the redesign of these programmes include: i) increase the quality of education and health care; ii) promote better interaction between programmes to generate income, in particular for mothers and young people; and iii) develop better information systems on the beneficiaries of social programmes.

### Better initial education and skills development for the life cycle

The achievement of increased and improved education is not just an aim in itself, as a universal right; rather, it also constitutes a crucial channel for achieving productive inclusion, increased productivity and economic growth. The advances in access to and the coverage of education experienced in the region in recent decades are still insufficient at middle and tertiary education levels. Additionally, the quality of education offered in the region is still very low, and there is a mismatch between what is learned by young people during the educational cycle and productive demands, meaning that education has not managed to contribute to increased productivity (Bassi et al., 2012; OECD, ECLAC and CAF, 2014).

Increasing educational attainment solely by

increasing the number of years of schooling will not be sufficient to break away from poverty traps, guarantee better integration in the labour market or promote economic mobility. Consequently, the quality and content of education programmes must be reformed and a component introduced to develop cognitive and social-emotional skills at an early age, the secondary school level coordinated with the labour market through training in productive competencies, and specialization schemes consolidated that match the demands of the market.

### Care systems as a public matter of collective interest

Current demographic trends and the absence of care mechanisms combined with an increase in female labour participation are causing a care deficit, which is being tackled with numerous strategies for women and families. This situation imposes short-term restrictions to achieving increased integration of women into the labour market and generating income in households, and also represents a barrier to the development of children in poverty traps. Taken together, the conflict between the requirement for women and families to have higher incomes, on the one hand, and time to provide care, on the other, causes tensions that violate the human rights of those who are affected in general terms and, more specifically, the rights of the most vulnerable.

The first challenge lies in recognizing that the care of children and older persons is a right: the right to care, and the right to receive care. Ensuring this right is fulfilled requires a reorganization of responsibilities and all jobs involved in care, which must cease to be a largely private, family and female issue to become a collective, public and universal one involving both men and women (ILO and UNDP, 2009). In the countries of the region for which data is available, women dedicate three times more time to unpaid work than men.<sup>15</sup> Moreover, despite the efforts made in the region, care services are still fragmented at present, which translates into access to different quality services depending on income

level. Therefore, some of the most important challenges include expanding the coverage of centres specializing in childcare and services assisting older persons with a high level of dependency, and training staff who are specialized and certified in the care of people with varying levels of dependency and a range of care requirements.

## **Policies that include: forms of hard exclusion beyond income**

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The development of policies in the spheres of the labour market, education, care services and social protection is essential to ensuring that the social progress attained in the region is not lost. Nevertheless, these policies are insufficient to guaranteeing the well-being of specific population groups that face particularly complex types of exclusion, which go beyond income and tend to be linked to factors including, but not limited to, relations of subordination based on ethnicity, race, skin colour, sexual orientation, gender-related practices and expectations, physical or mental disabilities, religion, nationality, and place of residence.

This Report explores the situation of three population groups that suffer these kinds of exclusion: **Afro-descendant and indigenous populations in the region**, who face discrimination and inequalities that infringe on their rights; **women who suffer violence at the hands of their intimate partner, perpetrated by men**; and **rural populations**, examining the exclusion suffered by rural women in general and those who live in extreme poverty in particular. The Report also analyses the challenges raised in public policy to eradicate these forms of discrimination and inequality, whose treatment requires a more complex and multidimensional approach, given that both material opportunities and mechanisms must be created, along with a questioning of socially accepted standards and values that validate certain hierarchies that should not necessarily exist. Such actions are necessary to ensuring that these populations can take advantage of these opportunities, in the hope of achieving equal rights and freedoms for people, which

can translate into a reduction of gaps in progress.

Addressing these challenges requires a range of actions, including the development of policies involving affirmative action and citizen empowerment, as well as the recognition and expansion of collective rights. In the design and implementation of such policies, another particular challenge arises in the form of finding the points at which these policies intersect. For example, in the case of violence against intimate partners perpetrated by men against women in rural indigenous communities, many women find their autonomy restricted, masculine domination has extremely deep roots, and community-based instruments of justice predominate. These instruments, while they are based on the accepted practices in these communities, in many cases tend towards conciliation or criminalization without considering it necessary to compensate for the damage done or to protect survivors.

## **A new framework for public policy**

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The development of the interventions described, which aim not only to avoid losing the achievements made but also to eradicate complex forms of exclusion, require a new architecture of public policy. The response to multidimensional problems involves designing and implementing solutions that go beyond sectoral and territorial spheres and build bridges throughout the life cycle. This constitutes a more ambitious step than the one already taken since 2010 in the region of Latin America and the Caribbean, when there was innovation in terms of social policy, institutional structures were built around strategic objectives, and more complex and effective information systems were created.

## **Transcending the sectoral and territorial focus, acting on the life cycle, and fostering citizen participation**

Four elements of this architecture that already exist in almost all countries of the region are as

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Multidimensional problems require multidimensional solutions. A new policy architecture must be developed that goes beyond a sectoral focus, articulates territorial strategies between different levels of Governments, constructs policies for different stages of the life cycle, and fosters greater citizen participation.

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Public policy faces the challenge of eradicating complex forms of exclusion associated with ethnic or racial identity; skin colour; sexual orientation; violence perpetrated by men against intimate partners and suffered by millions of women; physical or mental disabilities; and religion, using mechanisms that must include the questioning of socially accepted standards and values that validate certain hierarchies that should not exist.

follows: i) greater intersectoral coordination between the ministries responsible for the areas of education, health, social development, urban development, and housing and town planning; ii) greater territorial articulation to respond to the geographical diversity of each country; iii) emphasis on the consolidation of social protection policies addressing the various stages of the life cycle; and iv) greater citizen participation throughout the public policy process, from the identification of problems to the design of interventions, and the management, monitoring and evaluation of the results.

As all of these elements are part of the political system, this Report reflects on the public sphere and the role of new concepts in redefining public problems in the current context. The politics of policies is key to the implementation of the new reform agenda.

How can coalitions be built that favour universality in middle-income countries? Literature on the subject describes various short-term policy sequences culminating in unfinished processes to provide universal coverage. The innovations achieved in social policy — such as conditional cash transfers and new institutional structures for social policy — have prompted a transformation that presents an enormous challenge for the future: the emergence of population groups above the poverty line but below the secure economic level of the middle classes. This is taking place in this transition. The union between the short and the long term is critical to a future development agenda, and the channelling of social demands from states that build bridges to foster citizen participation is a central element of this union. This requires the development of a certain level of institutionality that is receptive to organizations, social movements, and other expressions of civil society. A second critical element, which is perhaps most important to Governments that have already made progress towards building a policy of universality, is the construction of the fiscal capacity to not only implement the reform process but also sustain it over time.

## A multidimensional focus of the 2030 Agenda for Sustainable Development

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The new public policy architecture will be put to the test with the implementation of the 2030 Agenda for Sustainable Development. This historic agreement, signed by 193 Member States in September 2015, provides a broad framework for social, economic and environmental development. The new Agenda is founded on three principles: i) universality, because the objectives and targets are relevant to all Governments and actors in line with the principle of shared responsibility — universality does not imply uniformity but differentiation; ii) integration, which involves the harmonization of social, economic and environmental dimensions of the Agenda, and comprehensiveness, in the form of an evaluation of the opportunity costs of achieving the different targets and maximizing synergies; and iii) the commitment to ensuring the inclusion of all people, beyond their income level, job status, or sexual, cultural or ethnic/racial identity. The emphasis on inequality is critical to the construction of a comprehensive agenda.

### The challenge of holistic development

Two tensions make it difficult to implement the 2030 Agenda: firstly, the act of privileging one objective over another and developing a partial agenda, within which the holistic nature of the objectives and targets is curtailed; and secondly, the task of designing sectoral policies for each objective or set of targets. Both will fragment the agenda into a series of bureaucratic challenges that will increase the scattering of efforts. One way of reducing these tensions is to fully integrate the Agenda into national development plans and budgets from a sustainable development perspective. The legacy of the United Nations Conference on Sustainable Development (Rio+20) held in Brazil in 2012 was that it generated a holistic dialogue between the economic, social and environmental dimensions.

## The challenge of sustainable development

The challenge of achieving development based on environmental sustainability, which was posed in the 2030 Agenda, is central — and not unfamiliar to — the region of Latin America and the Caribbean. The pressure exerted in recent years by the current model of economic growth on the Earth and its water resources has caused demand on ecological resources and the services they provide to reach an equivalent of more than 1.5 times the capacity of our planet at present. It is estimated that satisfying this demand will require the capacity of two planets by the year 2050 (Borucke et al., 2013).

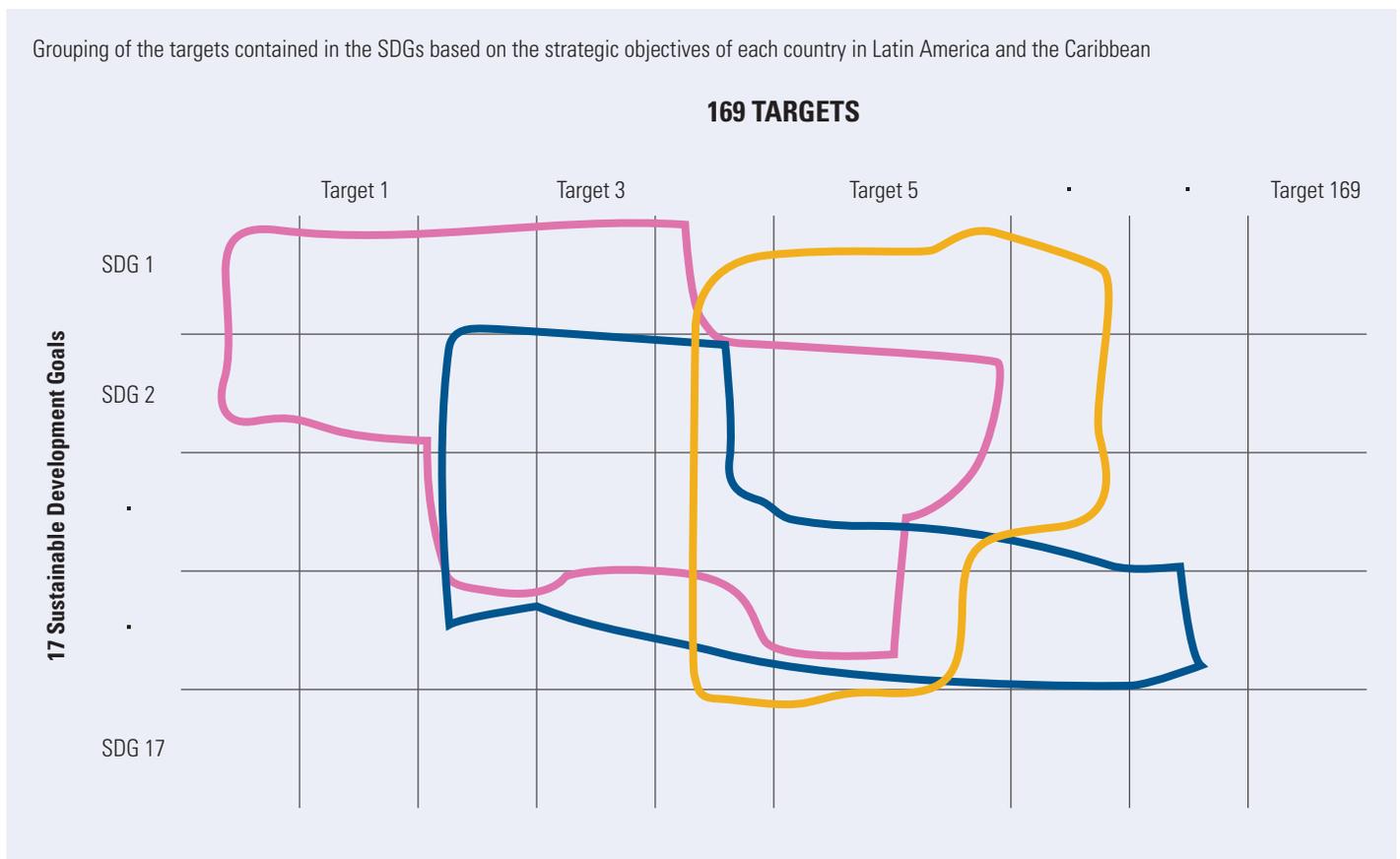
The priority objective of the 2030 Agenda is to issue proposals for the reform of the

current production system in order to reduce the amount of natural resources employed in production processes. This is based on improved efficiency and productivity of raw materials, the transformation of consumption patterns, and minimization of the environmental impact of processes, while simultaneously avoiding these changes from translating into negative consequences for potential economic and social progress. The region of Latin America and the Caribbean — and the world in general — is therefore facing a need and a challenge in transiting towards a development model that can reconcile economic, social and environmental dimensions in an effective, harmonized and sustainable way.

The 2030 Agenda for Sustainable Development is the first universal, holistic and multidimensional development agenda. It requires a leap in the capacity to accelerate the impacts of the actions implemented in the sphere of public policy.

### DIAGRAM 2

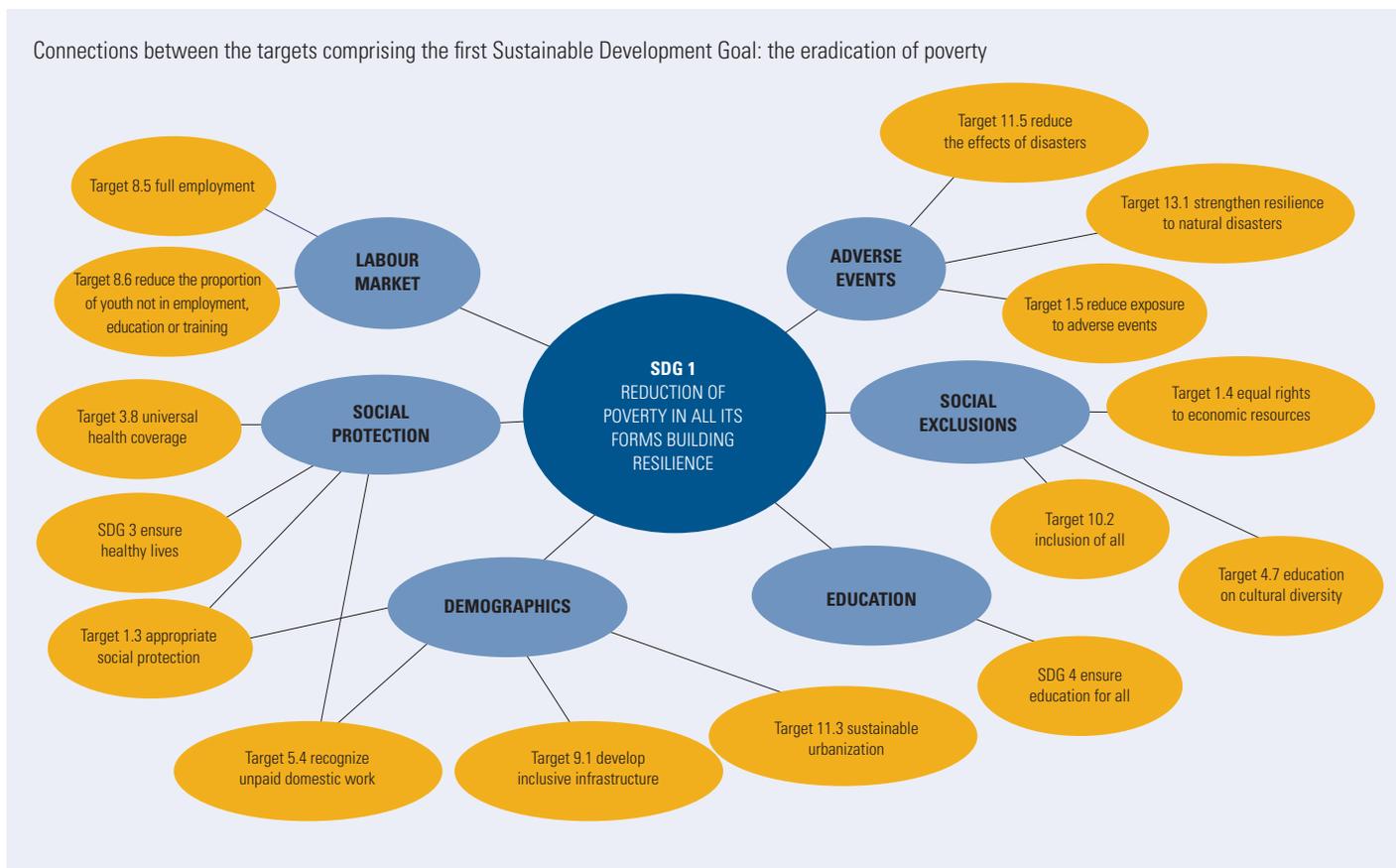
In this Report, the achievement of the objectives and targets contained in the 2030 Agenda for Sustainable Development is considered from a multidimensional perspective



Source: Prepared by the authors.

## DIAGRAM 3

The achievement of the goals and their targets requires interventions based on an integrated focus that enables the connections and synergies between these targets to be identified, in line with the specific priorities of each country



Source: Prepared by the authors based on the correlation of indicators carried out according to data taken from household surveys.

Note: The grouping of the Sustainable Development Goals (SDGs) is not restricted to the connections discussed here.

### Three steps for implementing the 2030 Agenda

This Report puts forward three steps to avoid the fragmentation of an agenda comprising 17 Sustainable Development Goals (SDGs) and 169 targets. Firstly, the work must be based on a multidimensional approach to the measures and patterns of change in indicators over time. To this end, in the Report we provide examples of measures and policies that focus on long-term structural transformations. Within the concept and confines of this Report, this is the starting point for work on localizing the agenda.

Secondly, a bridge must be built between multidimensional measures and

intersectoral policies in order to design sets of related targets based on the strategic objectives established by the authorities in each country and to avoid piling global agendas on top of national ones. If the central objective of a national development plan is to eradicate multidimensional poverty, this should be the basis for building connections between Goal 1 and the policies required to achieve it, such as the development of a quality labour market, the achievement of universal social protection and the expansion of care systems, the implementation of policies to promote financial inclusion, and the improved quality of health and education systems. On the other hand, if the strategic objective is to strengthen citizen security, then the work

of constructing sets of targets should be based on Goal 16 and designing policies to improve security in areas such as youth employment, systematic work on masculinity and violence, safe urban development, and social protection systems throughout the life cycle.

Thirdly, it is necessary to analyse the potential impact of intersectoral policies (as opposed to the impact on individual gaps) to accelerate the impact in middle-income countries. This step involves carrying out tax simulations and funding exercises for policy alternatives. Using existing instruments, it is possible to carry out a microsimulation of the impacts of closing intersectoral gaps and inter-territorial gaps for a set of targets, construct quantitative scenarios based on this information, both for the trajectory leading up to 2030 and for trajectories covering the intervening five-year periods, and estimate the fiscal impact of a package of measures for the 2030 Agenda, disaggregating the impact of these measures by programme or population group. Fiscal analysis is key to the allocation of resources and the implementation of an intersectoral, inter-territorial architecture rooted in the various stages of the life cycle.

### What do the people of Latin America and the Caribbean have to say? Strategies to move beyond income

The final part of the Report contains testimonies on people's "beings" and "doings" in which they interweave descriptions of their past and future prospects. The testimonies make it possible to capture subtle aspects that cannot be seen from the survey data: the sense of the capacity of agency and the capacity — or lack thereof — to take control of the means and ends of one's own life. The testimonies in the chapter are the results of a qualitative research agenda<sup>16</sup> that involved inviting and bringing together hundreds of residents in 22 countries throughout the region<sup>17</sup> to listen to what they had to say about the meanings and experiences of progress, in addition to how to build progress in their lives. The qualitative research was led, and

in the majority of cases implemented, by teams from 17 UNDP country offices in the region.

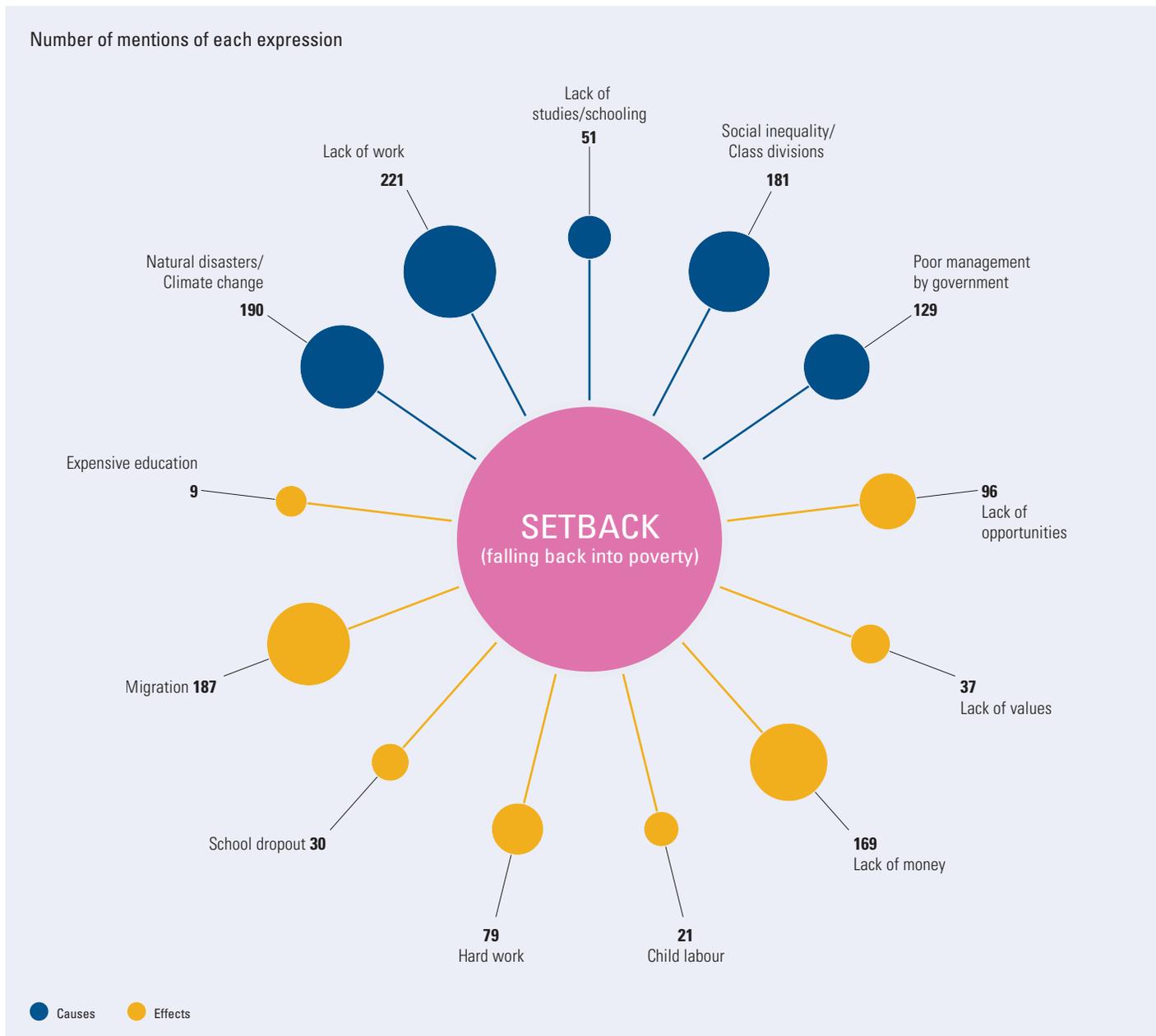
A common thread among participants in the focus groups and in-depth interviews was that the large majority of people associate progress with their "own effort", especially when it comes to improving their education and accessing the labour market. The most commonly mentioned source of mobility in the region relates to the combination of education and work. The value attributed to these two dimensions does not reduce the importance of the role played by the family, the community and government actions to create an environment that is propitious to the capacity for agency. The capacity to build one's own life is not limited to the capacity to survive in the present. The accrual of savings, emigration or the creation of an income generating source are all actions related to attempts to overcome the conditions of the present, build future opportunities and sketch out new horizons.

For the large majority of participants in the focus groups and in-depth interviews, the idea of progress is bound up with the following meanings: being free, making decisions, making mistakes, learning, not falling too far, getting up and trying again. Hence, the "beings" and "doings" of people in the region are plural, as are the capacities that allow them to continue to push the boundaries of what is imaginable. Even though they include income, these "beings" and "doings" go beyond it.

Participants in the focus groups also relate "falling back into poverty" with the loss of jobs, natural disasters and a lack of state support during crises. This imaginary is shared by middle-income and low-income strata of the population but is exacerbated by inequalities in the conditions and initial opportunities of households and communities. Falling back into poverty is also associated with the deterioration of employment conditions, an increase in child labour and higher school dropout rates. This vicious circle is perceived as depriving people of the ability to exercise their capacities.

DIAGRAM 4

Determinants of falling back into poverty in Latin America and the Caribbean



Source: Prepared by the authors based on the results of qualitative research commissioned for this Report.

Middle-income countries do not graduate in terms of development just because they have crossed a certain per capita income threshold. The challenges become more complex.

### Final reflections

The unfinished transformation in Latin America and the Caribbean is dual. On the one hand, economic growth cannot close the circuit of needs and aspirations in a region that has experienced historic changes in numerous dimensions. There is an **unfinished development transition**, and it is crucial that households and

communities that have exited poverty are able to build resilience. On the other hand, there is an **unfinished citizenship transition** in which millions of people are still excluded based on factors that do not only depend on income, or suffer gender-based violence or discrimination linked to their ethnic, racial or sexual identity. This transition cannot be completed by closing material gaps; rather, changes are needed in

the power relations and the socially accepted standards and values that validate hierarchies that should not exist.

The proposals put forward in this Report provide data and policies that aim to protect the achievements of the period 2003-2013 and eradicate complex forms of exclusion that go beyond income. What conclusions can be drawn from this incipient agenda for reflection?

### Middle-income countries do not graduate: challenges become more complex

Middle-income countries do not graduate from development just because they have crossed a certain per capita income threshold. Much of the low-hanging fruit of the social and economic transition has already been picked in the region. These were the results of an accelerated demographic transition characterized by falling fertility rates and almost universal increases in the coverage of primary education, as well as increased labour participation, all of which was accompanied by decreasing economic dependency rates. These structural processes created the conditions to allow economic growth and the expansion of public social spending in recent years to generate an accelerated reduction in poverty and inequality in multiple dimensions.

A slowdown in these achievements makes future challenges more complex. In effect, the goals involved in these unfinished transitions will be more difficult to fulfil. Achieving these goals will require difficult changes, given that it will be necessary to increase the quality of institutions and policies, as well as the tax burden and equality, to implement the required actions more effectively. Moreover, a change will be required in power relations to ensure the inclusion of all voices from society.

At a deeper level, the very notions of progress, well-being and development need to be redefined. Rather than being one-dimensional paths of progress, they entail changes in power relations and the shared imaginaries of the rights and aspirations of citizens. Public opinion does not perceive the convergences highlighted by economic studies or the construction of middle classes highlighted by social and

political studies. Instead, it is marked by the self-perception of “recent and fragile inclusion”, which differs depending on the starting point, stage of the life cycle and the educational and vocational qualifications people have obtained.

### A “basket of resilience” is needed to strengthen universal achievements

The first challenge is prospective. Perhaps the key issue to be tackled by the current generation will be protecting the achievements made so far, with one eye on ensuring their universality. The multidimensional approach facilitates the design of a sequence of actions leading to the construction of this universality by meeting certain income thresholds and asset levels, as well as by establishing care and social protection systems that can guarantee the full exercise of enshrined social and economic rights. These must be accompanied by policies to ensure protection against natural disasters, and sustainability policies that build on existing achievements. The holistic and universal nature of the 2030 Agenda for Sustainable Development is reflected in this future vision.

It is essential that the development agenda is not fragmented into sectoral objectives, and we must remember that the achievements made are not irreversible. Over the coming years, the following aspects must be addressed: i) strategies designed to return to growth, guided on the one hand by the aim of mitigating the impacts of the current slowdown through countercyclical policies (fiscal and monetary) and on the other hand by the goal of creating the foundations for sustainable growth through reforms to improve productivity; and ii) strategies to strengthen the transformations under way to consolidate current achievements and lay the foundations for more balanced social, economic and environmental development. This does not imply abandoning the task of growth, but rather understanding that the capacities, assets and resilience of households and communities must constitute the starting point for these strategies. This Report sets out a strategic way of deepening the structural transformations that are in progress, adopting a holistic and systemic approach to focus

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Experiences are multidimensional. No one narrates their life story in a fragmented, isolated way. The challenge is to adopt the same perspective in the sphere of public policy.

on vulnerable and excluded population strata. In the poverty baskets, sustainability and resilience to vulnerability are reflected in the construction of a series of development steps with a multidimensional focus.

### More and better data

The second challenge has to do with statistics and the development of evidenced-based public policy. The statistics set out in this Report, together with the public policies that respond to the multidimensional shortfalls and gaps, are rooted in evidence. Without the data gathered through censuses, household surveys, administrative records, land surveys and other innovative mechanisms, this new way of visualizing development problems would disappear completely.

The use of evidence for local, subnational and sectoral public policy planning is also of great importance. Significant progress has been made in the region in this area at the level of central government, as well as in some provinces and capital cities. Nevertheless, the use of evidence in the design and implementation of public policy continues to be a formidable challenge for rural areas and specific population groups subject to forms of vulnerability and exclusion and not covered by conventional metrics for national statistics or surveys and censuses.

### Increased and improved fiscal systems

The third challenge relates to taxes, transfers and subsidies. The achievements of the new policy architecture outlined above — which goes beyond a sectoral focus, articulating territorial strategies between different levels of Governments and constructing policies that address different stages of the life cycle, fostering greater citizen participation — require a new fiscal pact. This is an idea that has gained strength even at a time characterized by low levels of economic dynamism in Latin America

and the Caribbean. Gradual increases in the tax burden have been achieved in the region, although it remains insufficient to meet the challenges of an agenda for holistic progress in many countries. However, leaving aside the tax burden, there remains the challenge of building a system based more on direct taxes and less on indirect taxes, since the latter are regressive and most strongly felt by those with the lowest income. There is also the challenge of confronting the blind spot of tax policy in the region, in which indirect (regressive) taxes cancel out the impact of social transfers, which are progressive. This dynamic, which affects both small and large countries with high and low tax burdens, represents a systemic challenge to achieving fiscal equality in the region.

### People as the focus of development

The fourth challenge is a human one. The progress of the citizens of Latin America and the Caribbean is marked by a strong sense of the fragile nature of the achievements made to date. This reflects a permanent tension between autonomous life projects (privileging decisions about one's life project in itself) and more instrumental projects (privileging the search for increased material well-being and income). Citizen pacts to resolve some of the tensions that remain in the fiscal sphere by strengthening the institutional element of development have yet to be constructed.

Experiences are multidimensional. No one narrates their life story in a fragmented, isolated way. The challenge is to adopt the same perspective in the sphere of public policy. The Governments of Latin America and the Caribbean have spearheaded social innovation over the last 15 years. This capacity for innovation must be extended to all the dimensions of well-being that contribute to a full life. In the words of Sen (2009), “the focus [of human development] must be concerned not only with what people do, but also with their real capability to achieve what they want to achieve.”

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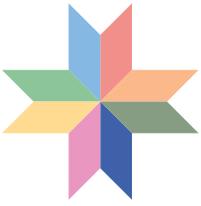
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# Introduction





# Introduction

Every Human Development Report published since 1990 has been concerned with well-being “beyond income”. This Report builds on that challenge in middle-income countries and small island developing states (SIDS). At a time when the Latin American and Caribbean region is faced with threats to its social and economic achievements, it is essential to safeguard the progress made and include those people who did not benefit from the changes of the period 2003-2013. The key challenge is to build **multidimensional progress** that can contribute to eradicating poverty in all its forms, tackling vulnerability and generating sustainability.

From 2003 to 2013, the income pyramid in Latin America and the Caribbean underwent a historic transformation in which 72 million people escaped poverty and 94 million joined the middle class. Significant progress in multiple dimensions beyond income lay behind this transformation. Such advances, which include the increased participation of women in the labour market and sustained expansion of access to basic services, education and health care services are not the product of a *laissez-faire* approach; rather, they are the result of the implementation of deliberate public policies and interventions. The same capacity for innovation will be needed in the future to address new problems.

Today, in a difficult economic context, the region is faced with a dual challenge: to boost inclusive economic growth and to build **multidimensional progress** that can contribute to eradicating poverty in all its forms, tackling vulnerability and generating sustainability. In this Report, multidimensional progress is defined as a space for human development regulated by normative limits: nothing that diminishes the rights of people and communities or jeopardizes the environmental sustainability of the planet can be regarded as progress. To achieve this progress, the definition of well-being must be expanded to include decent work, quality education, gender equality, social protection and care systems that are within reach of households, the development of safe communities, and care for the environment.

The pioneering work of Alkire and Foster (2009) on multidimensional poverty, disseminated at the international level since 2010 through the UNDP’s Human Development Report, paved the way for the development of a multidimensional approach in many countries of Latin America and the Caribbean. As income pyramids in

the region’s countries have evolved, new challenges have arisen in the spheres of analysis and public policy that transcend deprivation thresholds. This Report contains evidence indicating that the factors associated with people escaping poverty are **not the same** factors as those associated with resilience to adverse economic, personal and environmental events. The former tend to be related to educational attainment and the labour market, while the latter tend to be related to the existence of social protection (in the form of social transfers or non-contributory pensions) access to physical and financial assets and access to systems of care (for children and dependents). These dimensions provide additional information to existing multidimensional poverty measurement tools.

The first incursion into the debate on development beyond income was born with the publication of the first Human Development Report of 1990. Since then, the demand for multidimensional measurements and development policies has gained in strength and importance at the global level, with the publication of the report by Stiglitz, Sen and Fitoussi (2010) on economic and social progress and the definition of the current 2030 Agenda for Sustainable Development, which was adopted at the United Nations General Assembly in September 2015.<sup>1</sup> One of the pillars of the 2030 Agenda, which is based on the 17 Sustainable Development Goals (SDGs), is the elimination of poverty in all its forms.

In the Latin America and Caribbean region, the multidimensional approach has some practical implications: will more-of-the-same in terms of economic growth and public policy be enough to sustain social gains in the coming decade? Or will it be necessary to adopt concepts of progress and development based on a more holistic approach to social, economic and environmental changes? What

does well-being beyond income mean for middle-income countries and small island developing states (SIDS)? This Regional Human Development Report concentrates on the challenges of **multidimensional progress** in middle-income countries, focusing on the millions of people who have not benefited from economic growth between 2003 and 2013 and who suffer from vulnerability, exclusion and discrimination, both above and below the poverty line.

The Report contains data on income and non-income trends and reports on how people perceive progress, as well as helping to diagnose new public policy problems and provide analytical instruments, for integrated responses to multidimensional challenges. The market cannot resolve the most significant development problems on its own: strong public policies and institutions are required, particularly during periods of economic fragility or slowdown.

Moreover, since Latin America and the Caribbean is a very diverse region, this Report includes indicators specific to each country (see respective annexes to this Report). Official data from censuses and household surveys is used to describe the specific experiences and needs of each country. Each sub-region faces development challenges that are specific to it alone. Thus, the challenges faced by middle-income countries in the Caribbean, for example, relate to removing the burden of fiscal indebtedness, developing labour policies for young people and building resilience

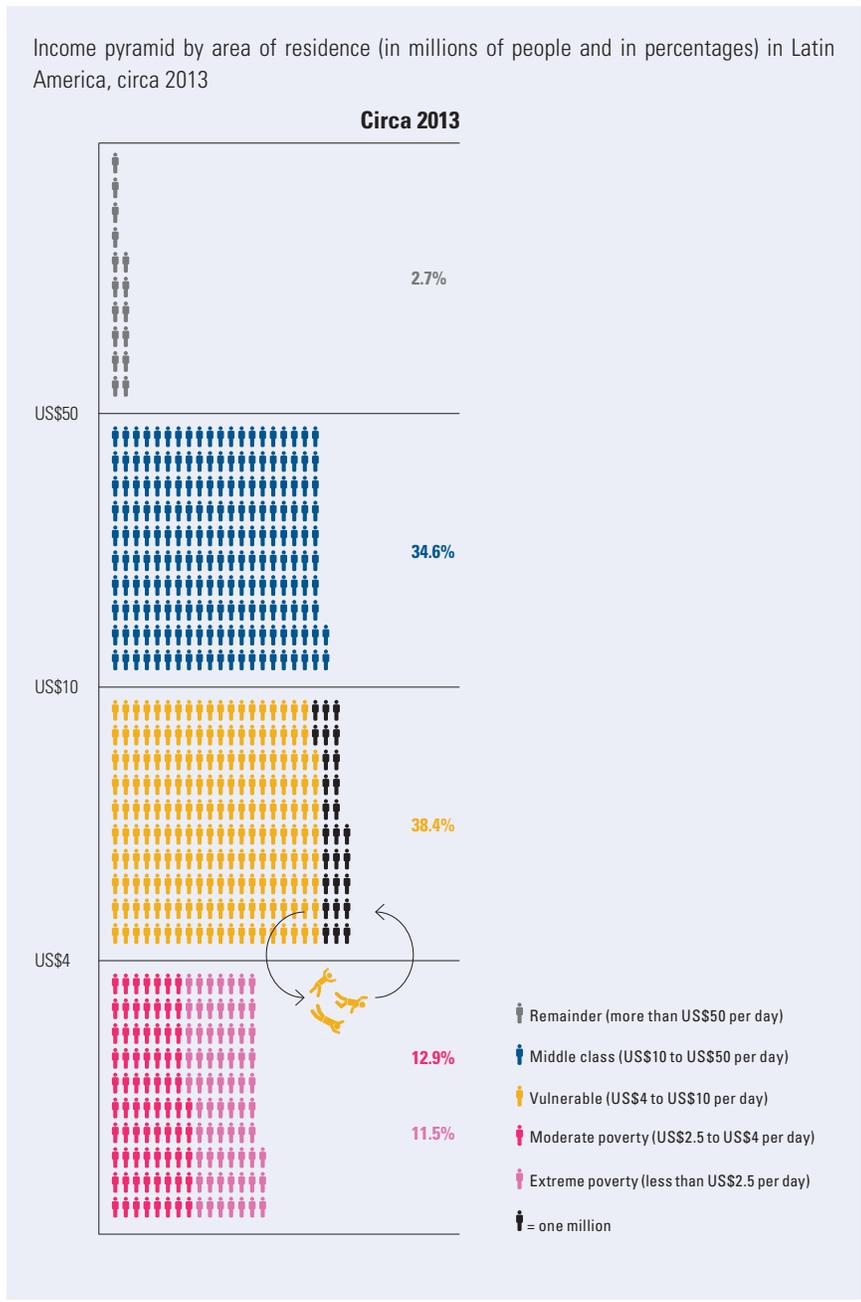
to natural disasters and climate change. The challenges that are present in large parts of Latin America, however, relate to the aggressive diversification of production and the transformation of labour markets in the areas of the economy of care and social protection, and changes to an unsustainable pattern of consumption and production.

### 1.1 More-of-the-same? Achievements at risk and persistent exclusions

While almost 72 million people escaped income poverty during the period 2003-2013, there is a potentially large group of people who risk falling back into poverty due to decreased income and household assets, whether due to loss of employment or employment insecurity, health risks, or the effects of natural disasters. Recent evidence shows that between 10 and 13 percent of the vulnerable population moved into a situation of income poverty between 2003 and 2013. By extrapolating these proportions to the current total number of people in a situation of vulnerability (224 million in 2013), it is possible to generate an approximate estimate of the number of inhabitants that face the greatest risk of falling into poverty: some 25 to 30 million people in coming years (see figure 1.1).

FIGURE 1.1

**The importance of building baskets of resilience factors specific to each country: between 25 and 30 million people are at risk of falling into income poverty**



Source: Prepared by the authors based on estimates of the proportion of the population corresponding to each income group produced by CEDLAS using information obtained from SEDLAC (CEDLAS and the World Bank) and data on each country's total population consulted in the World Bank's World Development Indicators (WDI).

Note: Monetary lines separating each group are expressed in US dollars (US\$) per person per day. Each person on the chart represents one million people. The absolute and relative figures correspond respectively to the total and weighted averages for the estimates for the following 18 countries, with the years indicated in parentheses: Argentina (2014), Bolivia (2013), Brazil (2013), Chile (2013), Colombia (2013), Costa Rica (2013), Dominican Republic (2014), Ecuador (2014), El Salvador (2013), Guatemala (2011), Honduras (2013), Mexico (2012), Nicaragua (2014), Panama (2013), Paraguay (2013), Peru (2014), Uruguay (2014) and Venezuela (2011). The people in black represent the size of the population at risk of falling into poverty. Estimates are based on the extrapolation of the proportions of people moving from vulnerability towards poverty calculated for Latin America by Stampini et al. (2015), based on synthetic panels, and by Abud, Gray Molina and Ortiz-Juárez (2015) for the cases of Chile, Mexico and Peru, based on longitudinal surveys.

Meanwhile, regardless of whether or not they live in a situation of income poverty, significant sectors of society face complex types of exclusion that tend to be linked to factors including (but not limited to) relations of subordination based on ethnic or racial identity, skin colour, sexual identity, gender-related practices and expectations, physical or mental disabilities, religion, nationality, and place of residence. In some cases, the main gaps people face are opportunity gaps both within and outside the labour market. In other cases, the main gaps faced are linked to rights and citizenship: these are gaps linked to people's ability to live a life free from violence in all of its forms, free from discrimination and from cultural, ethnic and racial discrimination. In the case of women who suffer violence at the hands of their intimate partner, violence perpetrated by men, and violence outside the home, closing these gaps requires guaranteeing access to justice, citizen security and sexual and reproductive health services. It also requires the promotion of the full exercising of rights to eradicate stigma and socially accepted standards and values that legitimize hierarchies against women that should not exist.

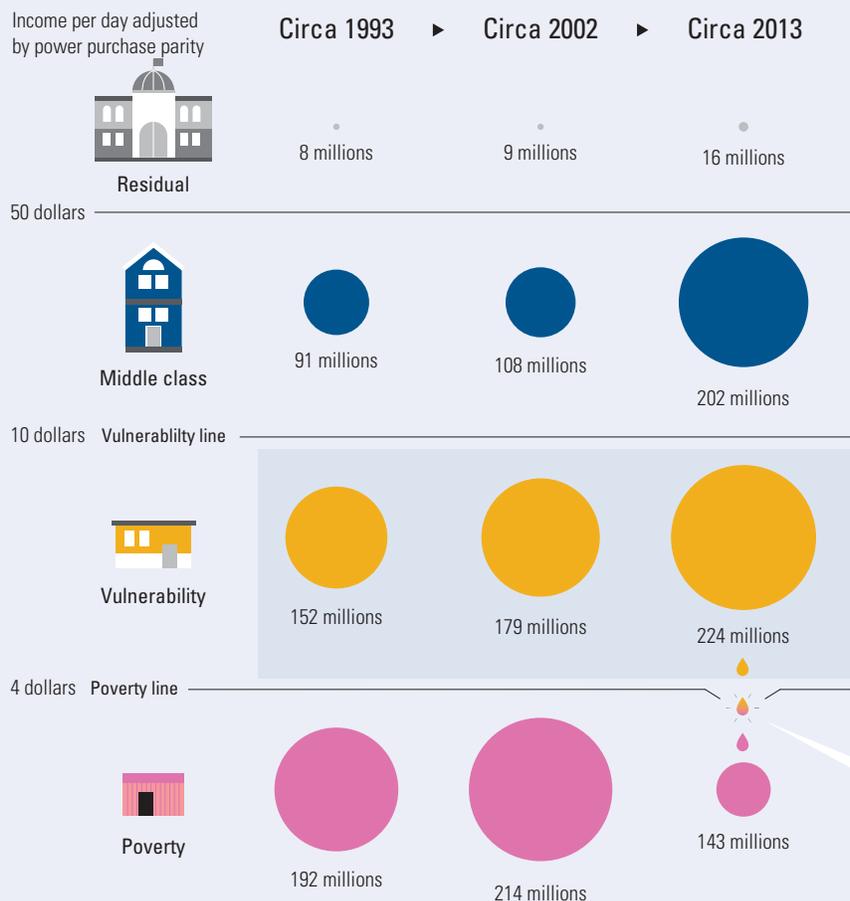
In recent years, innovations in social policy and institutionality were critical in facilitating a decisive reduction in poverty and inequality in Latin America and the Caribbean. A new cycle of innovations is now required that will take new challenges into account, including: designing policies that are fiscally and financially sustainable throughout the economic cycle; strengthening institutions at all levels of government — and not just in central government planning systems; constructing citizen co-responsibility to prevent, safeguard and save, in order to build resilience in households and communities; consolidating universal policies that link multiple dimensions of well-being throughout the life cycle, to combat vulnerabilities and generate sustainability in the long term. All of these challenges suggest that more-of-the-same will not be enough in the future (Ocampo, Gray Molina and Ortiz-Juárez, in process).

How will the new economic context impact on poverty and inequality reduction trends in the region? Not only is the pace of economic growth slowing down in a number of countries,

DIAGRAM 1.1

Number of People Risk Falling Back into poverty

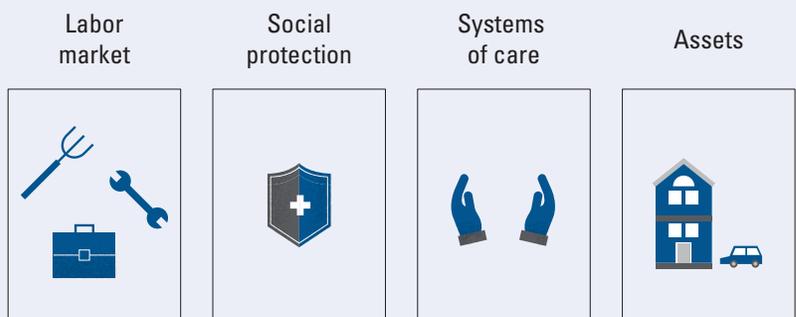
How population of the region by income per day has developed since 1993, millions of people



**Problem**  
 Around 72 million people went out of income poverty during the 2003-2013 period, however there is an important group of people at risk of falling back into poverty.

**25 TO 30 MILLION PEOPLE RISK FALLING INTO POVERTY OVER THE NEXT DECADE**

What can we do to protect them from falling into poverty?



**Potential solution: baskets of resilience**  
 Necessary to promote policies in labor market, social protection, care systems and access to financial and physical assets to protect them from falling back to poverty.

Source: Prepared by the author, based on estimates of proportion of the population corresponding to each income group produced by the Centre for Distributive, Labour and Social Studies (CEDLAS) using information obtained from the Socio-Economic Database for Latin America and the Caribbean — SEDLAC (CEDLAS and the World Bank) and the database of total population in the World Bank's World Development Indicators database.

Note: Monetary lines separating each group are expressed in dollars per day per person. The absolute and relative figures correspond to totals and weighted averages, respectively, for all of the 18 countries listed below, with the years indicated in parentheses: Argentina (1992, 2003 and 2014), Bolivia (1997, 2002 and 2013), Brazil (1993, 2003 and 2013), Chile (1992, 2000 and 2013), Colombia (1996, 2003 and 2013), Costa Rica (1992, 2002 and 2013), Dominican Republic (1996, 2003 and 2014), Ecuador (1994, 2003 and 2014), El Salvador (1991, 1998 and 2013), Guatemala (2000 and 2011), Honduras (1992, 2003 and 2013), Mexico (1992, 2000 and 2012), Nicaragua (1993, 2001 and 2014), Panama (1991, 2001 and 2013), Paraguay (1995, 2004 and 2013), Peru (1997, 2004 and 2014), Uruguay (1992, 2004 and 2014) and Venezuela (Bolivarian Republic of) (1992, 2001 and 2011)

FIGURE 1.2

**Poverty reduction slowed following the 2009 crisis, and the cumulative increase of people living in income poverty is estimated at close to 2.8 million people in 2015-2016**



**Source:** Prepared by the authors based on the poverty and inequality data consulted in *SEDLAC* (CEDLAS and the World Bank) and the LAC Equity Lab of the World Bank; indicators for economic growth consulted in the World Economic Outlook Database of the International Monetary Fund (IMF), updated in October 2015; and indicators on population and social spending consulted in the ECLACSTAT database of the Economic Commission for Latin America and the Caribbean (ECLAC).

**Note:** The poverty rate is calculated on the basis of a threshold of US\$4 per person per day. The figures correspond to the aggregate of the following 17 countries: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, and Uruguay. The simulation corresponding to the years 2014, 2015 and 2016 is based on the coefficients obtained using a regression model of the average annual change in poverty levels, expressed in percentage points, explained by the annual average changes in GDP, the population, public social spending per capita and the Gini coefficient for the period 2000-2013. GDP forecasts for the simulated years are, respectively, 1.3, -0.3 and -0.3 percent, according to the IMF's World Economic Outlook, published in January 2016.

but the returns in social achievement also seem to be plateauing. Estimates show that the pace at which poverty was reduced slowed down following the crisis of 2009, and has reversed since 2014; while the annual average of people that escaped poverty reached almost 8 million people during the period 2003 to 2008, this average stood at under 5 million people during the period 2009 to 2014, while for the years 2015 and 2016 it is estimated that there will be a potential net increase of around 2.8 million people (see figure 1.2). The net figure involves both people exiting and sliding back into poverty in the same years.

Two factors are driving this slowdown in poverty reduction. The first is related to limits to future labour market expansion in the region, which has been responsible for a significant proportion of poverty reduction and income inequality reduction since 2003. Work-related income underwent significant real growth during the period analysed, in particular for the population in a situation of poverty, and two out of every three new jobs created in the region corresponded to the service sector, which is characterized by low productivity and high rates of informality. Without future increases to productivity in sectors offering low-skilled

jobs, the sustainability of growth — and, in consequence, of social achievements — will be compromised. The second factor is that the expansion in public transfers, which explains another significant proportion of social achievements, also hits a fiscal wall in various countries in the region. Faced with the financial crisis of 2009, the region's countries mitigated the economic slowdown by implementing countercyclical spending policies. However, in recent years the fiscal space for reacting to the current deceleration has narrowed.

## 1.2 Well-being beyond income

The concept of multidimensional progress follows the human development approach, which understands development as a process of expanding people's capacity for multiple “beings” and “doings”. This approach, conceptualized by Amartya Sen and Mahbub Ul Haq, was put into practice for the first time with the calculation of the Human Development Index (HDI) published in the first Human Development Report (UNDP, 1990). The HDI put forward a solid alternative that went beyond per capita income as the only way of measuring well-being.

Various indexes have since been incorporated into this approach, enabling the following to be measured: i) inequality in the distribution of income and access to educational attainment and health, measured by the inequality-adjusted HDI; ii) gender gaps that structure human relations at all strata of society, measured using the Gender Development Index and the Gender Inequality Index; and iii) the levels of deprivations suffered at various income levels, measured using the Multidimensional Poverty Index (MPI), which replaced the Human Poverty Index in 2010.

The MPI, developed by Alkire and Foster (2009), marked a decisive advance in the multidimensional approach because it enabled the acute deprivations people faced in three dimensions (living standards, education and health, measured using 10 indicators) to be identified. When calculating the global MPI published by the UNDP, a household was established as being multidimensionally poor

if it had deprivations in at least 33% or more of weighted indicators used to measure these dimensions. The index provides a significant point of comparison with the results of measures carried out based on income poverty lines, and offers various advantages over other measurements: it can be broken down into any of the 10 deprivation indicators or by different population groups, and it provides information not only on the number of people suffering deprivations but also on the number of deprivations suffered (Alkire, 2016).

During recent years, various countries in Latin America and the Caribbean have created multidimensional poverty indexes that reflect a variety of normative preferences. This Report highlights the need to create new measurements that reflect challenges beyond income linked to the development of the region's countries. In particular, a “multidimensional basket of resilience” must be defined: this set of factors to combat vulnerability goes beyond poverty thresholds. It reflects the capacities required to sustain well-being if adverse economic, employment or environmental events arise. Factors that should be included when defining this basket of resilience include the promotion of active employment policy and care systems, investment in quality education, extended and improved access to credit and finance, and active policies to protect the environment.

Some of these capacities have already been put in place in public policy agendas across the region, while others are just beginning to emerge and a further set has yet to be taken into consideration. It is vitally important that these capacities are included when defining national priorities, in order to protect the social achievements of recent years and address historical patterns of discrimination, promote empowerment and guarantee the free exercise of individual and collective rights. This requires decisive efforts to identify capacities that require measuring, and to include these on agendas for discussion.

This Report is a call to strengthen the range of indicators based on the specific characteristics of each country. It proposes the development of a new agenda for

multidimensional progress based on *proximate interventions* that impact directly on service provision or aim to redress multidimensional deprivations; and *structural interventions* whose implementation has an accumulative effect on the behaviour, power relations and quality of institutions (see diagram 1.2).

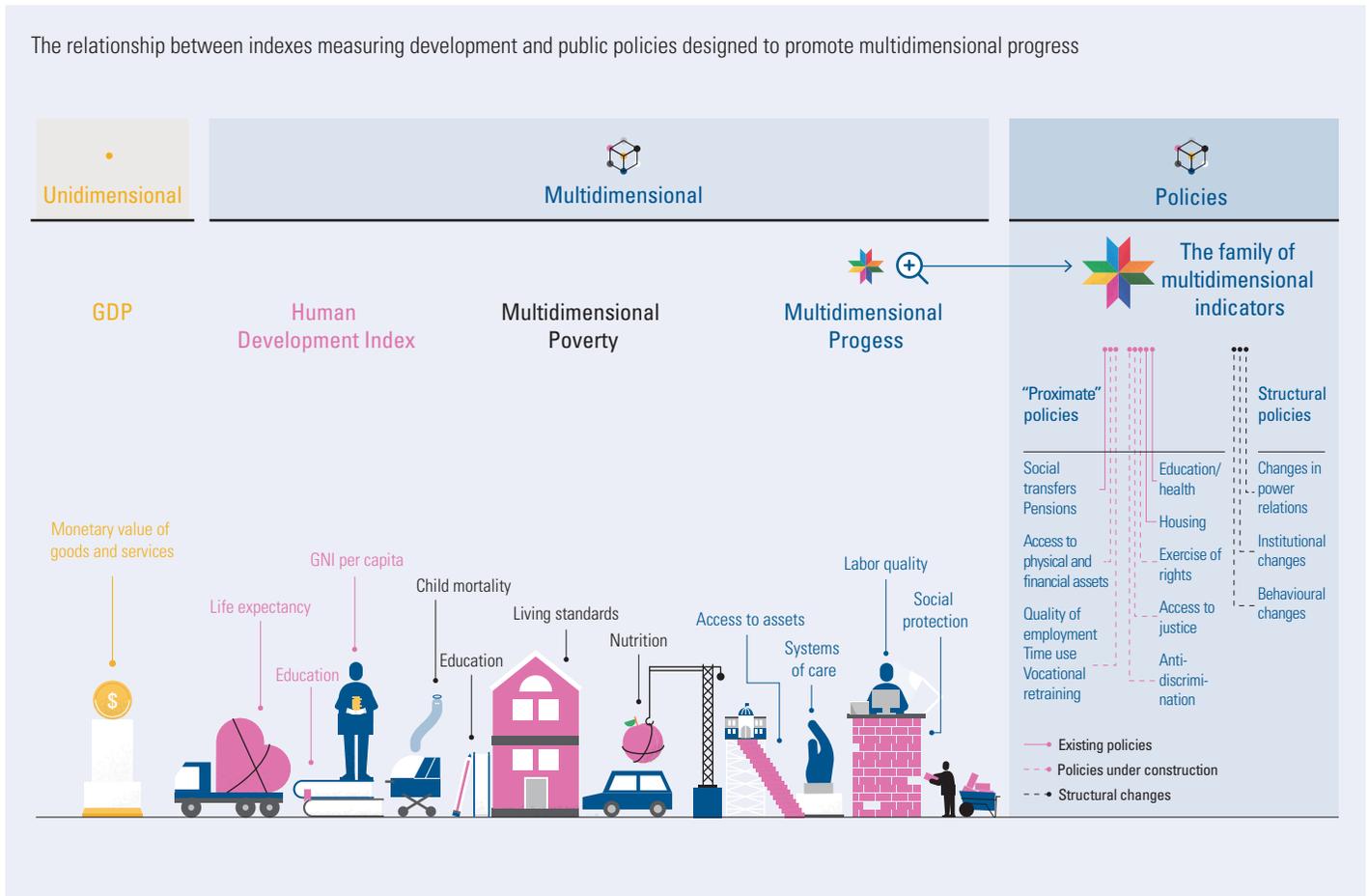
While it is important to distinguish between poverty indicators (which set specific deprivation thresholds), well-being indicators (which can measure attainment levels compared to desired maximums, for example), inequality indicators (which describe the magnitude of income concentration or another variable in relation to a population group), or resilience indicators (which highlight areas that should be considered for

interventions in order to sustain well-being), it is not necessary to choose certain indicators over others (Alkire, 2015). Instead, all of them consider specific aspects and problems that are complementary to development; no concept of progress and development should be limited.<sup>2</sup>

Over the past 25 years, new additions to the set of human development indicators have made it possible to reorient the development agenda, moving from the idea of economic growth as an aim in itself to the concept of human development by and for human beings. This concept, which forms the foundations of this Report, is framed by existing agreements within the United Nations system; namely, the Universal Declaration of Human Rights of the United Nations

DIAGRAM 1.2

The set of multidimensional development indicators: from measurement to practice



Source: Prepared by the authors.

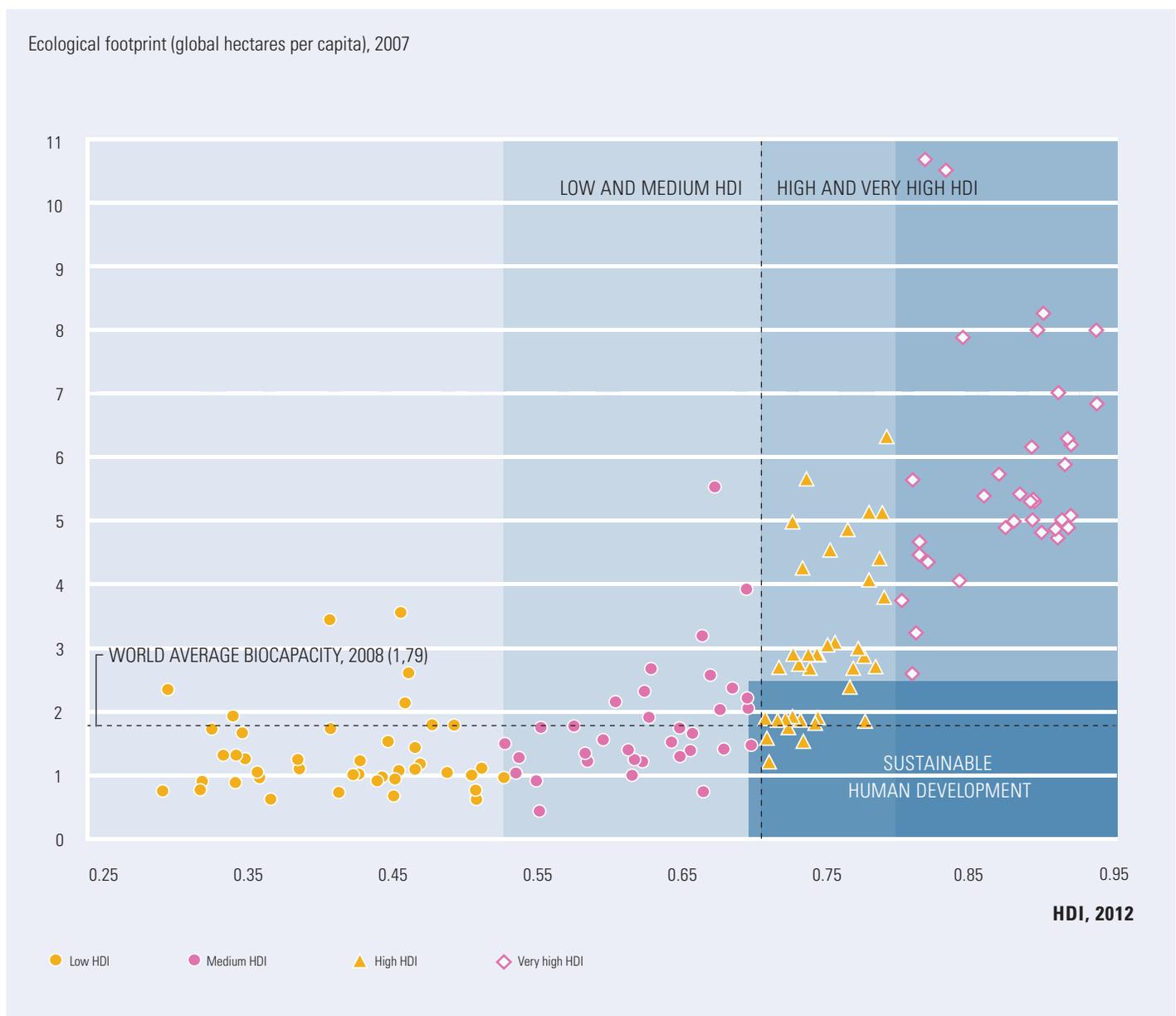
(1948), the International Convention on the Elimination of All Forms of Racial Discrimination (1965), the Declaration on the Rights of Indigenous Peoples (2007), the Beijing Declaration and Platform for Action (1995), the 2030 Agenda for Sustainable Development (2015), and the Paris Climate Change Conference (2015).

### 1.3 Multidimensional focus of the 2030 Agenda for sustainable development

The multidimensional approach set out in this Report is inspired in the 2030 Agenda for Sustainable Development, which proposes holistic and universal goals that respond to the legacy of Rio+20 (the United Nations Conference

FIGURE 1.3

#### The relationship between human development and the environmental footprint: the missing link



Source: UNDP (2013, p.35, figure 1.7).

on Sustainable Development) and expresses the links between economic, social and environmental dimensions. The implementation of this agenda will require additional coordinating activities and synergies between the global, regional and national levels. Multidimensional progress recognizes the existence of a fragile relationship between human development and environmental protection (see figure 1.3) The current model of economic growth, which in many regions of the world — including Latin America and the Caribbean — is based mostly on the extraction of natural resources, leads to pressure on the environment and the degradation of natural resources. In turn, this environmental degradation has irreparable economic and social repercussions, particularly for people who are in a situation of income poverty, given that almost 70 percent of those living on less than US\$1.25 per day in the world depend on natural resources for their livelihood (UNDP and UNEP, 2015).

The so-called “missing link” in sustainable development shown in figure 1.3, which refers to increased human development without an increased ecological footprint, remains unresolved in Latin America and the Caribbean. Thus, in line with the specific characteristics of each country, efforts targeted at implementing the 2030 Agenda must focus directly on this challenge: the achievement of sustainable human development and the acceleration and intensification of the structural transformations currently under way. This Report sets out a series of strategies to advance the implementation of the Agenda based on the combination of data and methodologies, with a view to defining goals that are consistent with the strategic objectives of the range of governments in the region. It is hoped that this modest contribution will prove useful to those making decisions on public policy at the various levels of governments, as well as to those involved in economic, social and environmental sectors.

## 1.4 The remainder of the Report

The next two chapters of the Report offer an overview of the **transformations taking place in the region concerning income and**

**dimensions that go beyond income.** These chapters also highlight the most important trends in social and economic advancement and the challenges yet to be addressed (chapters 2 and 3). This analysis paves the way for a proposal to coordinate multidimensional indicators and integrated public policies. Attention must be paid firstly to **the policies required to avoid losing the achievements made**, with a special emphasis on addressing the situation of economic vulnerability experienced by more than 220 million people in the region (chapter 4). These include policies linked to the evolution of the labour market, capacity-building and the promotion of productive inclusion; universalization of social protection and care systems; and the promotion of access to physical and financial assets. Subsequently, attention will be turned to the **policies required to combat the complex types of exclusion** that go beyond income, including discrimination against indigenous people and Afro-descendant populations; violence against intimate partners perpetrated by men and suffered by millions of women; and other forms of exclusion related to skin colour, residence in rural areas, or sexual identity (chapter 5). The following is a **proposed architecture for public policy** that emphasizes horizontal articulation (between sectors), vertical articulation (between territorial levels), articulation throughout the life cycle, and citizen participation (chapter 6).

The final part of the Report considers the **implications of this architecture on the implementation of the 2030 Agenda for Sustainable Development** in the region. This section shares lessons learned on the application of intersectoral policies and describes a set of potential strategies to achieve the SDGs based on the analysis of national indicators and the specific concerns of public policy in each country (chapter 7). The Report ends with the **aspirations for progress expressed by citizens**, which include the development of individual and collective capacities to construct their own life projects (chapter 8).

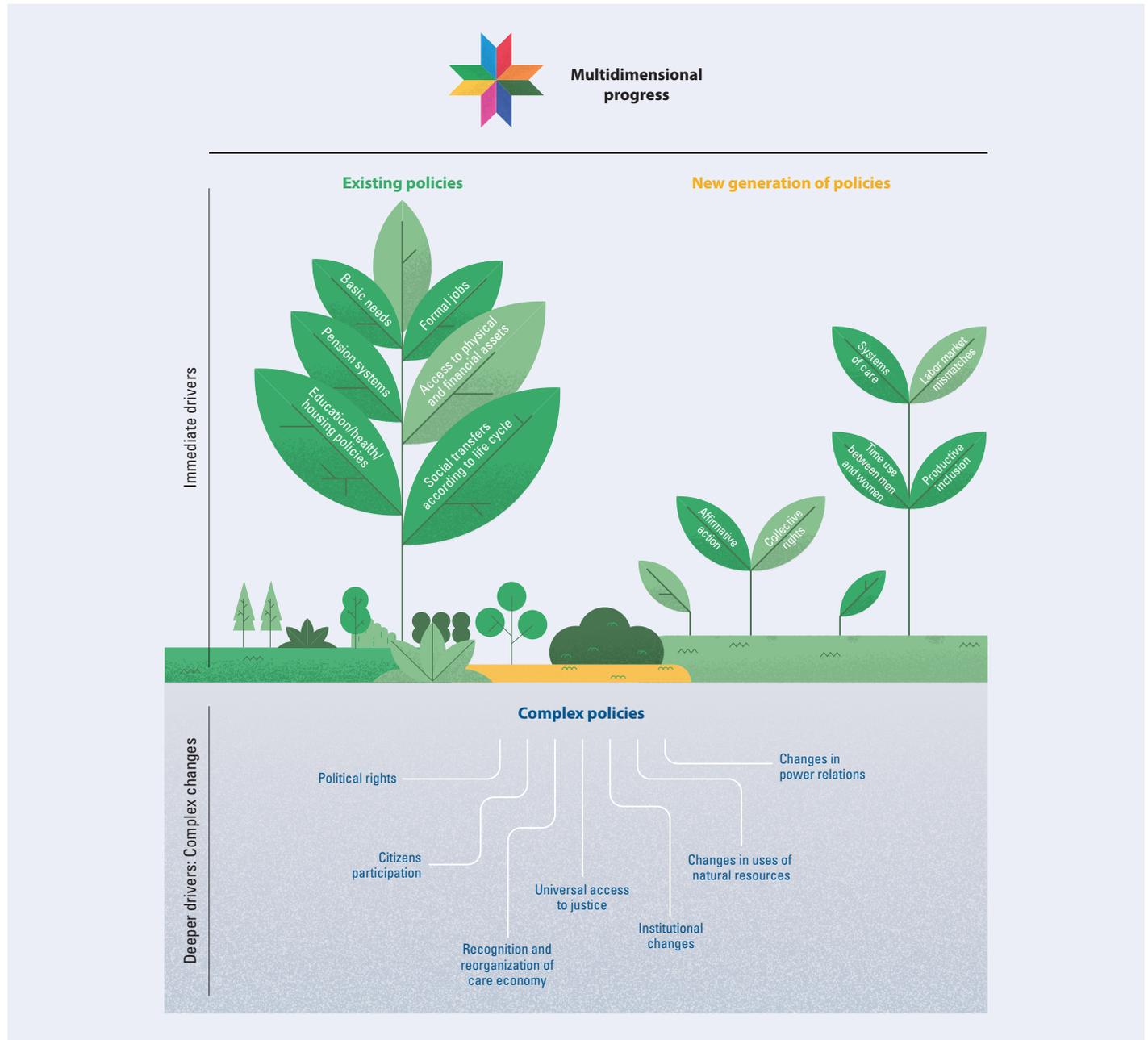
The final reflections set out at the end of the Report invite readers to go beyond the logic that says that middle-income countries graduate when they reach a certain level of development. Instead, the Report proposes

the gradual and multidimensional construction of a universal agenda rooted in the development of social protection, care systems and access to social services in middle-income countries (chapter 9). The proposed multidimensional approach

requires capacity-building and the strengthening of assets in the social fabric, and must be developed based on careful consideration of the specific characteristics, vulnerabilities and persisting challenges that exist in each country.

DIAGRAM 1.3

### Multidimensional progress requires complex changes



Source: Prepared by the authors.

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# Income transitions: the region's new income pyramid





# Income transitions: the region's new income pyramid

## Introduction

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Before looking into the development challenges “beyond income”, it is important to turn our attention to the population’s massive transition to different income groups between 2003 and 2013. The region’s new income pyramid shaped by accelerated poverty reduction and a significant expansion of the middle classes, was fostered by active public policies that promoted both economic growth (income) but also specific achievements in social, labour and educational dimensions (beyond income). They are not the result of a *laissez faire* policy approach.. Between 2003-2013, close to 72 million people who were living in income poverty — 59 million of whom were living in extreme poverty — were lifted out of poverty. Close to 94 million people joined the ranks of the middle classes during the same period.<sup>3</sup> These changes were accompanied by a significant drop in income inequality. The average level of inequality measured in terms of the Gini coefficient decreased from 0.539 to 0.493 during the period,<sup>4</sup> reaching its lowest level in the region since the pre-industrialization era (Williamson, 2015).<sup>5</sup>

It is worth pointing out that transitions between income groups make it possible to observe the different processes involved in escaping or falling back into poverty. It is no longer enough to focus our attention on the *net poverty reduction result*. Dynamic transitions are of greater importance than the net result: while millions take one route to escape poverty, another group simultaneously falls into poverty along another route. Different employment and social processes are obscured by the net effect of these changes. For example, a reduction in poverty of 1 million people might be associated with an expanding economy during a boom (in

which 1.5 million people escaped poverty while another 500,000 people fell into poverty) or it might be linked to an economy resisting a recession (in which 1.1 million people were lifted out of poverty and another 100,000 people fell into poverty). Factors linked to the possibility of escaping poverty are *not the same* as those linked to resilience in the face of economic, social and environmental shocks. At a time when the growth in per capita income in various countries in the region is slowing down, this observation is crucial to formulating anti-crisis policies or policies designed to safeguard the achievements of the period 2003-2013.

This chapter is subdivided into three sections. The first section highlights the way in which income pyramids were transformed. The region’s pyramids have moved from comprising a predominantly poor population two decades ago to now being composed of a predominantly vulnerable population. Section 2 analyses the main underlying factors of this massive economic transition and highlights and aggregates its main outcomes in the region’s countries. The third and final section focuses specifically on the factors linked to escaping and falling into income poverty. A central message of this chapter is that the future public policy agenda needs to focus not only on reducing income poverty but also on widening opportunities and building capacity “beyond income”. The public policy implications are addressed in chapters 4 and 5 of this Report.

## 2.1 A new income pyramid in the region

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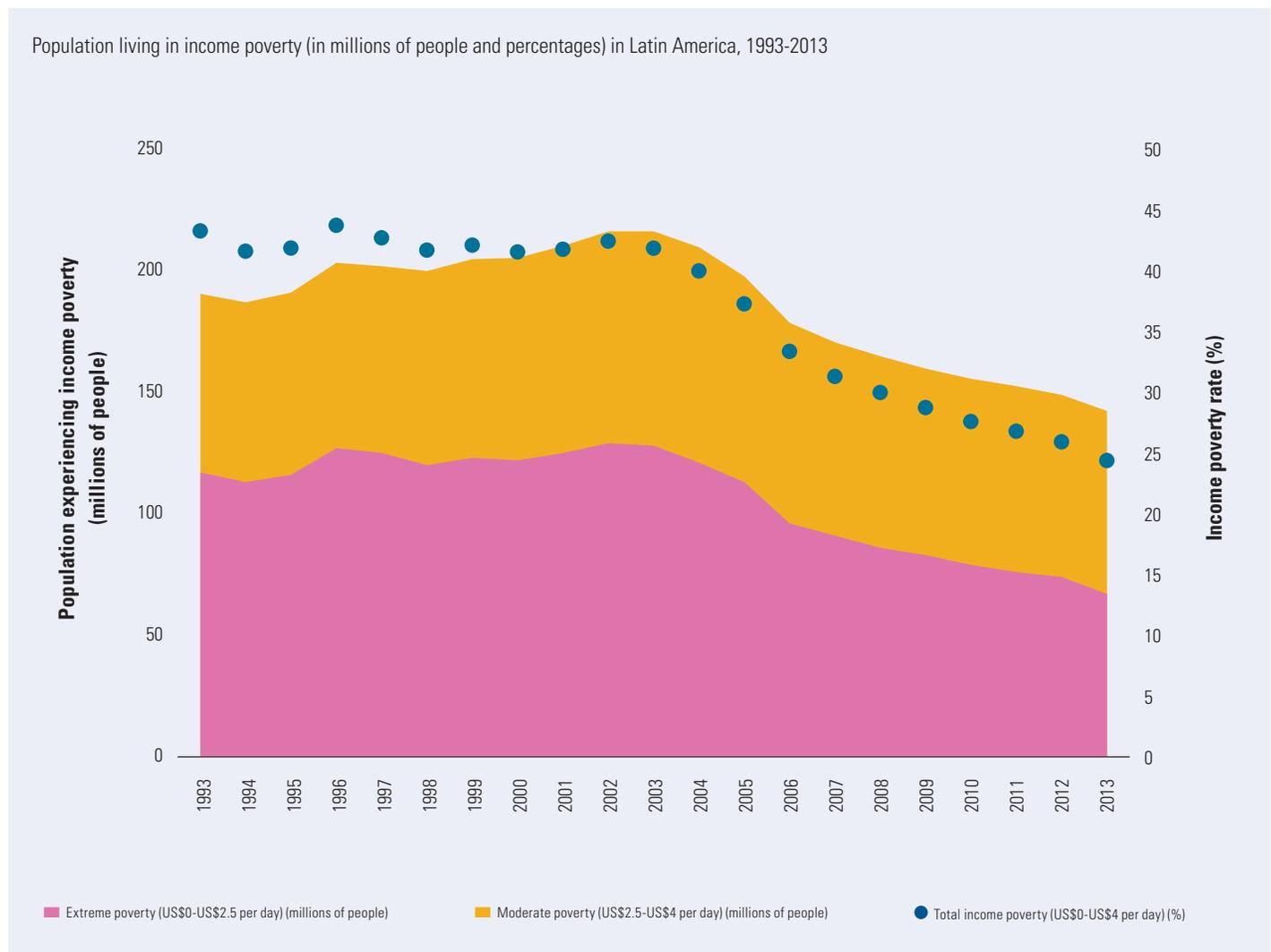
The region’s income pyramids have, to all intents and purposes, been transformed. At the beginning of the 1990s, 43 percent of

the population had a daily per capita income of less than US\$4 — the threshold used to measure income poverty in the region. However, this figure had dropped to 42 percent a decade later, before falling to 24.4 percent in 2013. In absolute terms, the number of people living in poverty grew by close to 22 million during 1993-2002, then fell

steadily from almost 214 million in 2002 to slightly over 142 million in 2013. Of the 72 million people who escaped income poverty in that decade, 59 million had been living in extreme poverty in 2002, i.e. they had a per capita daily income of less than US\$2.5 (see figures 2.1 and 2.2).

FIGURE 2.1

**Almost 72 million people escaped income poverty between 2003 and 2013 59 million of them had been living in extreme poverty**



Source: Prepared by the authors based on Center for Distributive, Labor and Social Studies (CEDLAS) estimates using information obtained from the Socio-Economic Database for Latin America and the Caribbean - SEDLAC (CEDLAS and the World Bank).

Note: Total income poverty is measured using the international threshold of US\$4 per person per day, while moderate poverty refers to people living on US\$2.5-US\$4 a day, and extreme poverty refers to people living on US\$2.5 or less a day. The figures are the aggregate from the following 18 countries: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay and Venezuela. Linear interpolation was used when no information was available for a country for a given year.

FIGURE 2.2

**A reduction in poverty rates over the period 2003-2013 led to the region's population being concentrated in the middle strata of the income pyramid**



Source: Prepared by the authors based on estimates of the proportion of the population corresponding to each income group produced by the Center for Distributive, Labor and Social Studies (CEDLAS) using information obtained from the Socio-Economic Database for Latin America and the Caribbean - SEDLAC (CEDLAS and the World Bank), and data on each country's total population consulted in the World Bank's World Development Indicators (WDI).

Note: Monetary lines separating each group are expressed in US dollars (US\$) per person per day. Each person on the chart represents one million people. The absolute and relative figures correspond respectively to the total and weighted averages of the estimates for the following 18 countries, with the years indicated in parentheses: Argentina (1992, 2003 and 2014), Bolivia (1997, 2002 and 2013), Brazil (1993, 2003 and 2013), Chile (1992, 2000 and 2013), Colombia (1996, 2003 and 2013), Costa Rica (1992, 2002 and 2013), Ecuador (1994, 2003 and 2014), El Salvador (1991, 1998 and 2013), Guatemala (2000 and 2011), Honduras (1992, 2003 and 2013), Mexico (1992, 2000 and 2012), Nicaragua (1993, 2001 and 2009), Panama (1991, 2001 and 2013), Paraguay (1995, 2004 and 2013), Peru (1997, 2004 and 2014), Dominican Republic (1996, 2003 and 2014), Uruguay (1992, 2004 and 2014) and Venezuela (1992, 2001 and 2011).

Alongside poverty reduction, a large number of people experienced improvements in income at a rate that allowed them to move into the middle strata of the pyramid. On the one hand, the number of people with a per capita daily income of US\$4-US\$10 — defined as being economically vulnerable — rose (López-Calva and Ortiz-Juárez, 2014). This group comprised 224 million people in 2013; almost 72 million more than the 1993 figure (152 million) and almost 45 million more than the 2002 figure (179 million). In relative terms, the respective figures for each of these three years were close to 34 percent of the total population in 1993, 35 percent in 2002 and 38 percent in 2013. Although the growth of this population group is the result of greater economic well-being, its sheer size represents a challenge in most of the countries. Economically vulnerable people lag behind in other dimensions of well-being that are not related to income. This may restrict long-term development in the region and makes this population very sensitive to economic fluctuations.

On the other hand, the drop in income poverty was also reflected in the growth of the middle class in the region, which is defined as people with a per capita daily income of US\$10-US\$50. This group grew from just over 91 million people in the early 1990s to close to 108 million people in 2002 and almost 202 million in 2013. To illustrate the scale of this growth, the size of the middle class in 1993 equated to almost half of the size of the population experiencing income poverty during that same year (close to 192 million people) but by 2013, this difference had been reversed: the size of the middle class was 40 percent larger than the population living in poverty, and accounted for close to one third of the region's population in 2013.

A typical feature of the transformation of the region's income pyramid is the geographic redistribution of its groups. Specifically, a sharp drop in extreme poverty was recorded in rural areas over the past two decades, which contributed to the growth of the higher strata in such areas (see figure 2.2). Moreover, practically half of the total drop in income poverty in the region over 2003-2013

was due to the drop in absolute terms of extreme rural poverty which occurred over the same period. However, as will be shown below, income poverty is still relatively high in rural areas (close to 40 percent in 2013) compared with urban areas (close to 19 percent in 2013), showing that social change in the region has not been consistent across the board within the countries in question.<sup>6</sup>

Although poverty dropped and the middle classes grew in most of the region's countries, the transformation did not occur at the same rate in each of the countries. In Brazil, over 37 million people were lifted out of poverty, accounting for roughly half of the regional income poverty reduction between 2003 and 2013. The Andean countries registered the next biggest drop, with a joint total of roughly 20 million people escaping income poverty — the absolute incidence of income poverty reduced by 7.1 million people in Peru, followed by Colombia (4.3 million), Venezuela (3.7 million), Ecuador (3.1 million) and Bolivia (2.1 million). The Southern Cone countries come next in the ranking, with a joint total of 11.2 million people escaping income poverty: Argentina (7.4 million) and Chile (2.1 million) accounted for 85 percent of the change. Finally, the drop in income poverty in Mexico, Dominican Republic and Central America accounted for a total of 3.1 million people (see figure 2.3).

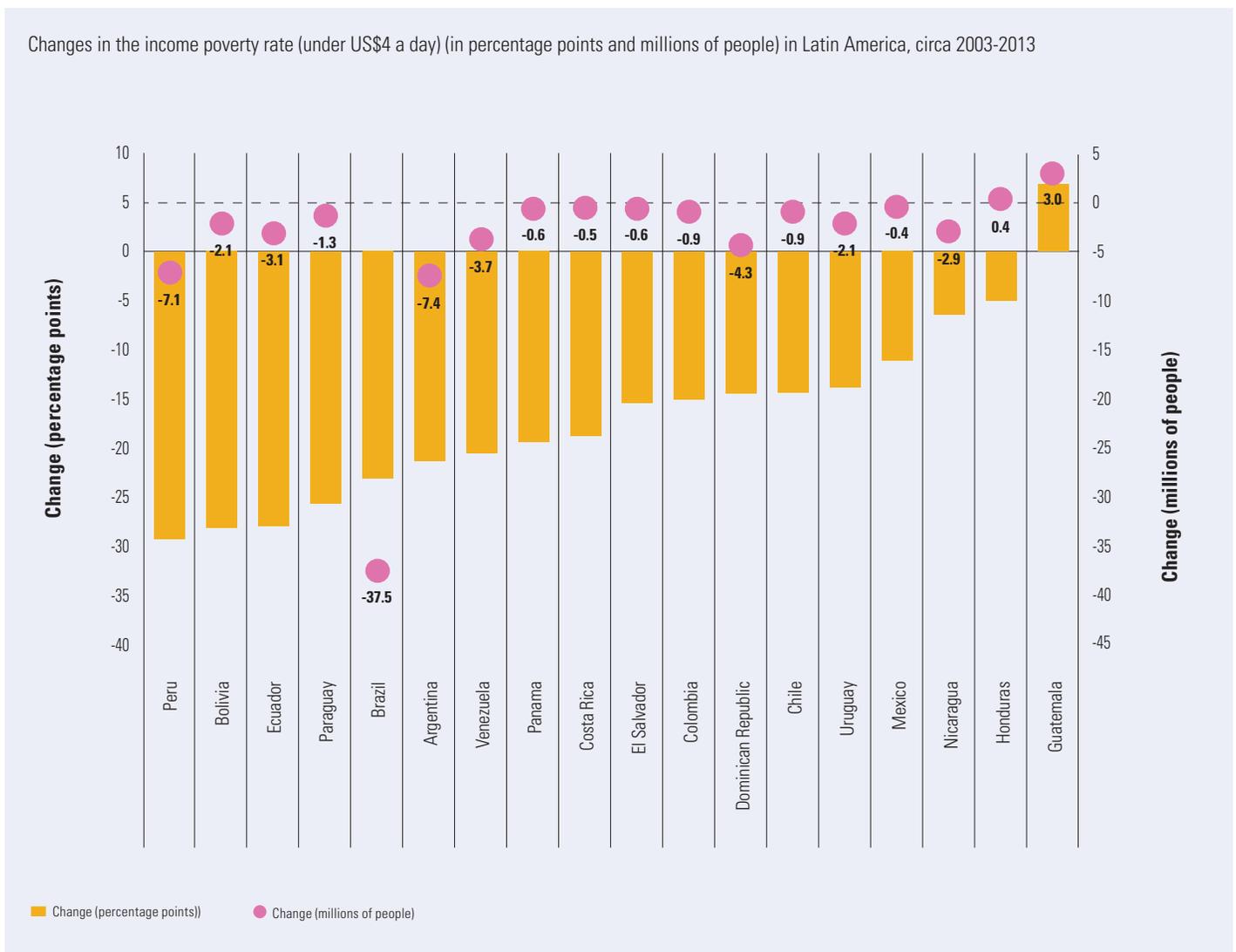
Regarding each country's population, the Andean Region countries experienced the greatest achievements in terms of reducing the proportion of people living in poverty between 2003 and 2013. Peru recorded a drop of 29 percentage points (from 49 percent to 20 percent), while Bolivia and Ecuador posted reductions of close to 28 percentage points (from 55 percent to 27 percent and 51 percent to 24 percent respectively). At the other end of the scale, in Mexico and some of the countries in Central America, such as Honduras, the proportion only dropped by fewer than seven percentage points, while Guatemala is the only country in which poverty actually increased by almost seven percentage points, which is equivalent to an increase of three million people (see figure 2.3).

Moreover, due to the population size of the countries, the absolute growth of the middle class took place primarily in Argentina, Brazil, Colombia, Mexico and Peru, which in total lifted close to 76 million people out of poverty, equating to 82 percent of the regional increase. In relative terms, the middle class grew the most in Peru, where a

22 percentage point rise (from 15.8 percent to 37.8 percent) was recorded. In Argentina, Bolivia, Brazil, Chile, Paraguay and Uruguay, the middle classes grew by 17-20 percentage points, followed by Colombia, Costa Rica, Ecuador and Panama, which recorded 12-16 percentage point rises, and Venezuela, which saw a nine percentage point rise. Mexico and

FIGURE 2.3

The percentage and number of people experiencing income poverty fell in almost all the countries, although the biggest drops were recorded in Brazil and some of the Andean countries



Source: Prepared by the authors based on estimates produced by CEDLAS using information obtained from SEDLAC (CEDLAS and the World Bank), and data consulted in the 2014 National Household Survey to Measure Living Standards in Nicaragua.

Note: Poverty is calculated based on the international threshold of US\$4 per person per day. The changes reflect the difference between the percentage and number of people experiencing income poverty in the final year of the period under analysis, and the percentage and number of people experiencing income poverty in the first year of the period. The periods utilized for each country are indicated in parentheses: Argentina (2003-2014), Bolivia (2002-2013), Brazil (2003-2013), Chile (2003-2013), Colombia (2003-2013), Costa Rica (2003-2013), Dominican Republic (2003-2014), Ecuador (2003-2014), El Salvador (2003-2013), Guatemala (2000-2011), Honduras (2003-2013), Mexico (2002-2012), Nicaragua (2001-2014), Panama (2003-2013), Paraguay (2003-2013), Peru (2003-2014), Uruguay (2003-2014) and Venezuela (2001-2011).

various Central American countries came in at the bottom of the ranking, with increases of under four percentage points. Guatemala was the only country whose middle class shrank in both relative and absolute terms (see figure 2.4).

The region's diversity is reflected in the uneven pace of income poverty reduction

and of the growth of the middle classes; this is evident in the size differences between the different income groups (see figure 2.5). In 2013, the middle class in Argentina, Chile, Costa Rica and Uruguay accounted for over 45 percent of each country's population, while poverty affected under 12 percent. At the other end of the spectrum, the middle

FIGURE 2.4

**Close to 94 million people joined the region's middle classes over the past decade with the rise being concentrated in Argentina, Brazil, Colombia, Mexico and Peru, with almost 76 million people in those countries escaping poverty**

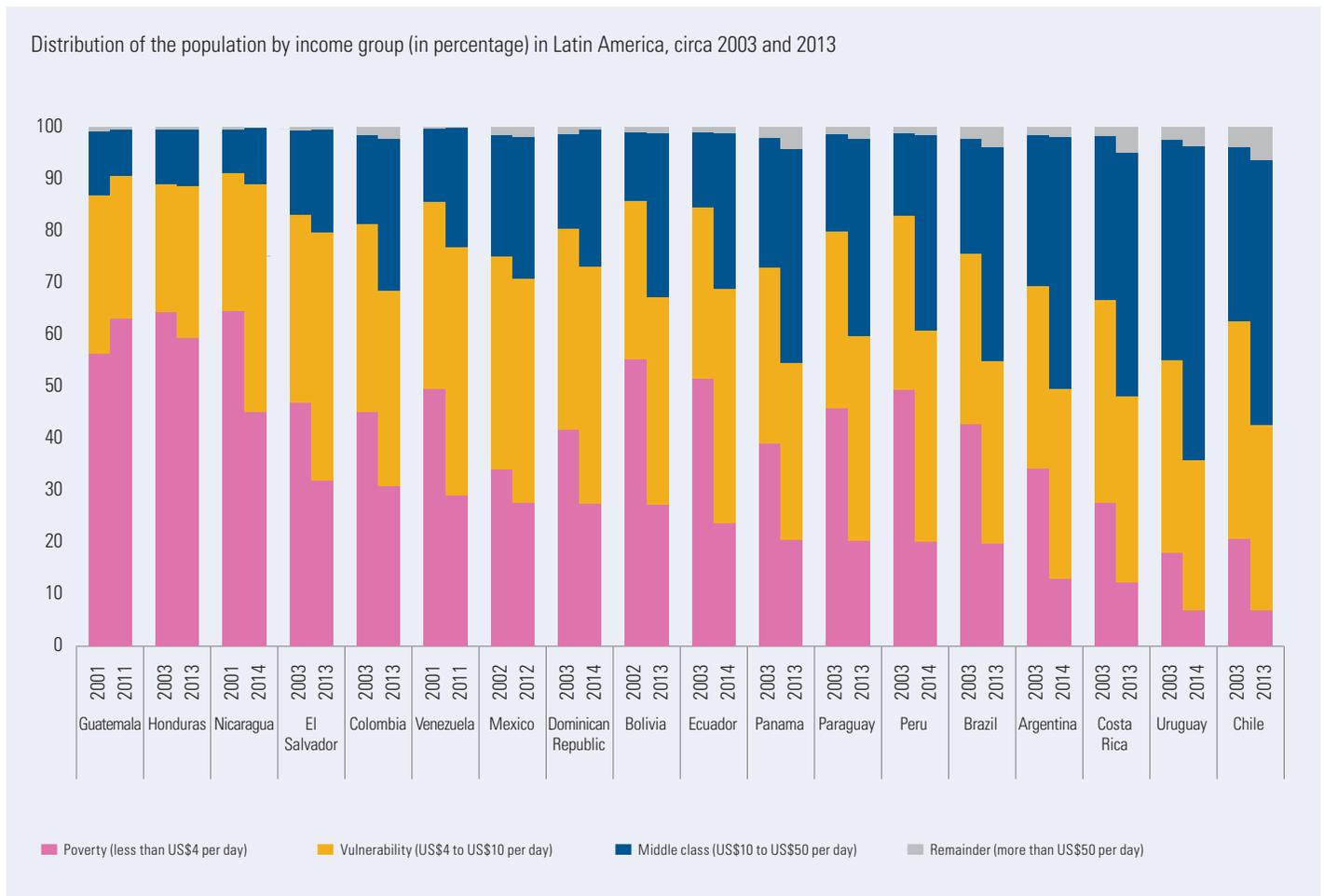


Source: Prepared by the authors based on CEDLAS estimates using information obtained from SEDLAC (CEDLAS and the World Bank), and data consulted in the 2014 National Household Survey to Measure Living Standards in Nicaragua.

Note: The middle class comprises people with a daily per capita income of US\$10-US\$50. The changes reflect the difference between the percentage and number of middle-class people in the final year of the period under analysis, and the percentage and number of middle-class people in the first year of the period. The periods utilized for each country are indicated in parentheses: Argentina (2003-2014), Bolivia (2002-2013), Brazil (2003-2013), Chile (2003-2013), Colombia (2003-2013), Costa Rica (2003-2013), Dominican Republic (2003-2014), Ecuador (2003-2014), El Salvador (2003-2013), Guatemala (2000-2011), Honduras (2003-2013), Mexico (2002-2012), Nicaragua (2001-2014), Panama (2003-2013), Paraguay (2003-2013), Peru (2003-2014), Uruguay (2003-2014) and Venezuela (2001-2011).

FIGURE 2.5

The distribution of the income groups varies by country. While in Costa Rica and some countries of the Southern Cone almost half the population belongs to the middle classes, in some countries in Central America the middle classes account for less than 11 percent of the total population



Source: Prepared by the authors based on CEDLAS estimates using information obtained from SEDLAC (CEDLAS and the World Bank).  
 Note: The poverty rate circa 2013 was used to arrange the countries from highest to lowest. The years under analysis for each country are detailed on the chart.

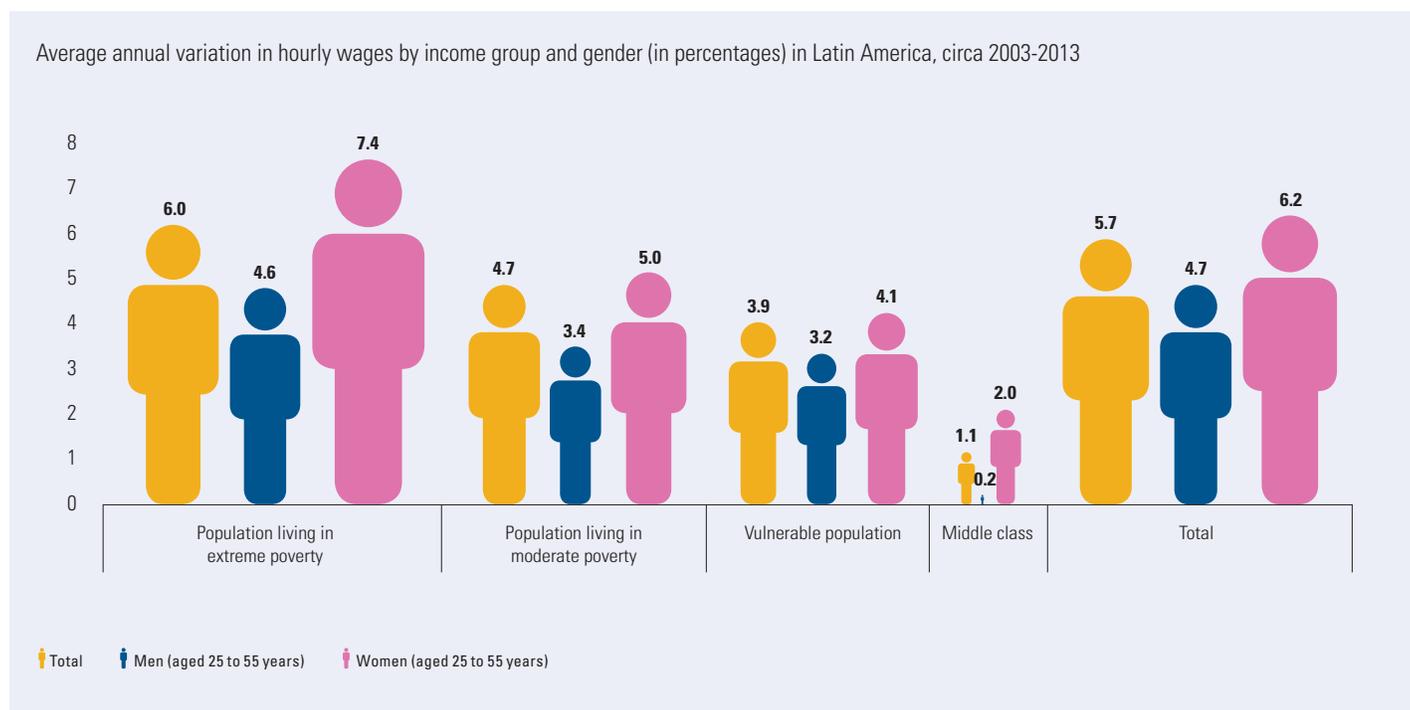
class in some Central American countries accounted for fewer than 11 percent of the country’s total population, while income poverty affected roughly 60 percent of the population. The middle ground was occupied by most of the Andean Region countries and Mexico, where each of the income groups — people experiencing income poverty, economically vulnerable people, and the middle class — accounted for close to one third of the country’s population. As this Report shows, the differing levels of social progress and the diverse sizes of the income groups constitute specific

medium-term challenges in each country, with regard to both the type of public policy needed, and the differing demands of economic growth.

The above results show that the progress achieved in the region over the past 20 years reflects the comprehensive development process that the region’s countries embarked upon over two decades ago. This development was achieved firstly because of the greater experience and improvement in the use of countercyclical instruments implemented via initiatives designed to achieve macroeconomic stabilization and

FIGURE 2.6

### Hourly wage growth was greater among the population living in poverty than among the rest of the income groups



Source: Prepared by the authors based on CEDLAS estimates using information obtained from *SEDLAC* (CEDLAS and the World Bank).

Note: The annual percentage changes equate to the average rates observed in the following 18 countries, with the periods indicated in parentheses: Argentina (2003-2014), Bolivia (2002-2013), Brazil (2003-2013), Chile (2000-2013), Colombia (2003-2013), Costa Rica (2002-2013), Dominican Republic (2003-2014), Ecuador (2003-2014), El Salvador (1998-2013), Guatemala (2000-2011), Honduras (2003-2013), Mexico (2000-2012), Nicaragua (2001-2009), Panama (2001-2013), Paraguay (2004-2013), Peru (2004-2014), Uruguay (2004-2014) and Venezuela (2001-2011).

support economic growth. Secondly, the development was supported by active social policies and the focus that was placed on social spending as a means of improving well-being.

## 2.2 The drivers of income transformation: economic growth and greater and better redistribution

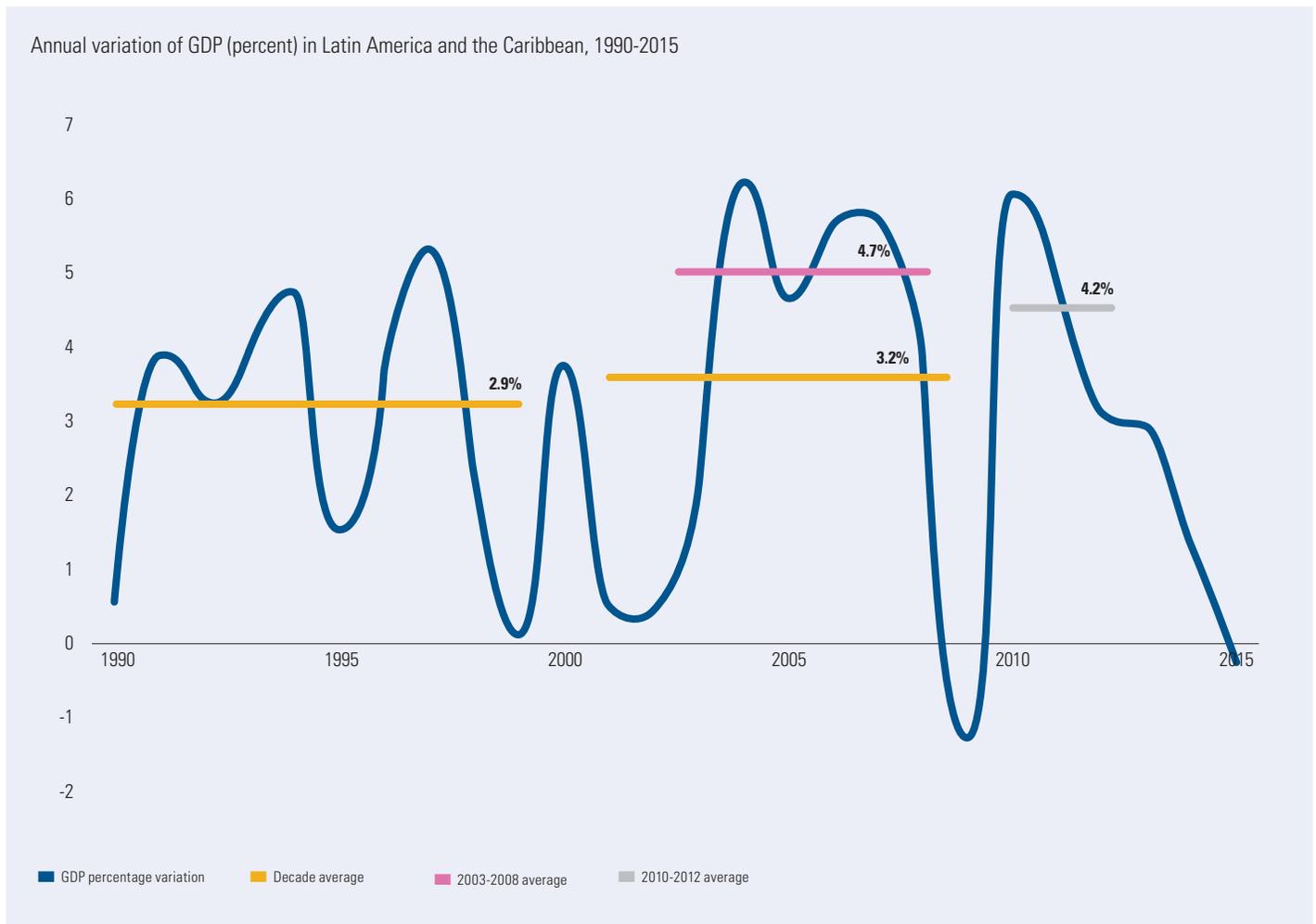
Two factors were behind the social change seen in the region over recent years: economic growth, particularly in the 2003-2008 period, and greater and better redistribution, related to both social policy and the inherent dynamics of the labour market. The outcome was a generalized rise in income, particularly income from wages (see figure 2.6) and public cash transfers. This increase was relatively faster-paced in the lower income bands, which not only caused

income poverty to decrease, but also reduced wage inequality, as shown below.

Figure 2.7 presents the region's economic growth rates at different times in the period under analysis. Moderate economic growth can be observed in the early 21st Century, as a result of the drop in foreign direct investment (caused by the 1997 Asian financial crisis) and the slowdown of international trade, with the ensuing drop in the price of raw materials. Subsequently, beginning in 2003, the downward trend in the price of raw materials and terms of trade was reversed and began rising sharply, causing most of the region's countries to experience the greatest boom in recent times. As a result of the so-called *commodities boom* driven by China's solid economic growth,<sup>7</sup> the region's economy achieved an average annual growth rate of 4.7 percent in 2003-2008, which is the highest recorded rate since the 1960s and 1970s, when the region's average annual growth rate was 5.8 percent.

FIGURE 2.7

The region's average annual economic growth rate was 4.7 percent over the 2003-2008 period. This was the highest recorded rate in the last four decades



Source: Prepared by the authors based on the World Economic Outlook Database of the International Monetary Fund (IMF) (October 2015 update).

Note: The 2015 figure is projected. The Latin America and Caribbean aggregate comprises the following 32 countries: Antigua and Barbuda, Argentina, Bahamas, Barbados, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Surinam, Trinidad and Tobago, Uruguay and Venezuela.

Some of the growth drivers of the boom started to slow down during the second half of the decade. Specifically, foreign direct investment, remittances and the demand for regional exports gradually subsided, bottoming out in 2009 with the advent of the international financial crisis. The financial crisis exposed the region to a sharp drop in commodity prices, which affected the terms of trade and led to the economy contracting by 1.3 percent.<sup>8</sup> Consequently, the average annual growth rate during this decade was 3.2 percent.

A significant upturn in growth occurred in the year after the crisis. Low debt levels, the accumulation of historically large reserves and an increase in public savings helped to strengthen resilience to the crisis and made it possible for some countries to roll out countercyclical policies. These not only stimulated domestic demand but also helped to safeguard the social improvements achieved to date.

The second key driver was better income distribution, mainly caused by a drop in hourly wage inequality for workers with different

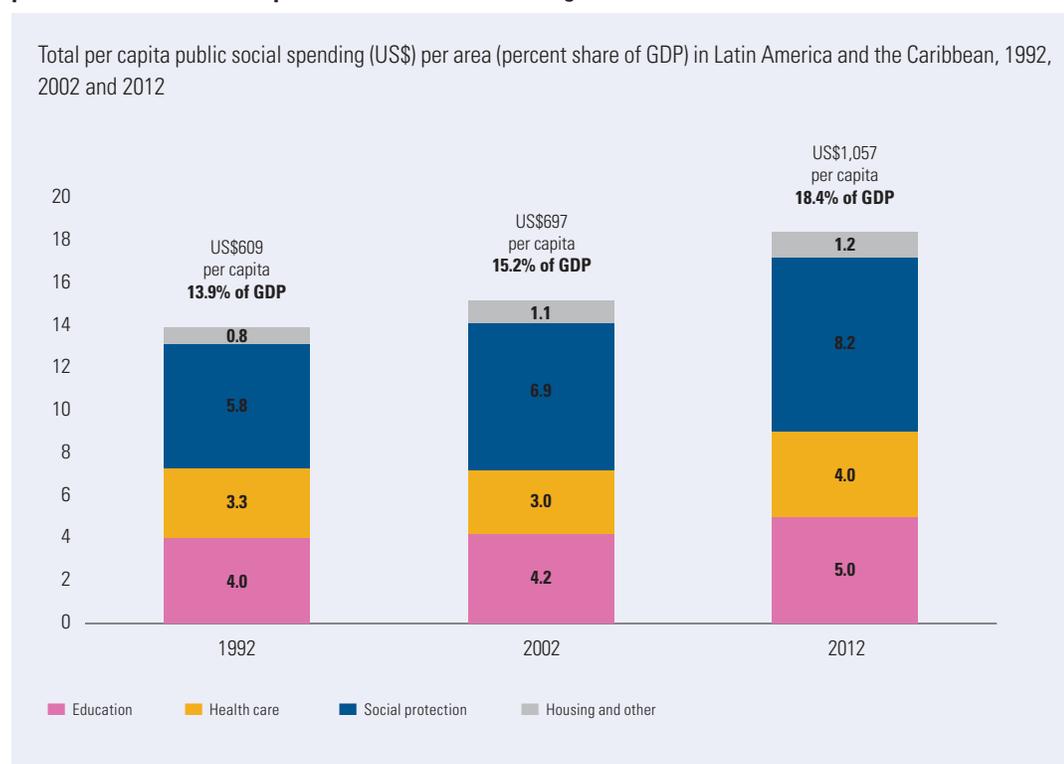
skills levels, as well as by greater and better redistribution of public social spending (Lustig, López-Calva and Ortiz-Juárez, 2016). Social spending, e.g. spending on health care, education, housing and social protection, significantly increased during the first decade of the 21st Century. In real terms, per capita social spending in the region grew at an average annual rate of 1.4 percent over the 1992-2002 period, and at a rate of 7.3 percent over the 2002-2012 period. Regarding GDP, the share of social spending increased from 13.9 percent in 1992 to 15.2 percent in 2002, and to 18.4 percent a decade later (see figure 2.8).

Social protection was the component of social spending that recorded the highest growth. This result reflects spending increases on social security, due to slight increases in labour market formality, as well as a rise in

spending on social support, aiming to expand conditional cash transfers and non-contributory pensions. According to recent estimates, the number of beneficiaries of conditional cash transfers rose by almost 85 million over the past decade, increasing from 45.8 million beneficiaries in 2002 in eight countries, to close to 130 million in 19 countries in 2012 (Stampini and Tornarolli, 2012). Moreover, 11 million over-65s who were excluded from the welfare system started to receive a pension during the same period. Although the historic link between the social security system and labour market formality persists in the region, the increase in the latter was made possible by liberalizing access to contributory systems and expanding non-contributory pension schemes, or by a combination of the two (Rofman, Apella and Vezza, 2013).

FIGURE 2.8

**Total per capita public social spending grew at an average annual rate of 7.3 percent over the 2002-2012 period. The area of social protection accounted for the greatest increase**



Source: Prepared by the authors based on the ECLACSTAT database of the Economic Commission for Latin America and the Caribbean (ECLAC) (March 2015 update).  
 Note: The figures are the weighted averages for the following 21 countries for the years listed in the chart: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Trinidad and Tobago, Uruguay and Venezuela. The per capita amounts are expressed in annual dollars at 2005 prices.

The growing importance of social policy in the region is reflected in the rise in social spending, which not only targets social protection but also seeks to bolster human development through greater investment in education and recent initiatives to make access to health care universal.

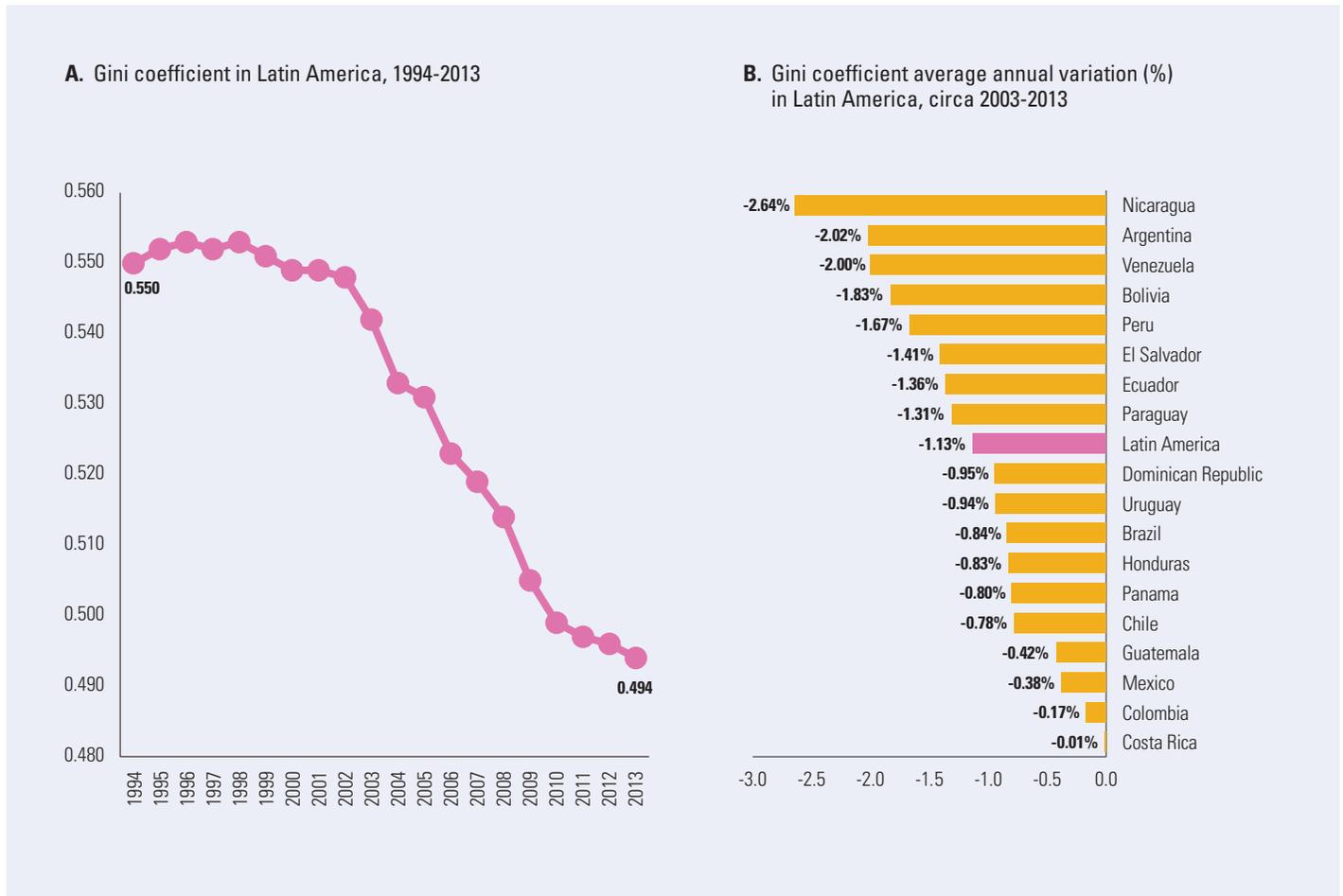
Social spending had a relatively higher impact on the well-being of lower income populations due to the greater volume and progressive nature of public transfers and the aforementioned equalizing wage increase; this led to income being less concentrated

(Azevedo, Inchauste and Sanfelice, 2013) (see figure 2.9).<sup>9</sup> Levels of inequality in the region measured using the Gini coefficient rose during the 1990s before falling to an annual average rate of close to 1.1 percent over 2003-2013. This drop occurred in most of the region's countries, particularly Argentina, Bolivia, Nicaragua, Peru and Venezuela, with annual rates of over 1.5 percent.

The result suggests that social change in the region has been inclusive, i.e. it has led to relatively greater improvements for the low-income population, as confirmed by

FIGURE 2.9

**Income became less concentrated in almost all of the region's countries over the last decade**



Source: Prepared by the authors based on information obtained from SEDLAC (CEDLAS and the World Bank) (September 2015 update).

Note: The average annual percentage variation of the Gini coefficient for each country (shown in chart B) is calculated using the percentage variation recorded between the final year and first year of the period under analysis, divided by the number of years making up the period. The figure for Latin America is the simple average of the figures equating to the following 18 countries during the periods indicated in parentheses: Argentina (2003-2013), Bolivia (2002-2013), Brazil (2004-2013), Chile (2003-2013), Colombia (2003-2013), Costa Rica (2003-2013), Dominican Republic (2003-2014), Ecuador (2003-2013), El Salvador (2002-2013), Guatemala (2000-2011), Honduras (2003-2013), Mexico (2002-2012), Nicaragua (2001-2009), Panama (2003-2013), Paraguay (2003-2013), Peru (2003-2013), Uruguay (2003-2013) and Venezuela (2003-2006). The region's Gini coefficient for the 1994-2013 period shown in chart A is a weighted average of the Gini coefficients from each of the 18 countries under analysis. This average was calculated using a linear interpolation for countries with no inequality statistics for a given year.

the growth of per capita income per income decile (see figure 2.10). Per capita income in the region grew in real terms at an annual average rate of 5.5 percent over 2003-2013, with the strongest growth taking place in the first and second deciles, in which real annual income growth of 10 percent and 7.5 percent was recorded. Average annual increases of 3.3 percent and 1.9 percent were recorded in the top income distribution deciles. A recent study found that over the past decade, Latin America was the most inclusive region in the world for development as, compared with the

overall population, the poorest 40 percent of earners experienced the greatest income increases (Cord, Genoni y Rodríguez-Castelán, 2015).

Breaking down the change in income poverty rates over time into its two main components, growth and redistribution,<sup>10</sup> enables us to observe that, although the former was the primary cause of the significant reduction of this type of poverty (contributing 62 percent to the change), better redistribution was responsible for the rest (38 percent) — a significant contrast to the

FIGURE 2.10

**Income growth for the poorest 10 percent of the population was practically double the income growth for the overall population, and was almost five times higher than that experienced by the most well-off 10 percent of the population**



**Source:** Prepared by the authors based on information obtained from *SEDLAC* (CEDLAS and the World Bank) (September 2015 update) and the World Bank's World Development Indicators (WDI) (November 2015 update).  
**Note:** The figures are the average of the growth incidence curves recorded in the following 13 countries in the periods indicated in parentheses: Bolivia (2002-2013), Brazil (2003-2013), Colombia (2003-2013), Costa Rica (2003-2013), Dominican Republic (2003-2014), Ecuador (2003-2013), El Salvador (2003-2013), Guatemala (2000-2011), Honduras (2003-2013), Mexico (2002-2012), Paraguay (2003-2013), Peru (2003-2014) and Uruguay (2003-2014). Real variations in income were estimated using the consumer price indexes published in the World Bank's WDI.

1990s, when its effect was barely 4 percent (see figure 2.11).

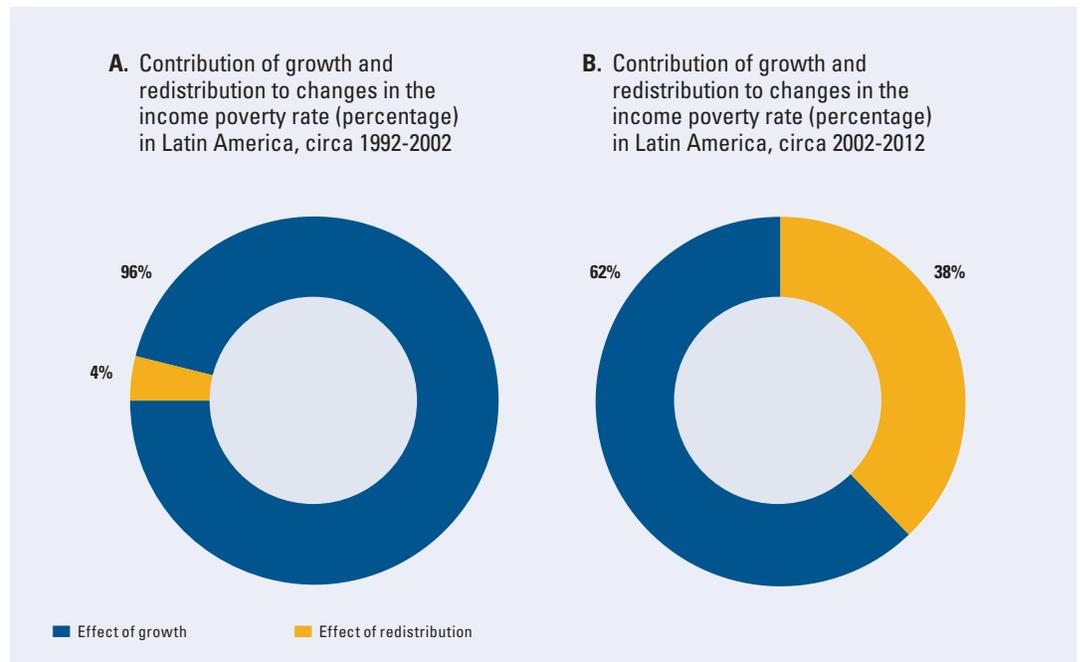
Although high economic growth and improved redistribution are considered to be the primary drivers of these transformations, behind them are a series of comprehensive public policy strategies that reinforce the benefits of this growth, such as the social and productive inclusion of the population. For example, analyses of the breakdown of inequality show that improvements in distribution were due, on the one hand, to an improvement in hourly wages, particularly among the population with lower wages. Salaries can be affected by minimum wage policies, by increases in productivity or even by an increase in the labour supply of people with a higher level of education, influenced by policies to increase the coverage and quality of education. On the other hand, improvements in distribution were also the result of the

expansion of conditional public transfers and non-contributory pensions, as well as the introduction of contributory schemes influenced by policies to formalize the labour market and increase social security. As such, the magnitude of the impact of these major drivers of transformation is subject to change, and in each case it responds to the public policies implemented in each country. The implementation of the Brazil without Misery plan is an example of the successful implementation of comprehensive policies for reducing multidimensional poverty and inequality, developed through strong inter-institutional coordination (see box 2.1).

The influence of growth and redistribution on the changes observed in the economic well-being of the population over the past decade varies depending on their level of income. For example, the first component had a relatively greater influence

FIGURE 2.11

**Although economic growth dominated poverty reduction, better redistribution had a significant influence in the last decade, particularly in comparison with the 1990s**



**Source:** Prepared by the authors based on CEDLAS estimates using information obtained from *SEDLAC* (CEDLAS and the World Bank).  
**Note:** These figures show the percentage contribution of growth and redistribution to changes in the income poverty rate, calculated using the Datt-Ravallion decomposition method (Datt and Ravallion, 1992). The figures are the averages of the contribution of each factor corresponding to each of the following 18 countries for the periods indicated in parentheses: Argentina (1992-1998 and 1998-2011), Bolivia (1997-2002 and 2002-2011), Brazil (1993-2003 and 2003-2011), Chile (1992-2000 and 2000-2009), Colombia (1996-2003 and 2003-2010), Costa Rica (1992-2002 and 2002-2009), Dominican Republic (1996-2003 and 2003-2011), Ecuador (1994-2003 and 2003-2011), El Salvador (1991-1998 and 1998-2010), Guatemala (2000-2006 and 2006-2011), Honduras (1992-2003 and 2003-2011), Mexico (1992-2000 and 2000-2010), Nicaragua (1993-2001 and 2001-2009), Panama (1991-2001 and 2001-2011), Paraguay (1995-2004 and 2004-2010), Peru (1997-2004 and 2004-2010), Uruguay (1992-2004 and 2004-2011) and Venezuela (1992-2004 and 2004-2011).

## BOX 2.1

**The effect of comprehensive public policies on transformation: the case of the Brazil without Misery plan**

Behind economic growth and greater and improved redistribution (the two drivers of transformation discussed in this chapter) lay a series of comprehensive public policy strategies which seek to reinforce the benefits of growth and social spending, above and beyond the effects of direct transfers. The most successful strategies in terms of poverty reduction in the region have been those based on an integrated approach to economic and social policies. That is, those that combine to promote labour policies (related to increasing the minimum wage, professional training and incentivizing labour market formality), universal policies (linked to increasing access to pensions, income transfer and promoting access to credit) and social policies (related to increasing and improving access to goods of public interest and basic services, such as food, education, housing and public services).

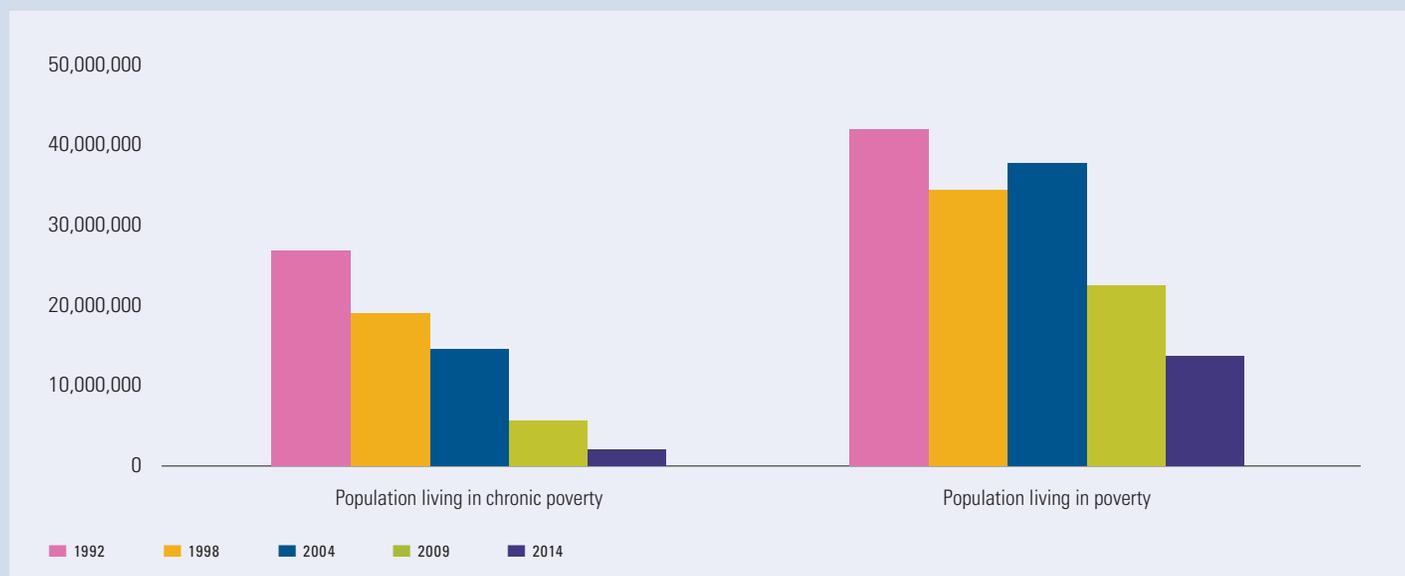
This is the case for the Brazil without Misery plan introduced in 2011, which was conceived as a comprehensive strategy to tackle hunger and eradicate extreme poverty. The plan comprises multidimensional and multi-sectoral action, which involves the participation of the 22 government ministries in three specific actions: i) income security, based on the *Bolsa Família* (Family Pack) programme; ii) urban and rural productive inclusion; and iii) access to public services.

Although the Brazil without Misery plan built on the *Bolsa Família* conditional transfer programme, the plan goes beyond pure income

transfers and coordinates with other strategies aimed at improving capacity-building, productive inclusion and access to assets. Furthermore, it feeds into the *Registro Único* (Single Register), a centralized information and monitoring system for diagnosing and identifying beneficiaries as well as for monitoring the targets agreed with the local authorities regarding social programmes. Thanks to the implementation of this plan, Brazil is now an example for the multisectoral coordination of public policy, moving beyond the success of the conditional transfers. Moreover, the organization of the social protection system has led to a statistical system being developed to improve the design of social programmes. This is another remarkable achievement, making the case of Brazil an example to follow.

According to official data,<sup>11</sup> between 2009 and 2014, the population living in chronic poverty (i.e. people living below the income poverty threshold and suffering at least three deprivations in access to services or rights) fell by 63 percent, from 5.6 million people to 2 million. Meanwhile, the population living in poverty (all people living below the income poverty threshold regardless of their deprivations in access to services or rights) fell by 39.5 percent, from 22.5 to 13.6 million people. Despite the fact that during the 2008-2014 period economic growth in Brazil already seemed to be falling and stagnating, the reduction in poverty continued.

FIGURE 1

**Population living in chronic poverty and poverty (number of people) in Brazil, 1992-2014**

Source: Brazilian Institute of Geography and Statistics (IBGE), National Household Survey (PNAD). Produced by the Ministry of Social Development and the Fight against Hunger (MDS), Secretariat of Evaluation and Information Management (SAGI).

Note: The population living in chronic poverty is defined as the population with income below the official poverty line and at least three or more deprivations in access to services or rights. The population living in poverty is defined as the whole population with income below the poverty line regardless of their level of social deprivations. This includes the population living in chronic poverty, the population living in poverty with deprivations and the population living in transient poverty.

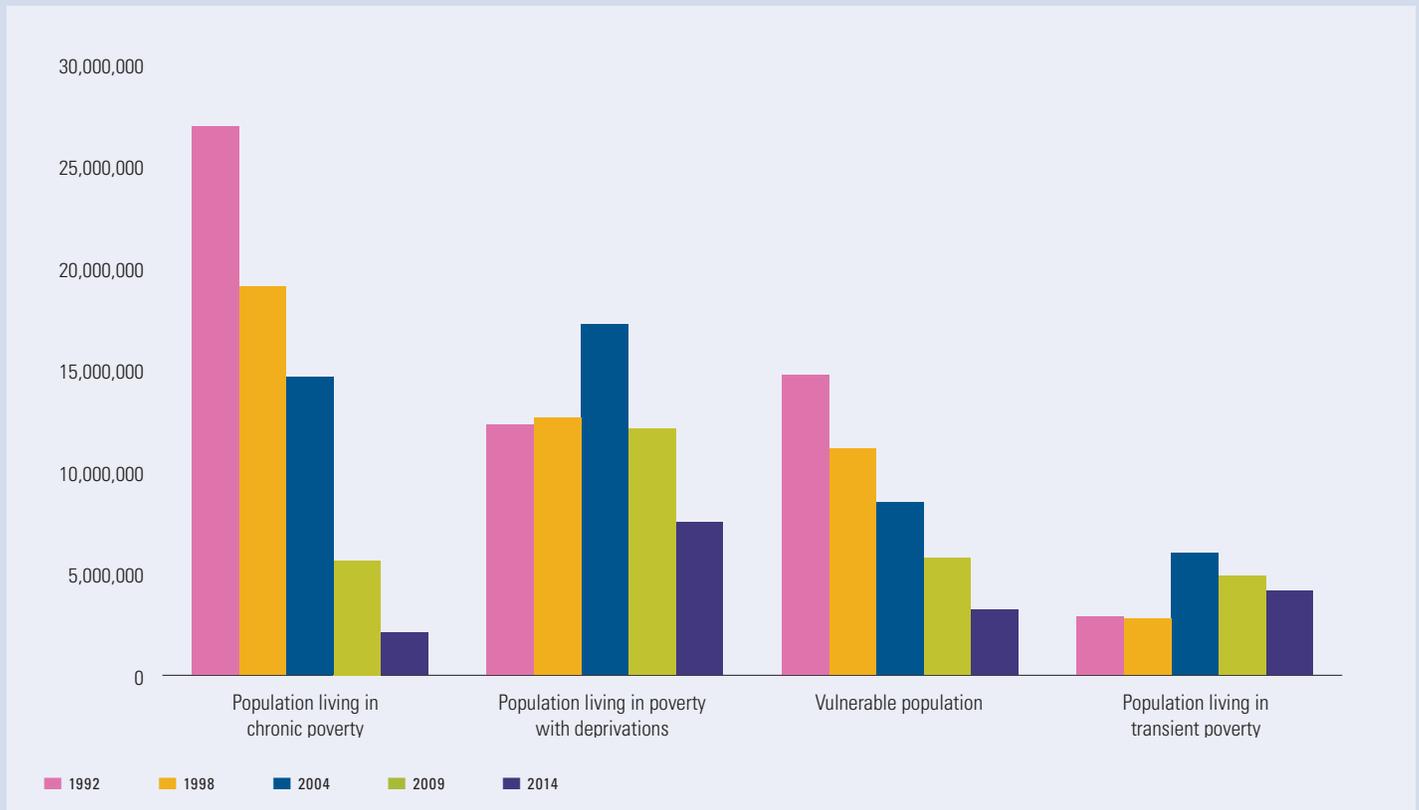
Positive results in terms of income poverty reduction have also been observed with respect to the reduction of multidimensional poverty. Brazil's Multidimensional Poverty Index (MPI) measures access to goods of social interest (rights) and public services such as water, basic sanitation, education, housing and health.

As shown in figure 2, multidimensional poverty has fallen in the four population groups under analysis. The number of people living in chronic poverty fell by 85.7 percent in the 2004 to 2014 period, from 14.6 million to 2 million. The number of people living in poverty with deprivations (i.e. those living below the income poverty line but who

experience fewer than three deprivations) fell by 56.6 percent, from 17.2 million to 7.5 million people. The vulnerable population (i.e. those above the income poverty threshold but suffering more than three deprivations) fell by 62 percent, from 8.5 to 3.2 million people. The decrease was sharpest in the last five years of the period under analysis. Finally, the number of people living in transient poverty (i.e. people who are living below the monetary poverty line, but who have access to basic services) fell by 31 percent, from 6 million to 4.1 million people, according to data for 2015 from the MDS.

FIGURE 2

**Population living in multidimensional poverty (number of people) in Brazil, 1992-2014**



Source: Brazilian Institute of Geography and Statistics (IBGE), National Household Survey (PNAD). Produced by the Ministry of Social Development and the Fight against Hunger (MDS), Secretariat of Evaluation and Information Management (SAGI).

Finally, the results of the investment in the domestic market, with support for productive inclusion and local development, combined with social inclusion and investments in public goods, are also shown in the reduction of inequality and exclusion. The Gini coefficient fell by 0.04 points, from 0.56 to 0.52. Likewise, the Brazil without Misery plan represents an important

milestone in inclusive development for the population and region, by promoting better working conditions, encouraging income generation among the most vulnerable and reinforcing affirmative policies for excluded population groups: women, the Afro-descendant population, people with a disability and rural populations.

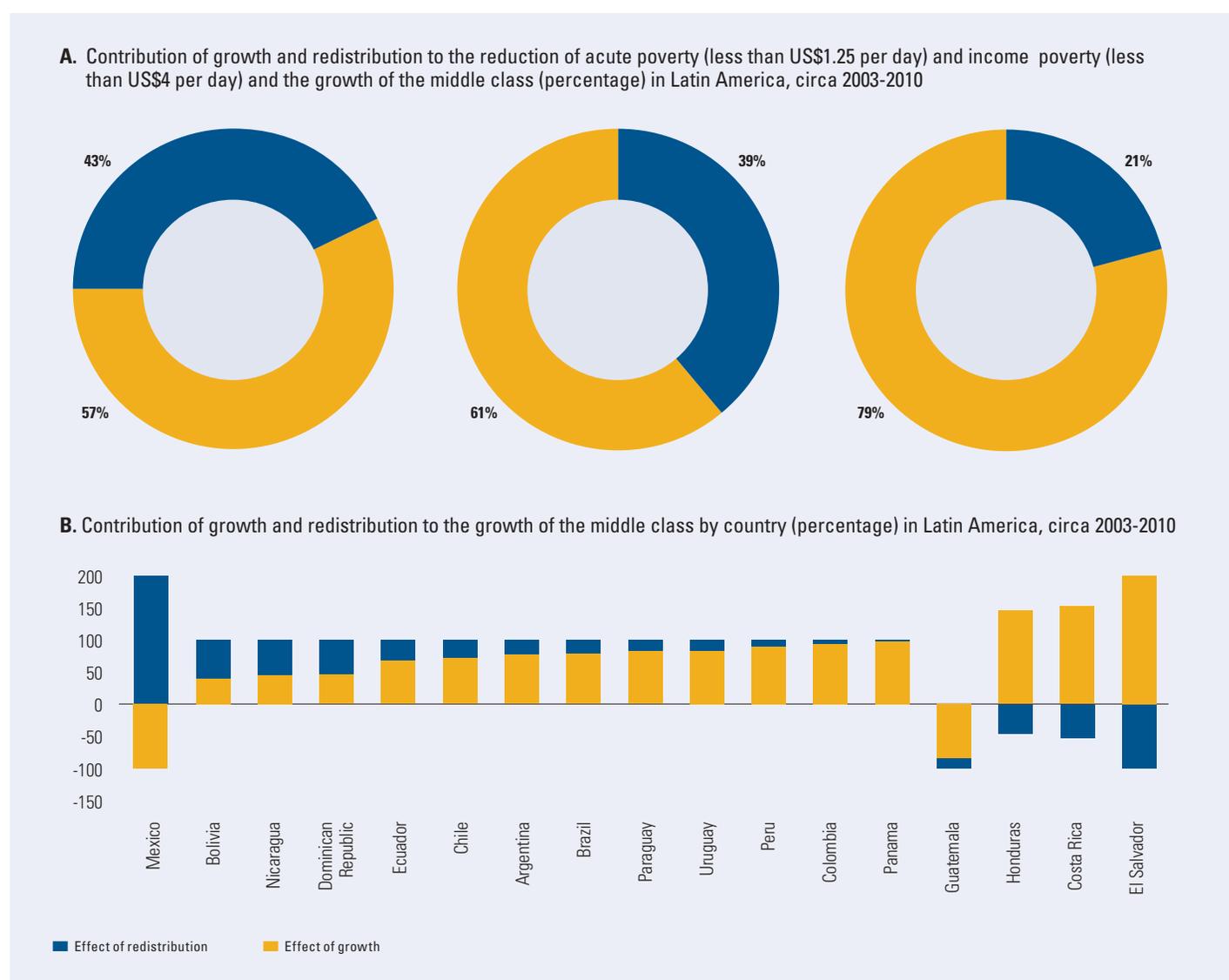
Source: Prepared by the authors based on data provided by Brazil's Ministry of Social Development and the Fight against Hunger (MDS) in 2015.

on the growth of the middle class than on poverty reduction, even though significant differences are recorded between countries. On the other hand, the contribution of the redistribution component to income poverty reduction was high, particularly in the case of the most acute poverty — considering the global extreme poverty threshold of

US\$1.25 per day — yet its effect lessened as the level of income increased. This component was responsible for 43 percent and 39 percent of average poverty reduction with the thresholds at US\$1.25 and US\$4 per day, respectively, while it was only responsible for 21 percent of the increase in the size of the middle class (see figure 2.12).

FIGURE 2.12

**Although the effect of growth on the changes in economic well-being is greater than the redistributive effect, the magnitude of the latter is particularly significant with respect to income poverty reduction, especially the most acute**



Source: Prepared by the authors based on World Bank estimates using information obtained from *SEDLAC* (CEDLAS and the World Bank).

Note: These figures show the percentage contribution of growth and redistribution to changes in the income poverty rate, with thresholds set at US\$1.25 and US\$4 per day, and to changes in the size of the middle class, calculated using the Datt-Ravallion decomposition method (Datt and Ravallion, 1992). The figures corresponding to changes in income poverty according to the US\$4 daily threshold differ slightly from those presented in figure 2.11 because this case concerns the period circa 2003-2010. The breakdowns are based on the DRDECOMP module proposed by Azevedo, Castaneda and Sanfelice (2012). The figures presented in figure A represent the average contributions of each component in each of the following 17 countries for the periods indicated in parentheses: Argentina (2004-2011), Bolivia (2002-2008), Brazil (2004-2011), Chile (2003-2009), Colombia (2003-2011), Costa Rica (2003-2009), Dominican Republic (2003-2011), Ecuador (2003-2011), El Salvador (2003-2010), Guatemala (2000-2011), Honduras (2003-2011), Mexico (2004-2010), Nicaragua (2005-2009), Panama (2007-2011), Paraguay (2003-2011), Peru (2004-2011) and Uruguay (2003-2011).

These results show, on the one hand, the improved efficiency of public policies aimed at eradicating income poverty. In particular, they highlight the high redistributive effect of conditional transfer schemes and other contributory and non-contributory programmes (even when there are significant differences between countries). On the other hand, the results suggest that there is a persistent absence of social policies that have objectives beyond eradicating income poverty, as reflected by the low redistributive effect above the US\$4 per day threshold. Sustainable social transformation should aim to remedy this absence in order to consolidate the achievements to date, particularly in an environment where the prospects of growth are especially low and in which the commodities boom, which has benefited the region in recent years, has been exhausted due to a slowdown of global demand for these goods.

The diverse sizes of the income groups in the different countries, together with the differences in the share of the redistributive factor depending on the initial condition of transformation, implies that future challenges will also be different across the region's countries. For example, in some Central American countries in which a high percentage of the population lives in income poverty, and which have also achieved the lowest relative reduction over the last decade (see figures 2.3 and 2.5), the expansion of social protection systems could be prioritized. These systems remain fragmented and mainly cover the population with links to the formal labour market, which explains the exclusion of the majority of the population from their benefits.<sup>12</sup> Prioritizing in this way not only involves continuing and extending conditional transfer programmes, but also improving their connections with the universalization of basic services, particularly health care.

In the Andes Region, with almost a third of its population in each income group, priorities could be directed towards achieving a combination of growth and social policies. This would generate sustainable upward trajectories of economic well-being, particularly by creating and improving income generation

opportunities through quality employment, and by promoting access to productive assets and social protection schemes with a special focus on the population living in income poverty and the economically vulnerable population. As discussed below, although important steps have been taken in terms of inclusion through income and social spending, an additional challenge to the acceleration of this process is rooted in the implementation of actions aimed at people's productive inclusion. That is, actions to promote capacity-building and skills development, promoting effective links with quality work-related opportunities — for example, for the beneficiaries of conditional transfers who are about to graduate — and reducing the discrepancy between the capacities and aspirations of the labour supply, on the one hand, and the requirements of labour demand, on the other.<sup>13</sup>

Finally, countries with a high proportion of the population in the middle class, such as those in the Southern Cone, could follow a growth pattern that is less reliant on raw materials, which are highly vulnerable to external influences. These countries could reinforce and expand social protection and insurance systems (for example, unemployment insurance, which is still absent from the majority of the region) to consolidate the social advances achieved and avoid potential regression.

In any event, all countries in the region should have a shared priority on their public agendas: guaranteeing that the progress achieved thus far in terms of income poverty reduction is not lost to the low growth projections. This will require more actions with redistributive aims to be implemented, including improving the quality of public services and the efficiency and progressivity of tax systems, an issue that is discussed below.

### **2.3 Factors associated with escaping and falling into income poverty**

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The evidence on the economic mobility experienced by households in the region

between 2003 and 2013 is also significant. The most conservative estimates<sup>14</sup> suggest that, from the beginning to the end of the period circa 2003-2013 alone, almost half of the region's population (49.4 percent) experienced an improvement in their economic situation that gave rise to a process of upward mobility — for example, from extreme poverty to moderate poverty, or from moderate poverty to economic vulnerability; while the other half (50 percent) remained in the situation they were in at the start. Only 1 percent experienced a deterioration in their income level that caused

downward mobility — for example, from economic vulnerability to income poverty. The 49.4 percent of the population that experienced an improvement is composed of those who escaped extreme poverty (15 percent) (of this 15 percent, 10 percent transitioned to moderate poverty and 5 percent to economic vulnerability), those who transitioned from moderate poverty to economic vulnerability and the middle class (15 percent), and those who entered the middle class (19.4 percent) from economic vulnerability (see table 2.1).

TABLE 2.1

**In the region, some 49 (conservative estimate) to 65 people (extreme estimate) per 100 inhabitants experienced an improvement in their economic situation that was significant enough to place them in a higher income group**

Matrix showing the transition of the population to different income groups (percentage) in Latin America, circa 2003 and 2013

		Circa 2013				Total	
		Conservative estimate (lower end) (%)					
Circa 2003		Population living in extreme poverty	Population living in moderate poverty	Vulnerable population	Middle class		
	Extreme poverty	<b>10.6%</b>	9.7%	5.3%	0.0%	25.6%	
	Moderate poverty	0.1%	<b>2.2%</b>	14.7%	0.4%	17.5%	
	Vulnerability	0.0%	0.2%	<b>16.0%</b>	19.4%	35.6%	
	Middle class	0.0%	0.0%	0.2%	<b>21.2%</b>	21.3%	
	<b>Total</b>	10.7%	12.1%	36.1%	41.1%	<b>100.0%</b>	
			Extreme estimate (upper end) (%)				
		Population living in extreme poverty	Population living in moderate poverty	Vulnerable population	Middle class	Total	
	Extreme poverty	<b>0.4%</b>	1.9%	15.1%	8.2%	25.6%	
	Moderate poverty	0.1%	<b>0.6%</b>	8.3%	8.4%	17.5%	
Vulnerability	0.2%	0.6%	<b>11.4%</b>	23.5%	35.6%		
Middle class	0.0%	0.1%	2.6%	<b>18.6%</b>	21.3%		
<b>Total</b>	0.7%	3.3%	37.4%	58.6%	<b>100.0%</b>		

Source: Prepared by the authors based on CEDLAS estimates using information obtained from *SEDLAC* (CEDLAS and the World Bank).

Note: The figures provided indicate the proportion of people that stayed in the same income group (in bold, on the diagonal) and the proportion of people that changed income group (outside the diagonal) in the years circa 2003 and 2013. They correspond to the following 18 countries for the periods indicated in parentheses: Argentina (2003 and 2013), Bolivia (2002 and 2013), Brazil (2003 and 2013), Chile (2003 and 2013), Colombia (2003 and 2013), Costa Rica (2003 and 2013), Dominican Republic (2003 and 2013), Ecuador (2003 and 2013), El Salvador (2002 and 2013), Guatemala (2000 and 2011), Honduras (2003 and 2013), Mexico (2002 and 2012), Nicaragua (2001 and 2009), Panama (2003 and 2013), Paraguay (2003 and 2013), Peru (2003 and 2013), Uruguay (2003 and 2013) and Venezuela (2003 and 2011).

Although in the majority of countries the economic well-being of the population improved on average in general terms, as reflected by the significant fall in the income poverty rate and the significant increase in the size of the middle class, the results of the analysis of individual mobility trajectories for households disagree. As such, it is possible that a significant proportion of the population has suffered losses in their levels of economic well-being. For example, income poverty in countries such as Bolivia or Colombia has fallen significantly, by around 28 and 14 percentage points respectively, and the middle class has grown by 18 and 12 percentage points respectively. Nevertheless, in these countries, on average 50 percent of the population that was living in income poverty did not escape this situation in the 2003-2013 period, and a high percentage of the middle class population fell into a vulnerable situation in the same period: 15 percent and 11 percent of the population that at the start of the period formed part of the middle class in Bolivia and in Colombia, respectively, suffered economic losses that caused them to experience downward mobility and enter a vulnerable situation in 2013.

Figure 2.13, for example shows that, although in Uruguay the poverty rate fell by only 11 percentage points (from 18 percent to 7 percent in the period analysed, giving an average annual reduction of 1.1 percentage points), given the low initial poverty rate, just over 80 percent of the total population living in income poverty

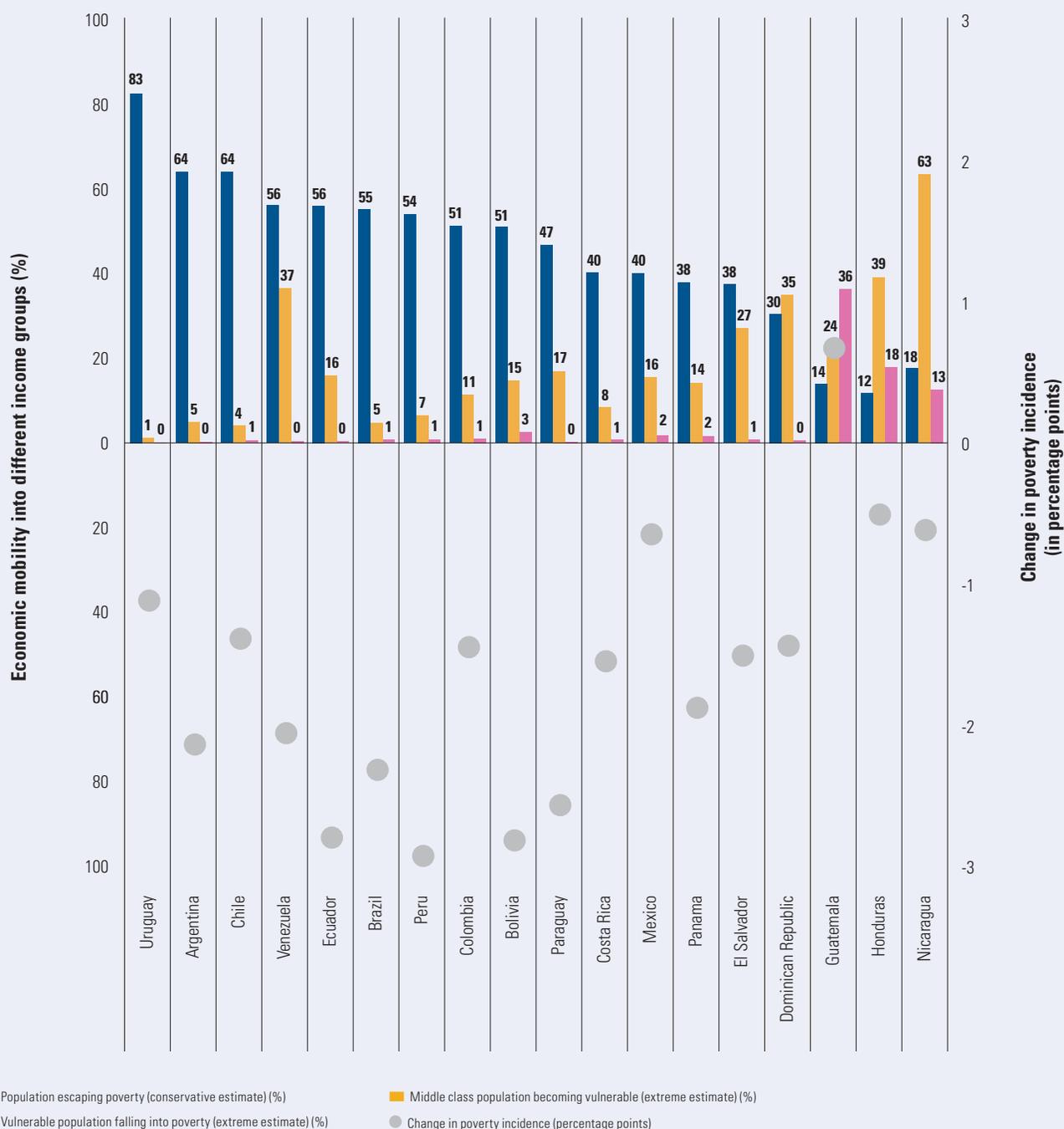
experienced upward economic mobility in this period. On the other hand, in Guatemala income poverty has risen over the past decade, while in Honduras it has fallen slightly. Given this pattern, the most relevant trajectories of economic mobility in these countries are those related to downward movements both from vulnerability to poverty and from the middle class to vulnerability. If the extreme estimate is applied, 18 percent of the vulnerable population of Honduras and 36 percent of the vulnerable population of Guatemala fell into poverty in the period analysed. According to the extreme estimate, 24 percent of the middle class population of Guatemala and 39 percent of the middle class population of Honduras fell into a vulnerable situation.

These trends have been the subject of meticulous analyses that have shown relevant evidence on the three dynamics recorded in the region over the past decade. Firstly, significant long-term upward economic mobility took place from the middle of the 1990s to the end of 2010, as analysed in the Ferreira et al. study (2013). Secondly, a significant number of people continue to live below the poverty line of US\$4 per day, despite the inclusive economic growth experienced during the boom. This dynamic is examined in the work of Vakis, Rigolini and Lucchetti (2015). Finally, the high volatility of the annual movements between different income groups recorded during the boom should be noted, a trend analysed in the Stampini et al. (2015) study.

FIGURE 2.13

**Despite the achievements of the 2003-2013 period, a significant proportion of the population did not escape poverty, while another section moved down, descending from a vulnerable situation or from the middle class into another income group**

Economic mobility into different income groups (percentage) and change in poverty incidence (percentage points) in Latin America, circa 2003-2013



Source: Prepared by the authors based on CEDLAS estimates using information obtained from SEDLAC (CEDLAS and the World Bank).

Note: The figures provided indicate the proportion of people that changed income group during the period circa 2003-2013. These figures were calculated using the synthetic panel technique. They correspond to the following 18 countries for the periods indicated in parentheses: Argentina (2003-2013), Bolivia (2002-2013), Brazil (2003-2013), Chile (2003-2013), Colombia (2003-2013), Costa Rica (2003-2013), Dominican Republic (2003-2013), Ecuador (2003-2013), El Salvador (2002-2013), Guatemala (2000-2011), Honduras (2003-2013), Mexico (2002-2012), Nicaragua (2001-2009), Panama (2003-2013), Paraguay (2003-2013), Peru (2003-2013), Uruguay (2003-2013) and Venezuela (2003-2011).

### Evidence of economic mobility in the region's population

The Ferreira et al. (2013) study, possibly the pioneering work on documenting the recent upward mobility of the middle class in the region, and the source of subsequent studies, including this second chapter, shows the magnitude of upward economic mobility that took place over a 15-year period and identifies the groups that benefited most from this trajectory. In general, and in accordance with the mobility patterns shown in Table 2.1, the results of this study show that 41.4 percent of the region's population experienced upward mobility during the 1995-2010 period; 57.1 percent experienced no change in their situation during these years (22.5 percent continued to live in poverty, while 14.3 percent remained in a vulnerable situation and 20.3 percent in the middle class) and the remaining 1.5 percent experienced downward movement.<sup>15</sup> The estimates also show that the daily per capita income of those individuals who transitioned from poverty to vulnerability grew by almost US\$3, compared with an increase of almost US\$7 for those who transitioned from vulnerability to the middle class (Ferreira et al., 2013, pp. 98-99). With respect to the characteristics underlying upward economic mobility, the study highlighted the educational attainment of the head of the household — in particular, the completion of secondary and tertiary levels — and living in an urban area as the variables that correlated most with this trajectory.

The Vakis, Rigolini and Lucchetti (2015) study analyses the defining characteristics of the population whose income remained below the poverty

line of US\$4 per day in the 2004-2012 period — the chronically poor. In general, the results show that, on the one hand, individuals living in chronic poverty participate less in the labour market, which could explain why they did not benefit from the increase in work-related income which contributed to the reduction of income poverty in the period analysed. Low participation in the labour market makes this population more dependent on income that is not work related, such as direct cash transfers. Moreover, in addition to a lower education level, this population faces lags in its context — in particular, the low level of access to public services — which further differentiate it from those individuals who did escape poverty (Vakis, Rigolini and Lucchetti, 2015).

The Stampini et al. (2015) study explores the dynamic of economic mobility on an annual basis during the 2003-2013 decade. This allows the authors to evaluate the time that the population remained in the different income groups. The evidence presented in this study suggests that, despite increased economic growth in the decade analysed, almost 90 percent and 50 percent of the individuals who in 2003 were living in extreme poverty and moderate poverty, respectively, remained in this situation for five or more years of the following decade. Furthermore, a significant proportion of people who lived in economic vulnerability (65 percent) or who formed part of the middle class (14 percent) in 2003 had experienced income poverty at least once in the decade analysed.

Source: Prepared by the authors based on information consulted in Ferreira et al. (2013), Vakis, Rigolini and Lucchetti (2015), and Stampini et al. (2015).

Based on a probabilistic approach, as well as information obtained from 18 synthetic panels and four longitudinal surveys in the region, the following section identifies the factors that correlate strongly with the economic mobility trajectories analysed. The factors involved therefore vary depending on the type of transition analysed, and that, even when the same factors are present in different transition trajectories, the contribution of each varies depending on the type of mobility considered. Four conclusions summarize the transformations experienced at the household level and identify some of the challenges for public policy.

#### 2.3.1 The playing field is not level: the initial conditions of a population influence progress

The demographic characteristics of the population have had a particular influence on the progress made by households. As child numbers in households increase, so the possibilities of escaping poverty decrease. This is true of all countries in the region, although this link is greater in some countries than in others. For example, the probability of escaping poverty is more than eight percentage points lower in Brazil, Colombia and Peru. Meanwhile, a larger elderly population does not always have a negative impact on households, perhaps due to the existence of mechanisms guaranteeing an income for the elderly.

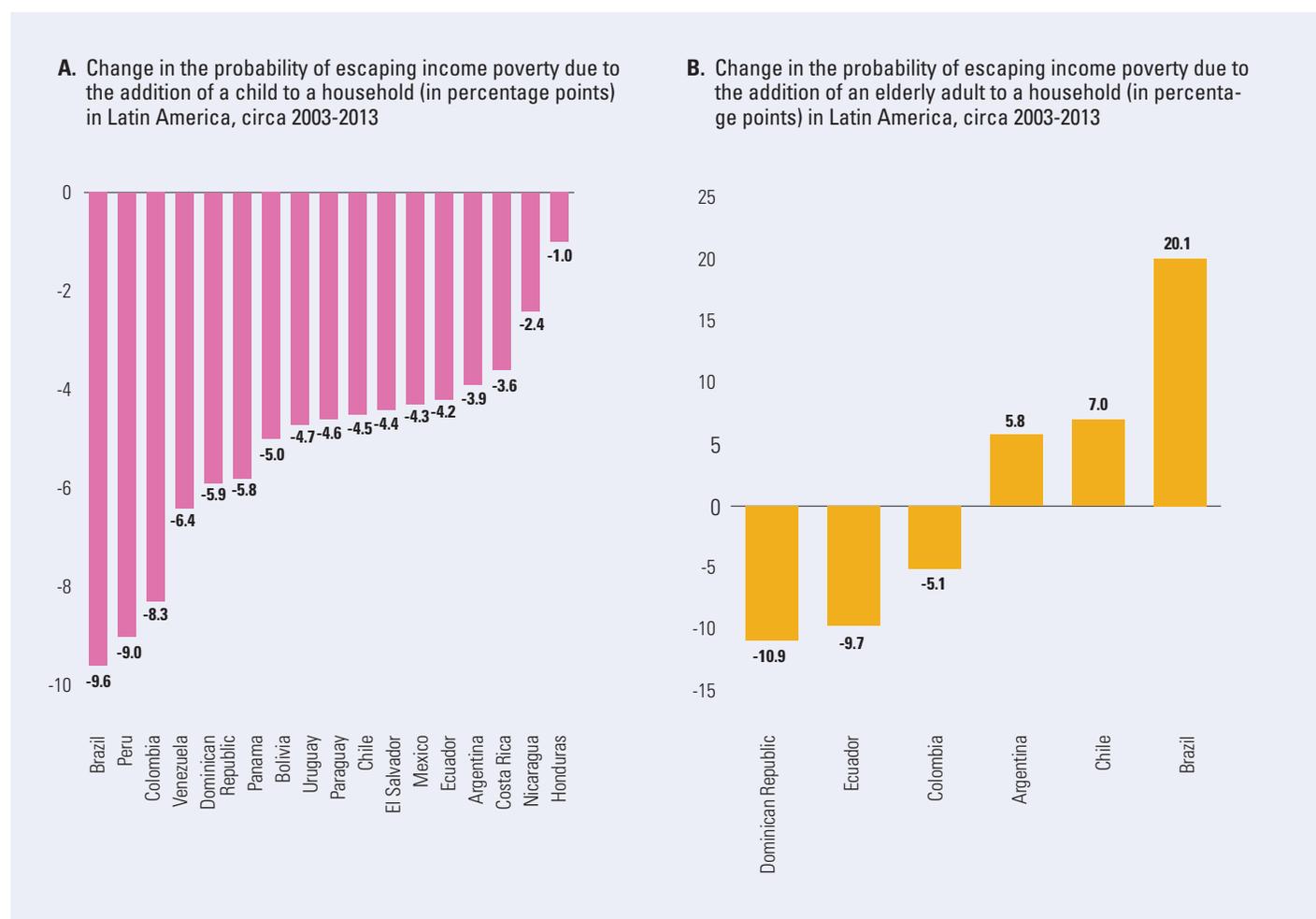
In Colombia, Ecuador and Dominican Republic, the addition of one elderly adult to a household reduces the probability of that household escaping income poverty by approximately 5, 10 and 11 percentage points, respectively. In contrast, in Argentina, Brazil and Chile, an additional elderly person increases this probability by around 6, 20 and 7 percentage points, respectively (see figure 2.14). One possible explanation for these differences may lie in the expansion of pension coverage that took place in these countries in recent years. While in Dominican Republic, Colombia and Ecuador just 16, 24 and 32

percent of the elderly population (aged over 65) receives a pension, respectively, in Argentina, Brazil and Chile pension coverage reaches 90, 85 and 84 percent, respectively (ECLAC, 2013).

Residence in a rural area as opposed to an urban area diminishes the probability of escaping income poverty in the majority of countries in the region, with the exception of Chile. This effect is considerably greater in some countries of the Andean Region — in particular in Peru, Bolivia and Colombia, where rural residence is linked to a decreased probability of escaping income

FIGURE 2.14

**The number of children and elderly people in households affects the probability of escaping poverty**

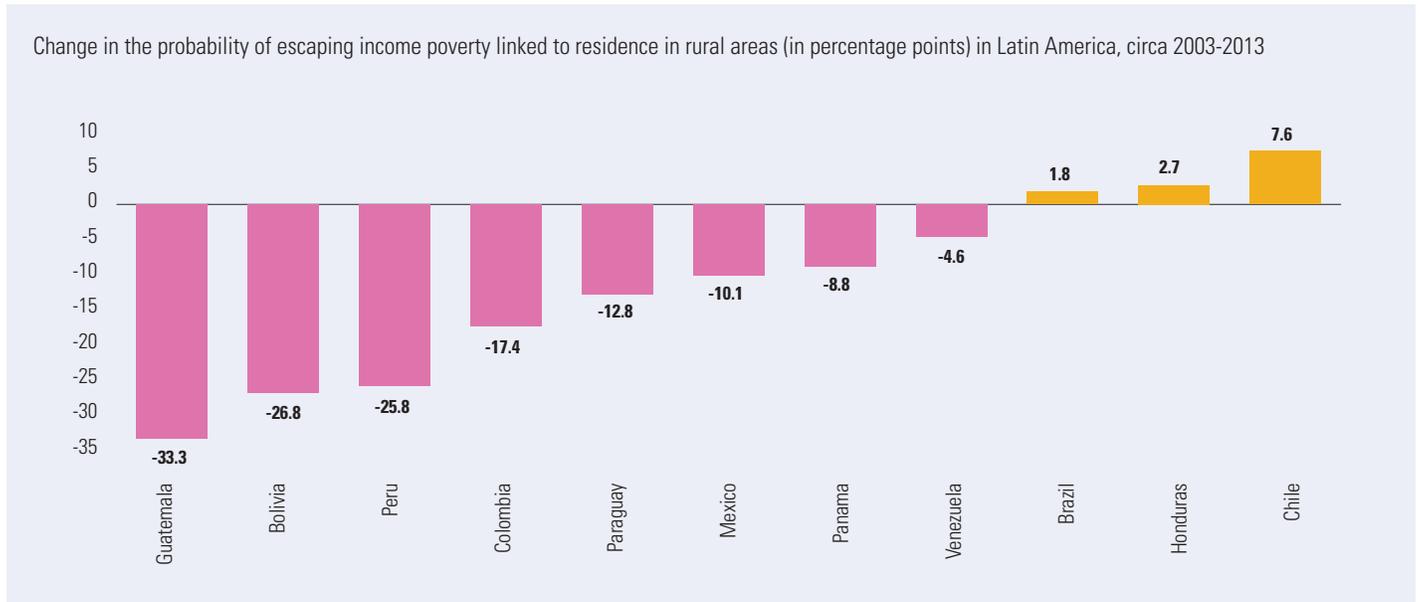


Source: Prepared by the authors based on CEDLAS estimates using information obtained from SEDLAC (CEDLAS and the World Bank).

Note: In order to estimate the probability of escaping poverty, a set of explanatory factors are taken into account for each country to calculate an overall probability of mobility for a household that represents the sample as a whole, equating to the average of the values of the explanatory variables. The overall probability is used as the basis for calculating the scale of changes to this probability, expressed in percentage points, and generated by the variable for additional child population or additional elderly adult population to household composition. This basis is particular to each country and is time-specific. Therefore, the scale of changes to the probabilities cannot be compared between countries.

FIGURE 2.15

**Residence in rural areas diminishes the probability of escaping income poverty in the majority of countries in the region**

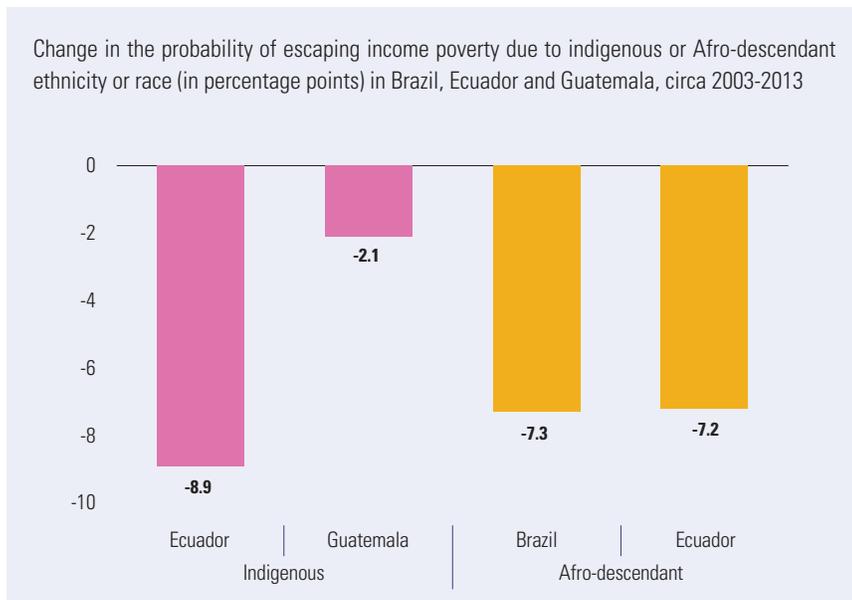


Source: Prepared by the authors based on CEDLAS estimates using information obtained from *SEDLAC* (CEDLAS and the World Bank).

Note: In order to estimate the probability of escaping poverty, a set of explanatory factors are taken into account for each country to calculate an overall probability of mobility for a household that represents the sample as a whole, equating to the average of the values of the explanatory variables. The overall probability is used as the basis for calculating the scale of changes to this probability, expressed in percentage points, and generated by the variable for rural residence. This basis is particular to each country and is time-specific. Therefore, the scale of changes to the probabilities cannot be compared between countries.

FIGURE 2.16

**Indigenous or Afro-descendant populations have a lower probability of escaping income poverty**



Source: Prepared by the authors based on CEDLAS estimates using information obtained from *SEDLAC* (CEDLAS and the World Bank).

Note: In order to estimate the probability of escaping poverty, a set of explanatory factors are taken into account for each country to calculate an overall probability of mobility for a household that represents the sample as a whole, equating to the average of the values of the explanatory variables. The overall probability is used as the basis for calculating the scale of changes to this probability, expressed in percentage points, and generated by the variable for indigenous or Afro-descendant ethnicity or race. This basis is particular to each country and is time-specific. Therefore, the scale of changes to the probabilities cannot be compared between countries.

poverty ranging from approximately 17 to 27 percentage points (see figure 2.15), as evidenced by persistent inequalities in access to opportunities between rural and urban areas. Finally, indigenous or Afro-descendant ethnic and racial background is also linked with a diminished probability of escaping income poverty in countries where this indicator is measured. In Ecuador, for example, the probability of indigenous and Afro-descendant populations escaping income poverty is reduced by 8.9 and 7.2 percentage points, respectively. Meanwhile, the reduction to the probability of the Afro-descendant population escaping poverty stands at 7.3 percentage points in Brazil (see figure 2.16).

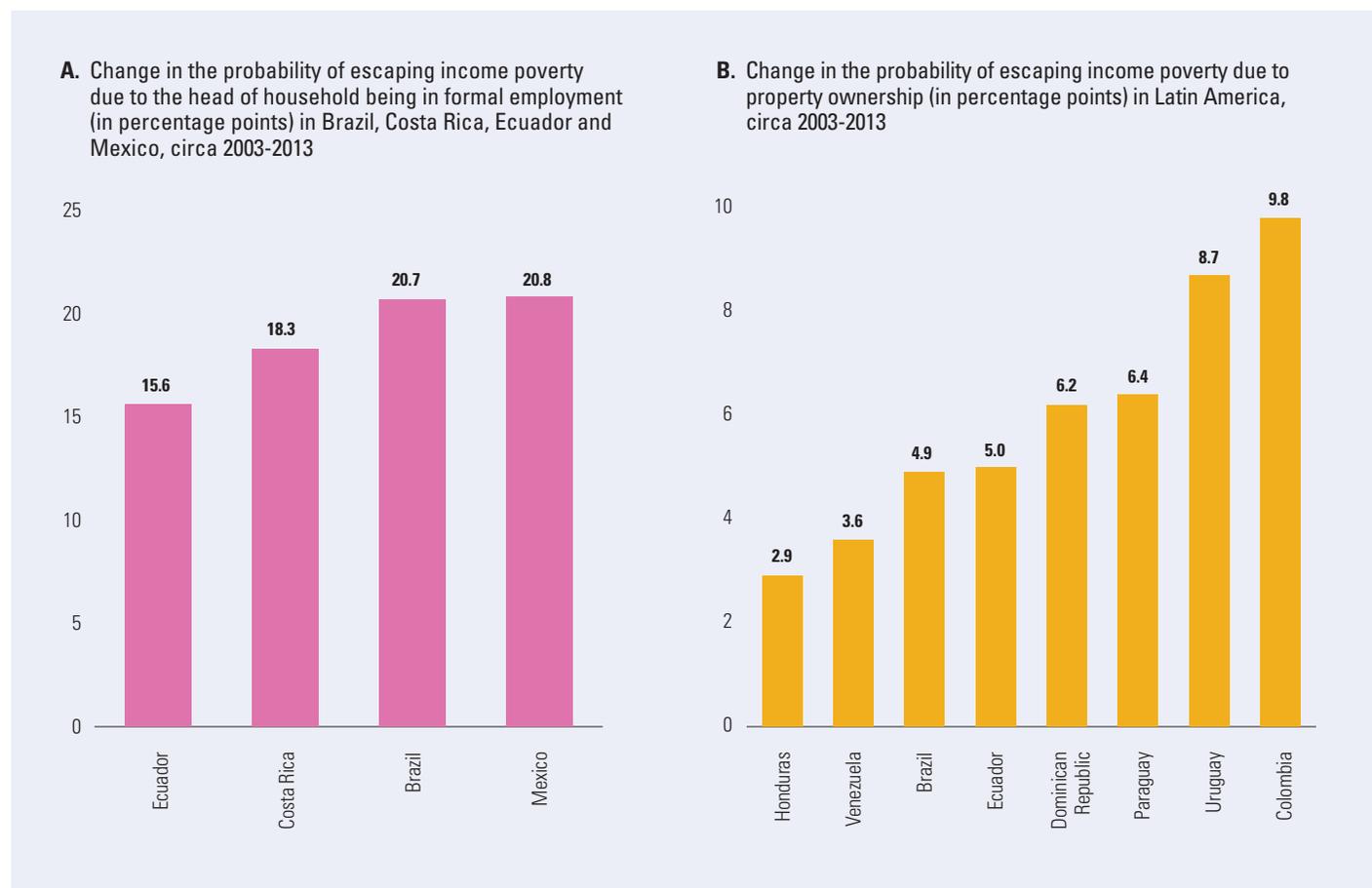
### 2.3.2 The importance of access to assets, social protection and the labour market in helping populations escape income poverty and avoid falling back into poverty

The existence of mechanisms to protect against risk, whether based on access to durable or financial assets, or social protection instruments, as well as access to formal employment, are important in promoting an escape from income poverty. These mechanisms are even more important to preventing people from falling into poverty when adverse shocks occur. For example, households whose head is in formal employment or

households that own their home — the variable of property ownership is considered to be a measure of the level of access to physical assets — are more likely to escape income poverty. In the first case, in households in Brazil, Costa Rica, Ecuador and Mexico, the probability of escaping income poverty for households whose head was engaged in formal employment was approximately 15 to 20 percentage points higher than for those households with heads working informal jobs. Meanwhile, property ownership increases the probability of escaping income poverty by around 3 to 10 percentage points (see figure 2.17).

FIGURE 2.17

**The probability of escaping poverty linked to the head of the household being in formal employment is greater than the probability linked to property ownership**



Source: Prepared by the authors based on CEDLAS estimates using information obtained from SEDLAC (CEDLAS and the World Bank).

Note: In order to estimate the probability of escaping poverty, a set of explanatory factors are taken into account for each country to calculate an overall probability of mobility for a household that represents the sample as a whole, equating to the average of the values of the explanatory variables. The overall probability is used as the basis for calculating the scale of changes to this probability, expressed in percentage points, and generated by the variable for formal employment and property ownership. This basis is particular to each country and is time-specific. Therefore, the scale of changes to the probabilities cannot be compared between countries.

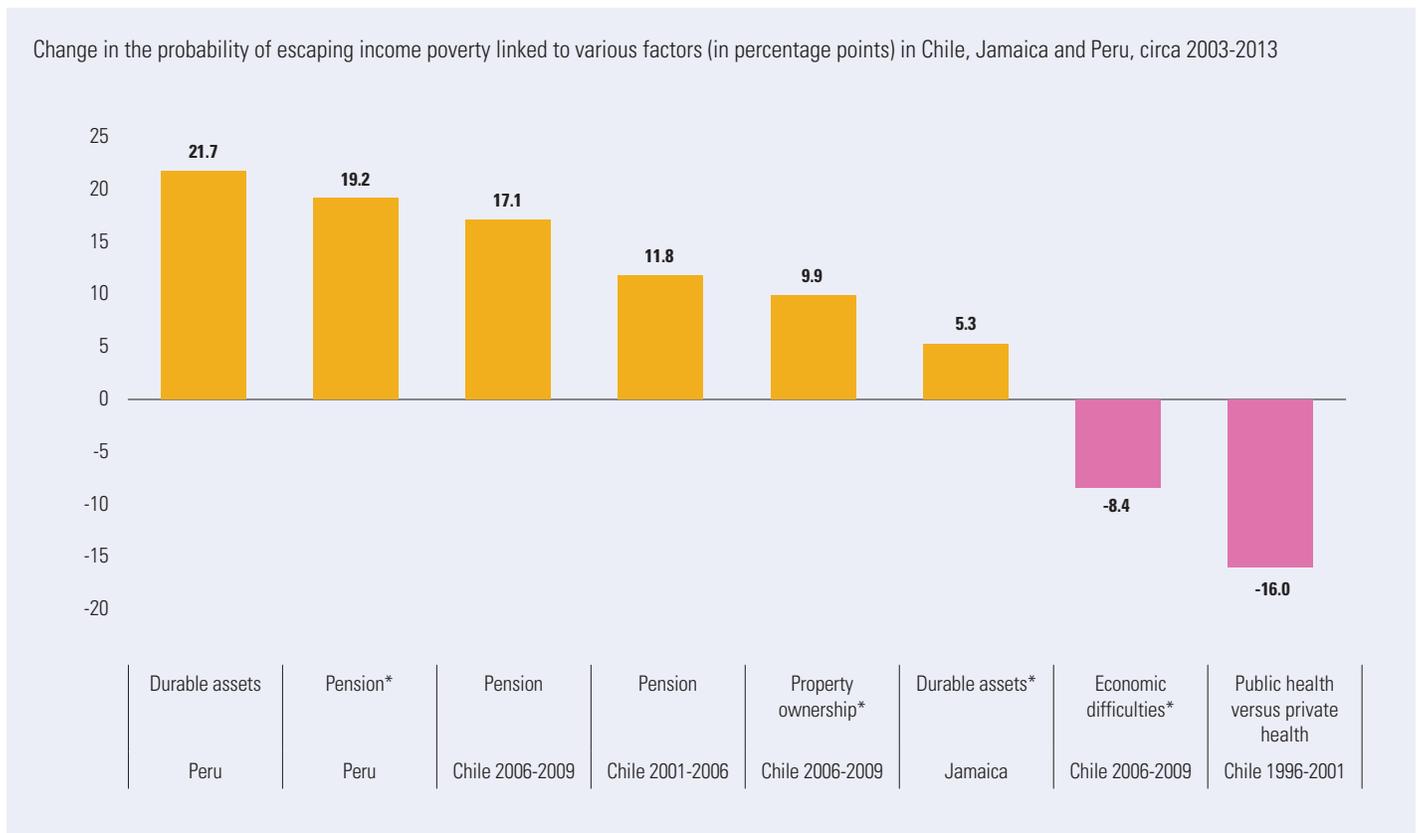
Moreover, factors related to the existence of elements of social protection (such as health care coverage and pensions), the ownership of durable physical assets and financial assets, and the impact of adverse shocks affecting the household and its members contributed to shaping the patterns of economic mobility described above. For example, figure 2.18 shows that pension coverage in Chile during the last decade was associated with an increase in the probability of escaping poverty of 17.1 and 11.8 percentage points for the first and second halves of the decade respectively. These results might be linked to the health care and pension system reforms that took place in Chile during that decade, which contributed to reducing

poverty (Robles, 2011).<sup>16, 17</sup> In Peru, pensions coverage during the second half of the last decade also contributed to an increased probability of escaping income poverty (19 percentage points), a slightly higher increase than that observed in Chile for the same years.

Meanwhile, the possession of durable assets in households in Peru and Jamaica, when compared to a lack of such assets, was associated with an increased probability of escaping income poverty of 21.7 and 5.3 percentage points, respectively. Finally, the effect of adverse economic events on households was negative in Chile, given that it reduced the probability of escaping income poverty by approximately eight percentage points (see figure 2.18).<sup>18</sup>

FIGURE 2.18

**Increased pension coverage in Chile and Peru seems to be linked to an increase in the probability of households escaping income poverty**



Source: Prepared by the authors based on data on Chile consulted in the National Socioeconomic Characterization Survey (CASEN) for 1996, 2001 and 2006, and 2006-2009; data on Jamaica consulted in Benfield, Gómez-Arteaga and Ortiz-Juárez (2015) based on the Survey on Living Conditions (SLC) 2009-2010; and data on Peru consulted in the National Household Survey 2007-2010.

Note: None of the variables related to social protection, assets and risks proved to be significant in explaining an escape from income poverty in Mexico. In order to estimate the probability of escaping income poverty, a set of explanatory factors are taken into account for each country. These factors determine the overall probability of mobility for a household that represents the sample as a whole. The probability equates to the average of the values of the explanatory variables. The overall probability is used as the basis for calculating the scale of changes to this probability, expressed in percentage points, and generated by each of the variables of interest shown on the graph. This basis is particular to each country and is time-specific. Therefore, the scale of changes to the probabilities cannot be compared between countries. The asterisk (\*) indicates that the changes in the probability are significant, with a confidence level of 95 percent. In the rest of the cases, significance reaches a level of 99 percent.

Access to social protection, assets and the labour market also has an influence — a greater influence, even — on reducing the probability of falling into poverty from a vulnerable situation. Figure 2.19 shows that in Chile, contributions to the pension system by the head of household reduced the probability of falling into poverty by 6-7.2 percentage points during the decade 2000 to 2010. Furthermore, the introduction and expansion of non-contributory pensions for the elderly in this period seem to have contributed to reducing the probability by 3.6-4.4 percentage points, according to what is suggested by the variable describing the presence of elderly adults in a household. In Peru, the influence of pension coverage on reducing

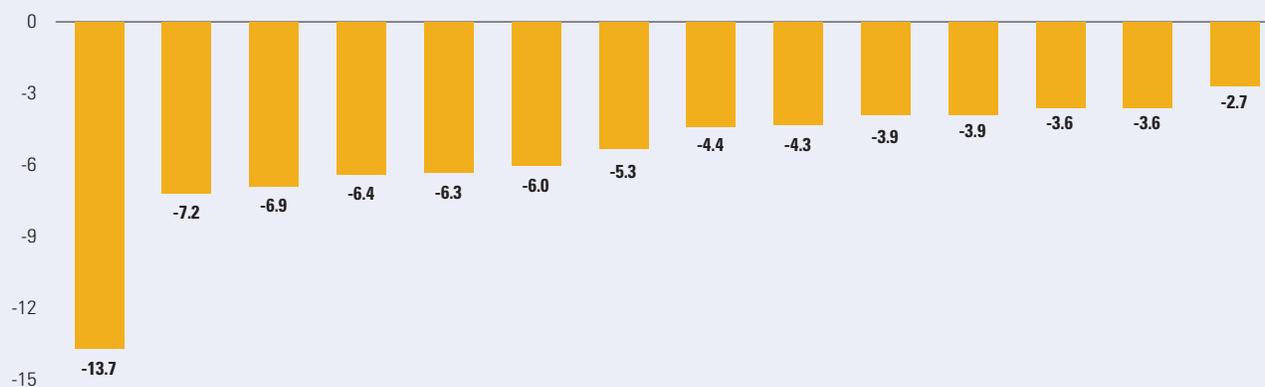
the probability of falling into poverty from a vulnerable situation was significant. Pension coverage led to a reduction to that probability of almost 7 percentage points, while coverage of health services in Jamaica was linked to a reduction of almost 14 percentage points.

Meanwhile, access to financial instruments can also have a significant impact on reducing the risk of falling into income poverty. For example, access to credit or the capacity to take on debt was associated with a decrease in the probability of falling into income poverty of 3.6 percentage points in Chile and 5.3 percentage points in Mexico, while the possession of savings was linked to a reduction of 2.7 percentage points in Chile. Moreover, possession

FIGURE 2.19

### Increased capacity to save and access credit, health care and pension benefits can help reduce the population's risk of falling into poverty

Change in the probability of falling into income poverty from a vulnerable situation due to various factors (in percentage points) in Chile, Jamaica, Mexico and Peru, circa 2003-2013



Health insurance	Pension	Pension	Remittances	Durable assets	Pension*	Credit	Elderly adult in the household*	Durable assets	Remittances*	Durable assets*	Credit*	Elderly adult in the household	Savings*
Jamaica	Chile 2006-2009	Peru	Mexico	Peru	Chile 2001-2006	Mexico	Chile 2006-2009	Mexico	Peru	Jamaica	Chile 2006-2009	Chile 2001-2006	Chile 2006-2009

**Source:** Prepared by the authors based on data on Chile consulted in the CASEN panel survey for 1996, 2001 and 2006, and 2006-2009; data on Jamaica consulted in Benfield, Gómez-Arteaga and Ortiz-Juárez (2015) based on the Survey on Living Conditions (SLC) 2009-2010; data on Mexico consulted in the National Household Living Standards Survey 2002-2005; and data on Peru consulted in the National Household Survey 2007-2010.

**Note:** In order to estimate the probability of falling into income poverty from a vulnerable situation, a set of explanatory factors are taken into account for each country to calculate an overall probability of mobility for a household that represents the sample as a whole, equivalent to the average of the values of the explanatory variables. The overall probability is used as the basis for calculating the scale of changes to this probability, expressed in percentage points, and generated by each of the variables of interest shown on the graph. This basis is particular to each country and is time-specific. Therefore, the scale of changes to the probabilities cannot be compared between countries. The asterisk (\*) indicates that the changes in the probability are significant with a confidence level of 95 percent. In the rest of the cases, significance reaches a level of 99 percent.

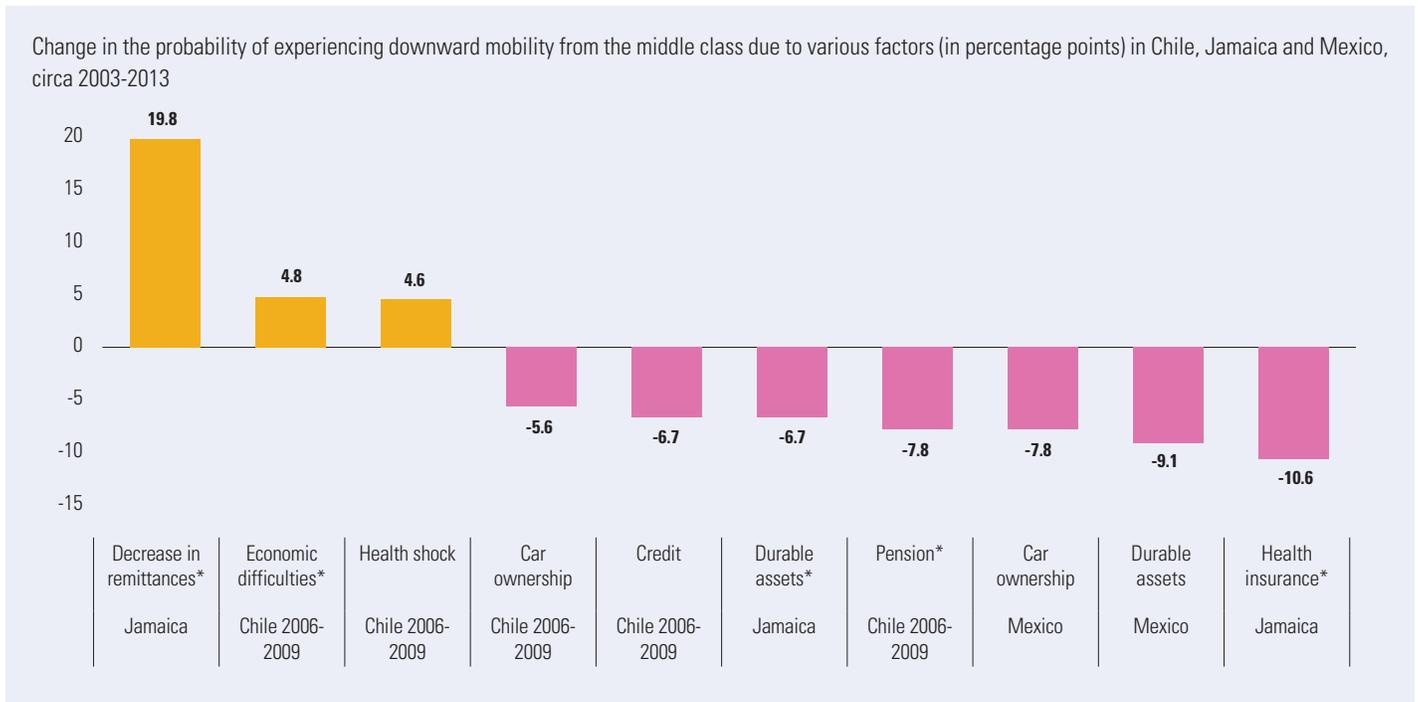
of durable assets in a household was associated with a drop in that probability of around 6 percentage points in Peru and approximately 4 percentage points in Mexico, while some methods of buffering consumption, such as the possibility of receiving remittances, led to a reduction in the probability of falling into poverty of 3.9 in Peru and 6.4 percentage points in Mexico.

Social protection mechanisms are equally important to avoiding a fall from the middle class. In other words, regardless of income level, protection measures have an important role in avoiding a regression in people's economic well-being. Figure 2.20 sets out some of the social protection indicators that contributed to a reduction in the probability of the middle class transiting towards a situation of economic vulnerability or income poverty. In Jamaica, being in possession of health insurance translated into a reduction

of 10.6 percentage points in the probability of falling from the middle class into a lower income strata, while in Chile pension coverage led to a reduction in that probability of 7.8 percentage points, when compared to a situation in which both of these benefits were absent. Ownership of physical assets and access to financial assets also had an influence on a reduction in the probability of experiencing downward mobility from the middle class. For example, in Chile, access to credit was associated with a reduction of that probability of almost 7 percentage points. Finally, adverse shocks led to an increase of almost 5 percentage points in the probability of experiencing downward mobility in Chile during the second half of the last decade, while a reduction in the flow of remittances in Jamaica following the financial crisis led to an increase in this probability of almost 20 percentage points.

FIGURE 2.20

**Adverse economic shocks have a significant impact on an increase in the probability of the middle class experiencing downward mobility, which points to the importance of expanding social protection networks and financing**



Source: Prepared by the authors based on data on Chile consulted in the CASEN panel survey for 2006-2009; data on Jamaica consulted in Benfield, Gómez-Arteaga and Ortiz-Juárez (2015) based on the Survey on Living Conditions (SLC) 2009-2010; and data on Mexico consulted in the National Household Living Standards Survey 2002-2005.

Note: None of the variables related to social protection, assets or risks proved to be significant in explaining this mobility pattern in Peru. In order to estimate the probability of downward mobility from the middle class, a set of explanatory factors are taken into account for each country to calculate an overall probability of mobility for a household that represents the sample as a whole, equating to the average of the values of the explanatory variables. The overall probability is used as the basis for calculating the scale of changes to this probability, expressed in percentage points, and generated by each of the variables of interest shown on the graph. This basis is particular to each country and is time-specific. Therefore, the scale of changes to the probabilities cannot be compared between countries. The asterisk (\*) indicates that the changes in the probability are significant with a confidence level of 95 percent. In the rest of the cases, significance reaches a level of 99 percent.

### 2.3.3 The tax system can affect the patterns of economic mobility experienced by households

In addition to the effect of people's initial conditions and the circumstances that they face over time on their possibilities in terms of economic mobility, another factor can influence their level of economic well-being: tax policy. One of the main instruments of redistribution available to governments, tax policy can promote greater well-being by means of public transfers in cash and in kind, and even make it possible for a certain proportion of people to experience upwards economic mobility; in order to escape income poverty, for example. Nevertheless, in various countries in the region, tax policy is also one of the main sources of income inequality and impoverishment, mainly due to regressive indirect taxes that can promote downward mobility, and in many cases reduce or cancel out any gains deriving from public transfers.

Recent evidence shows that, leaving aside the effects of indirect taxes and subsidies, the tax interventions implemented in the form of public cash transfers, which are mainly directed at the population living in income poverty, can enable a significant proportion of that population to move into a vulnerable situation or the middle class. In particular, this proportion reaches almost 42 percent in Uruguay and 30 percent in Chile, while in Brazil, Costa Rica and Ecuador the figures vary from 13 to 16 percent. In Brazil, almost 1 percent of the population living in poverty has moved into the middle class thanks to this kind of transfer. At the other extreme, the proportion of people that were able to escape poverty due to this kind of intervention varies from 6 to 7 percent in Bolivia and Mexico, while the figure stands at approximately 3 percent in Colombia, El Salvador and Peru, and is just under 1 percent in Guatemala (see figure 2.21A).

When the effects of indirect taxes and subsidies are taken into account, upward mobility experienced by the population living in income poverty decreases to almost half in Bolivia, Brazil, Chile, Costa Rica and Uruguay, and to a lesser degree in El Salvador and Peru. For example, while in Uruguay

almost 42 percent of the population escaped poverty after receiving public cash transfers, this proportion fell to 28 percent following the intervention of the tax system (see figures 2.21A and 2.21B). In other words, 14 percent of households living in poverty in Uruguay that could have moved into a vulnerable situation or the middle class thanks to public transfers remained in their original situation, due to the application of indirect taxes and subsidies.

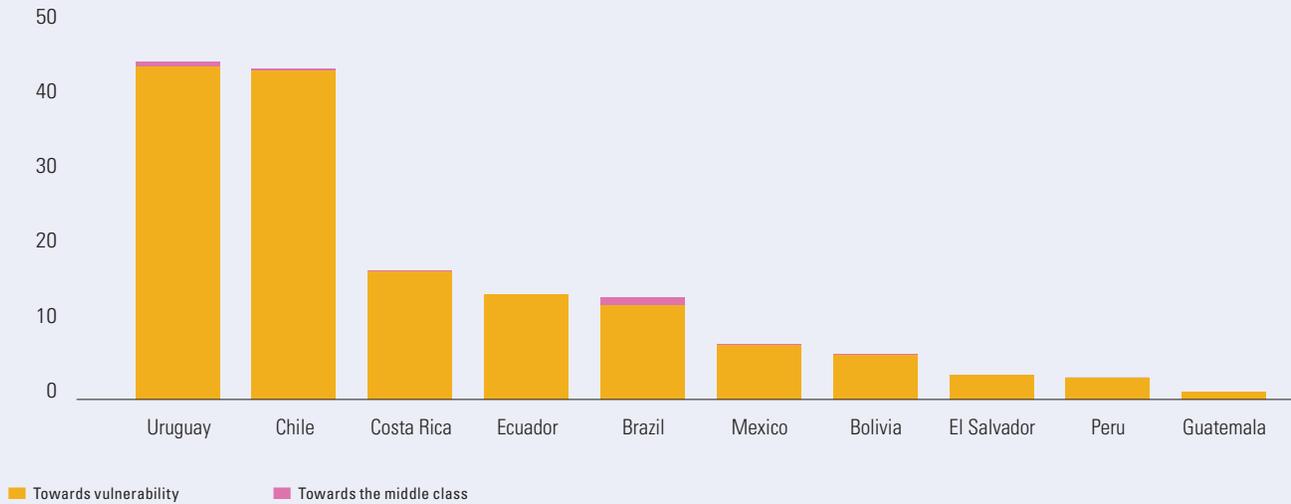
These results suggest that following the net impact of the fiscal system — that is, having calculated the effects of both public transfers and taxes — the benefits received by some lower income groups in the form of public transfers reduced in scale or were even cancelled out entirely. In El Salvador, for example, the fiscal system resulted in the population living in extreme poverty becoming net taxpayers, while in countries such as Bolivia, Guatemala and Peru, the net taxpayers were the population group living in moderate poverty. In those three countries, the population living in extreme poverty experienced a positive change in their market income of almost 5 percent following the net effect of the fiscal system (see figure 2.22A). In Colombia, both the populations in extreme poverty and in moderate poverty made net gains from the fiscal system; nevertheless, this positive effect was relatively low, ranging from 5 to 10 percent.

In a second group of countries, the net gains of the population living in extreme poverty following the application of the fiscal system reached some 25 to 40 percent over their market income. Within this group of countries, the net tax-paying population was that living in moderate poverty in Brazil; the population in economic vulnerability in Costa Rica and Mexico; and the middle class in Ecuador (see figure 2.22B). Finally, in Chile and Uruguay, the poorest population sustained net gains of over 80 percent over their market income, while gains in the population living in moderate poverty stood at 12 percent in Chile and 21 percent in Uruguay. In both countries, the net tax-paying population was the population living in economic vulnerability (see figure 2.22C).

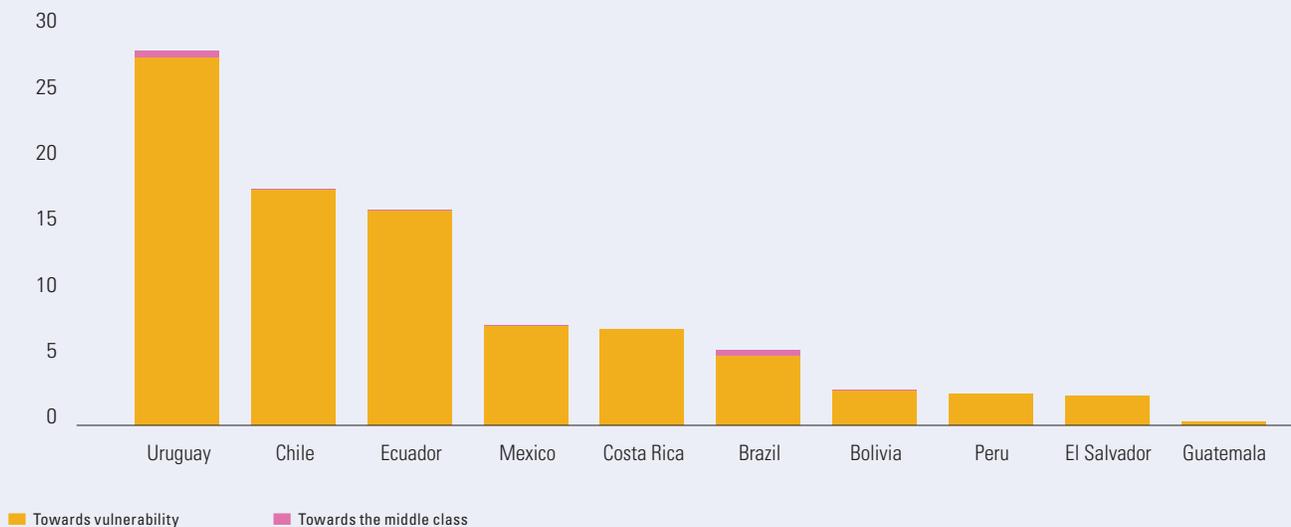
FIGURE 2.21

**Were it not for the effect of indirect taxes and subsidies, in 2010 public cash transfers alone would have lifted more than 30 percent of the population living in income poverty out of that situation in countries such as Chile and Uruguay. However, due to the impact of indirect taxes and subsidies, the proportion of the population living in income poverty that was actually able to escape poverty thanks to public cash transfers was reduced by almost half in the majority of countries**

**A. Population living in income poverty that experienced upward mobility following cash transfers (in percentages) in Latin America, circa 2010**



**B. Population living in income poverty that experienced upward mobility following cash transfers and the application of indirect taxes and subsidies (in percentages) in Latin America, circa 2010**

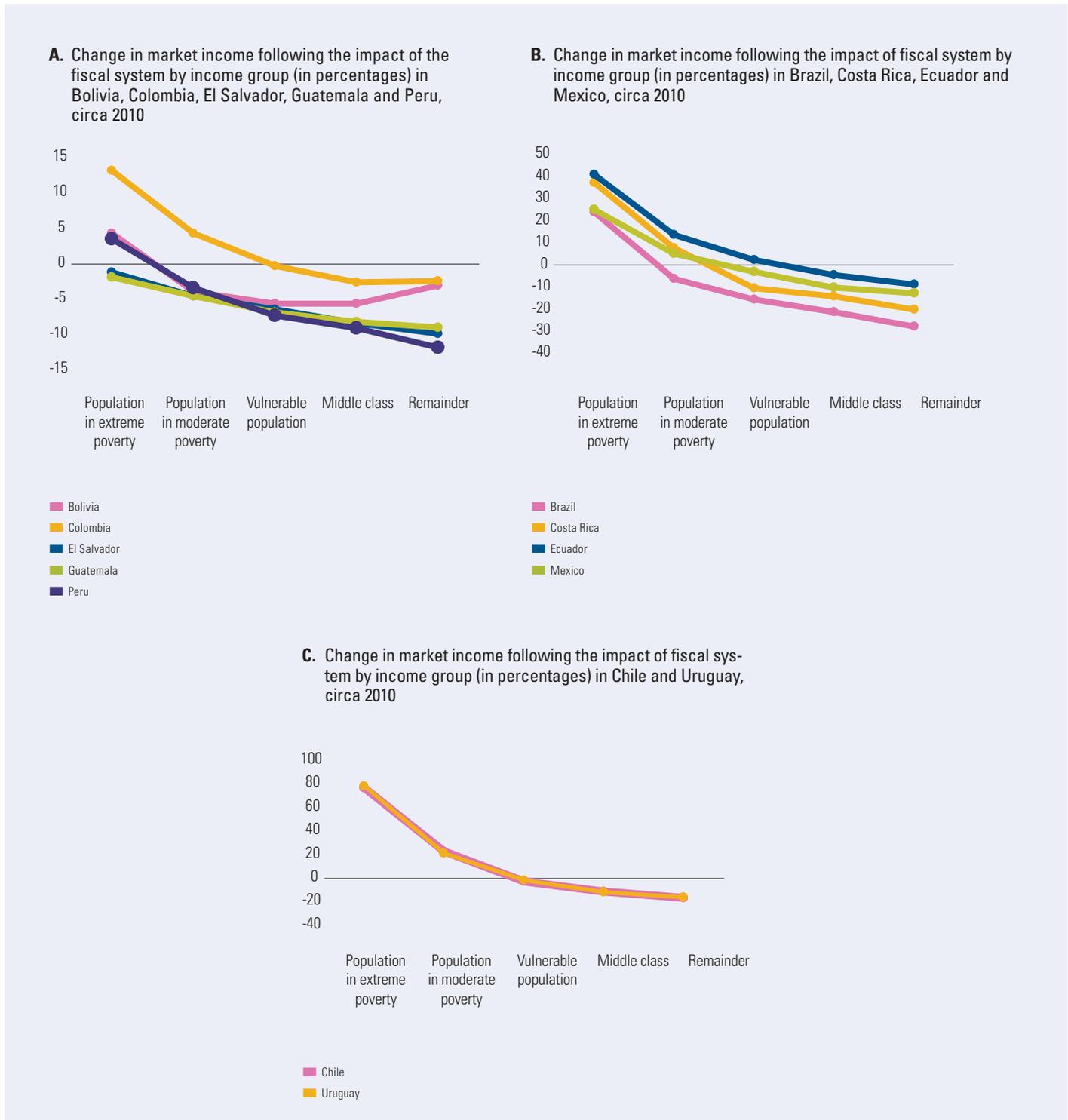


Source: Prepared by the authors based on information consulted in Lustig and Martínez-Aguilar (2016).

Note: The figures shown for each of the countries examined correspond to the years indicated in parentheses: Bolivia (2009), Brazil (2009), Chile (2013), Costa Rica (2010), Ecuador (2011), El Salvador (2011), Guatemala (2011), Mexico (2010), Peru (2009) and Uruguay (2009).

FIGURE 2.22

**Following the impact of the fiscal system, in some countries the population living in extreme poverty were net taxpayers within the tax system, while in others the net tax-paying population was the population living in moderate poverty**



Source: Prepared by the authors based on information consulted in Lustig and Martínez-Aguilar (2016).

Note: The data presented express percentage change in the market income of the population in each group that can be accounted for by the net impact of the fiscal system; i.e., following the application of public transfers and taxes. Market income includes wages and salaries, income in the form of capital, and private transfers, before the application of public transfers, taxes and social security contributions. The figures shown for each of the countries examined correspond to the years indicated in parentheses: Bolivia (2009), Brazil (2009), Chile (2009), Colombia (2010), Costa Rica (2010), Ecuador (2011), El Salvador (2011), Guatemala (2010), Mexico (2010), Peru (2009) and Uruguay (2009).

The impact of the tax system and indirect subsidies not only reduces the effect of public cash transfers on upwards economic mobility: it can also drive part of the vulnerable and middle-class populations into downward mobility. This pattern can be observed in the majority of countries in the region for which information is available, although the scale of such effects varies. For example, in Brazil 19 percent of the vulnerable population transitioned to income poverty following the application of the fiscal system, while 25 percent of the middle class moved into vulnerability. The same figure stood at 4 percent in Ecuador and Peru. The data set out in figure 2.23 suggest that the entire proportion of the middle-class population that experienced downward mobility moved into economic vulnerability: this is true in the majority of countries. Nevertheless, in Guatemala and Colombia part of that proportion crossed the threshold of income poverty, albeit in

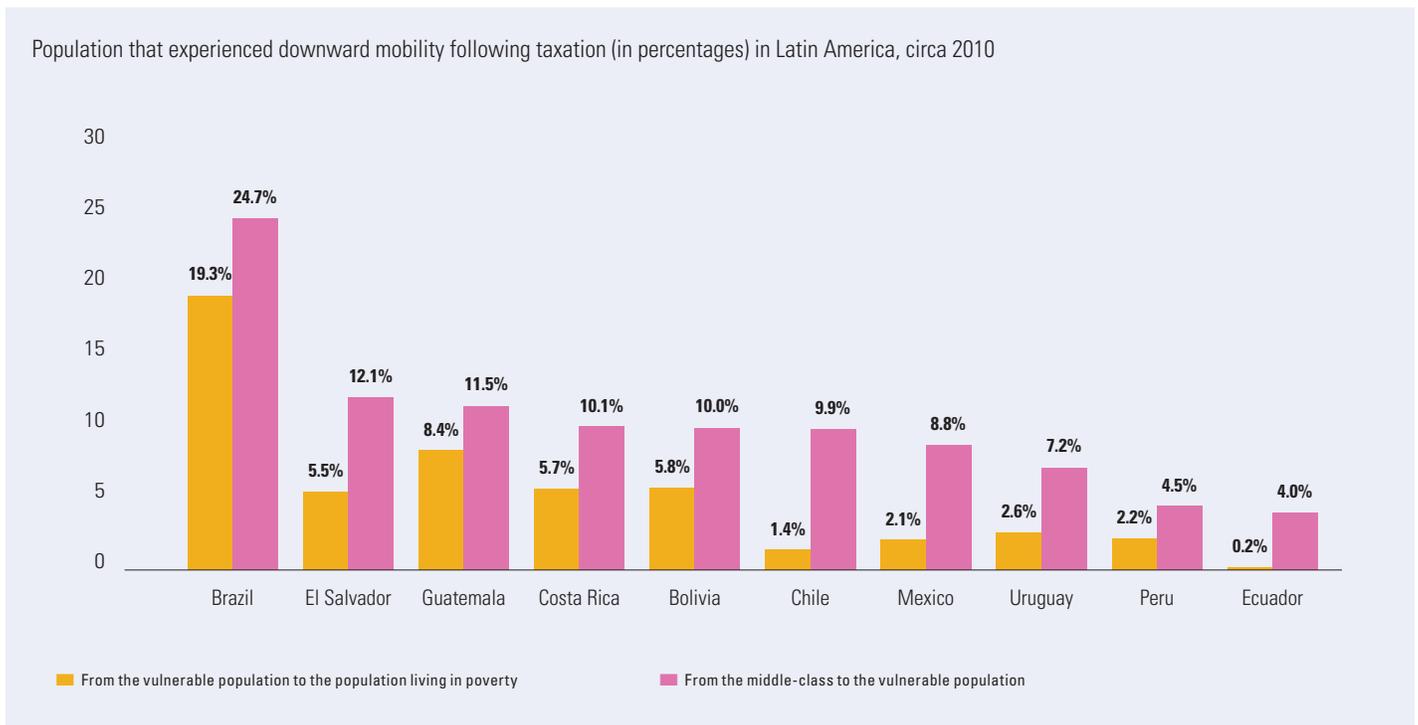
very low numbers: some 0.2 percent and 0.3 percent, respectively.

In summary, the patterns of progression and the factors linked to the probability of a population experiencing improvements to its economic well-being depend on the characteristics of each country, such as the initial conditions in which the population finds itself or the distribution of risks. Consequently, each country poses specific challenges in terms of the interventions that institutions should apply. While in general the evidence highlights the particular importance of intervening in the labour market (for example, by promoting training and supporting productive and suitable integration into the labour market) and the social protection system (for example, by introducing pensions and care systems), the nature and scale of these challenges vary according to country.

In each of the countries, the factors that influence the probability of increasing

FIGURE 2.23

**Due to the impact of the fiscal system, a significant proportion of the vulnerable and middle-class populations experienced downward mobility in the majority of countries in the region**



Source: Prepared by the authors based on information consulted in Lustig and Martínez-Aguilar (2016).

Note: The figures shown for each of the countries examined correspond to the years indicated in parentheses: Bolivia (2009), Brazil (2009), Chile (2009), Colombia (2010), Costa Rica (2010), Ecuador (2011), El Salvador (2011), Guatemala (2010), Mexico (2010), Peru (2009) and Uruguay (2009).

well-being are not necessarily the same factors that affect the probability of reducing it, both in terms of the nature and magnitude of its effect. In some countries, for example, the integration into the labour market of a household living in income poverty increases the probability of this household escaping poverty. This effect was greater than the effect observed when analysing the extent to which integration into the labour market reduced the probability of a vulnerable household experiencing downward mobility. In other countries, access to productive and financial assets has a greater influence on reducing the probability of impoverishment for the vulnerable population and the middle-class, while certain initial conditions — such as residence in a rural area — have a stronger link with reducing the probability of escaping poverty. These results suggest that, for example, the extension of certain redistribution strategies such as conditional transfers or non-contributory pensions, which are effective in contributing to reducing income poverty in certain countries in the region, would be not be enough to consolidate the middle class or to build resilience among the vulnerable population. Rather, such strategies must be complemented with mechanisms targeted at strengthening and accumulating capacities over the long term. In particular, actions must be targeted at creating systems to protect against risks, generate assets, and promote access to labour and credit markets.

Finally, while the positive performance of redistribution policies has been crucial to the social transformation of the region, this performance is still insufficient. In various countries of the region, potential gains in well-being have been reduced by the aggressive nature of the tax system. This means that the possibility of achieving continued reductions in income poverty rates or ensuring that middle-class strata continue to expand in coming years will depend, at least in part, on countries' capacity to reduce the scale of fiscal impoverishment (a question that this Report will later address in more depth) and maximize the net fiscal gains among the population with the lowest income, i.e., the populations living in poverty or vulnerability.

## 2.4 Conclusions: achievements at-risk

The new income pyramid in Latin America and the Caribbean is the result of public policies that shaped the both the pattern of economic growth and the specific impacts over employment, education and other social dimensions of well-being. Challenges remain in terms of coordinating actions to avoid the progress of certain transitions brought about by specific policies from being hampered or prevented altogether by the implementation of other policies. Nevertheless, the greatest challenge at this time consists in protecting the achievements made and in building resilience in each household in the region. Due to the economic slowdown, it is essential to ring-fence the achievements made in order to protect them from the effects of economic and employment shocks. This will require work on the dynamics of both escaping income poverty and of falling into poverty.

Around 140 million people, some 24 percent of the region's population, live below the poverty line of US\$4 per day, while almost 67 million people are below the poverty line of US\$2.5 per day. More than 224 million people, some 38 percent of the total population, find themselves living in economic vulnerability, surviving on an income of between US\$4 and US\$10 per day. Behind these income-based figures are capacities, assets and public policy interventions that go beyond income. If a basket of capacities beyond income (such as access to social protection, care systems and financial assets, and skills and employment opportunities) is not defined and implemented, between 25 and 30 million people living in economic vulnerability may face a high risk of falling into income poverty in coming years.<sup>19</sup>

The labour market stands at the crossroads between the dynamics of escaping income poverty and falling into it. The challenge of promoting productive inclusion and expanding social protection coverage to the population living in economic vulnerability has grown. More than half of the 300 million people employed in the region work as salaried workers in micro-enterprises with fewer than five workers, as unqualified self-employed

workers, or as unpaid workers. Some 60 million of the 109 million workers living in economic vulnerability work under these conditions. Of this group, just 48.5 percent are in permanent employment, while 44.5 percent are deprived of access to employment-based pensions.

Despite the advances made in increasing social protection coverage thanks to the creation of basic universal pensions, the expansion of non-contributory pensions and the design of flexible contribution mechanisms for small enterprises and independent workers, the region still suffers from a high level of inequality in access to social protection that depends on the type of employment. In comparison with salaried workers, non-salaried workers have a lower probability of accessing pensions and, to a lesser extent, health coverage (Ocampo and Gómez-Arteaga, 2016). Thus, processes

to ensure universal coverage of protection systems must be intensified in order to guarantee coverage that does not depend on income level or job type. This would protect against idiosyncratic and systemic risks such as unemployment, illness, economic recession, insecurity or natural disasters. Such risks, when they occur in a context without protection mechanisms, are capable of dragging the population into poverty traps.

Thus, not all of the challenges faced in the region are related to income. The changes to income observed over time are subject to underlying demographic, employment and educational factors that shape them, as well as multiple well-being indicators that transcend them. This perspective, which moves beyond income, will be developed in further detail in the next chapter of this Report.

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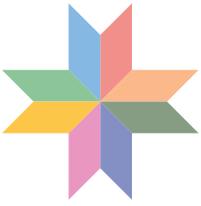
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# Transitions “beyond income”: toward multidimensional well-being





# Transitions “beyond income”: toward multidimensional well-being

## Introduction

The reduction of income-based poverty and the emergence of middle classes are the most tangible outcomes of the processes that have transformed the region’s income pyramids. Public policy has shaped both the benefits of economic growth and the social and employment achievements recorded in the region. This chapter focuses on what lies behind income transitions, examining the changes that have a cumulative impact “beyond income”: demographic transitions, the expansion of education, changes in the labour market and the increased use of natural resources. The most significant contribution to the “beyond income” agenda is the advent of multidimensional measurements and policies. The pioneering assessment work by the Multidimensional Poverty Index (MPI) is now paving the way for innovative approaches to visualizing multidimensional well-being and reveals new development challenges faced by middle-income countries.

The first section of the chapter lists some of the underlying transformations behind the income pyramid transitions. It also includes an estimate of observed social, labour and environmental achievements, compared with the expected achievements given each country’s level of per capita GDP. The region is exceeding what its income level would suggest, particularly with regard to a range of health and basic services indicators, and some education indicators. This pattern expresses the very essence of the human development approach promoted by the United Nations Development Programme (UNDP) since 1990 and supports the findings of the report

published by Stiglitz, Sen and Fitoussi in 2009: GDP is a measurement of national income and not of a population’s well-being. This constitutes the starting point on the pathway towards a multidimensional approach to public policy.

Section two focuses on the major contribution made by multidimensional poverty measurements to public policy. These measurements have enabled a leap forward in terms of visualizing forms of deprivation “beyond income” in many of the region’s countries, and with regard to policy discussions on missing multidimensional poverty dimensions. Facets such as the lack of humiliation, empowerment, psychological well-being, job quality and physical safety are some of the indicators that demarcate the next frontier for work on multidimensional measurement of both deprivation and well-being.

The last section of the chapter describes a multidimensional basket of resilience to vulnerability which shows the likelihood of a household remaining above or below income poverty thresholds. These dimensions include job quality, social protection, care systems and access to physical and financial assets, based on evidence presented in chapter 2. These factors are still absent for a large swathe of the region’s population and could help reduce the likelihood that 25-30 million Latin Americans falling back into poverty over the coming years: these figures have been estimated based on the scale of the movements observed in previous periods. The chapter ends with a call to develop new multidimensional policies and measurements to address poverty and promote well-being beyond the thresholds of income poverty.

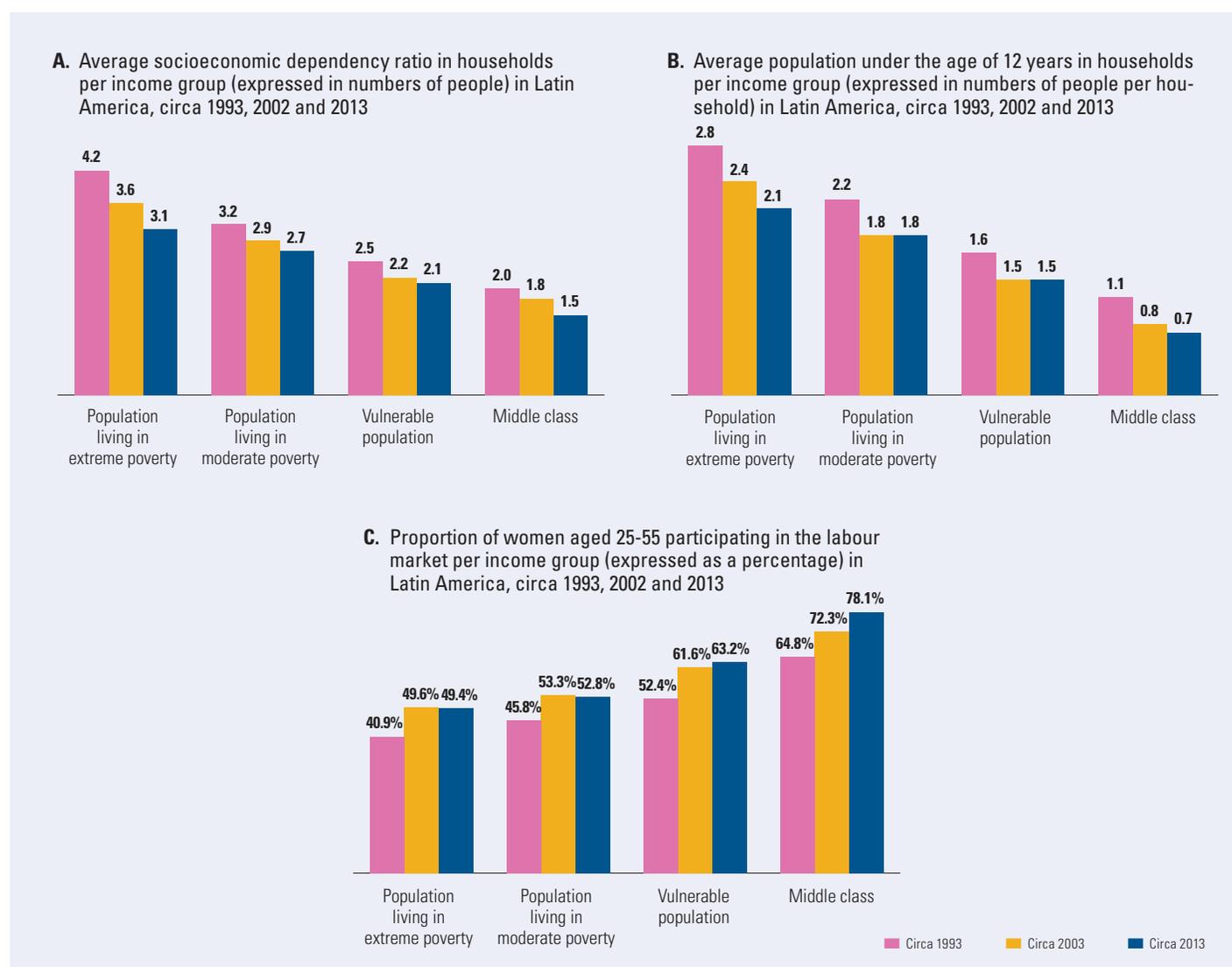
### 3.1 Transformations behind and beyond income

There are at least three underlying transformations behind the income transitions described in the previous chapter. Firstly, demographic changes in households, which help to improve levels of well-being and to increase the probability of escaping income poverty. Specifically,

the region's economic dependency ratios, i.e. the number of people who have no income compared with the number of people with an income, dropped in all the income groups over the past two decades and fell most sharply among the poorest people. Alongside this change, the participation of women in the labour market increased in all the income groups during the 1993-2013 period (see figure 3.1).

FIGURE 3.1

**Falling economic dependency ratios, particularly in the poorest households, have helped to improve levels of well-being by facilitating greater opportunities to generate work-related income**

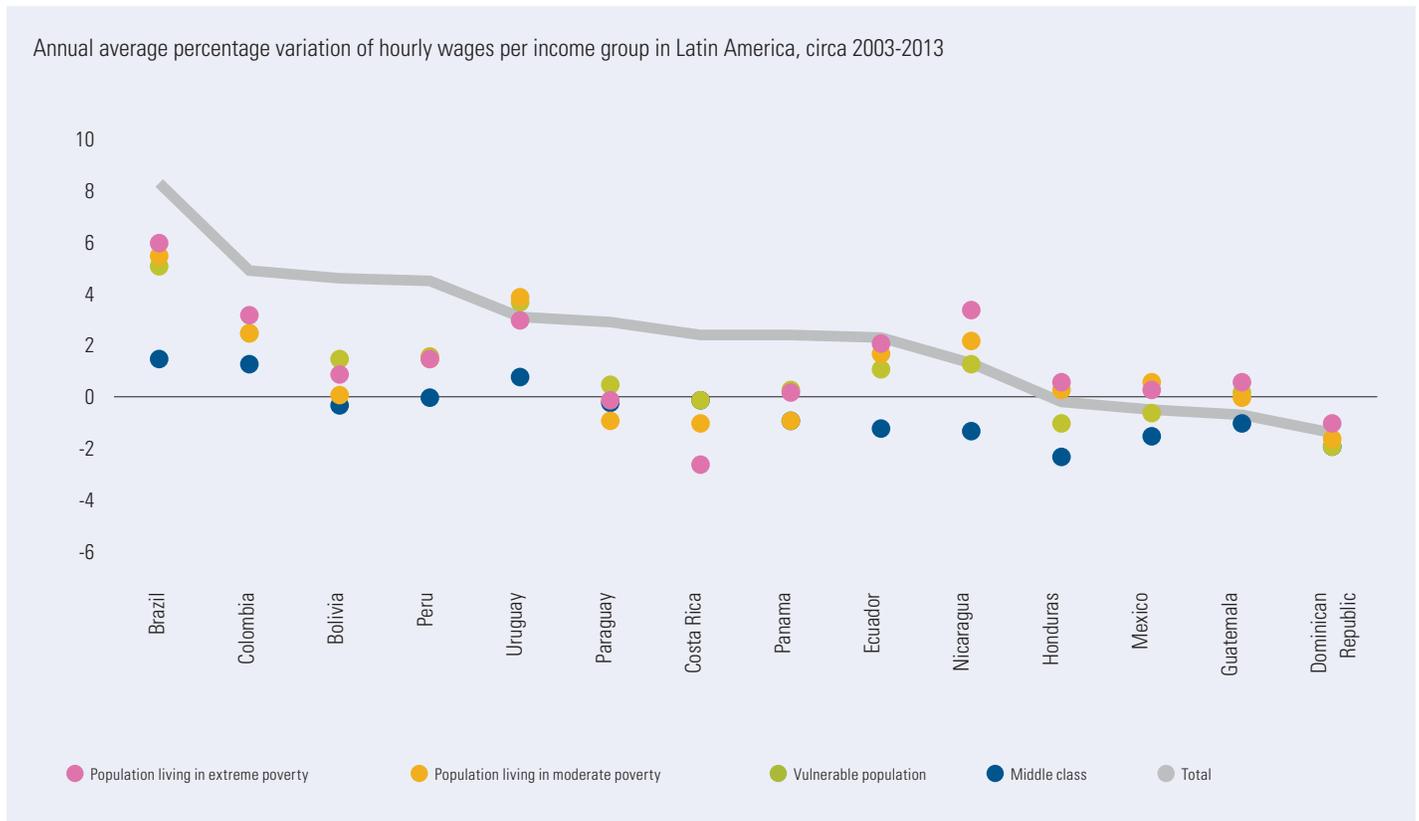


Source: Prepared by the authors based on estimates from the Center for Distributive, Labor and Social Studies (CEDLAS) using information obtained from the Socio-Economic Database for Latin America and the Caribbean - SEDLAC (CEDLAS and the World Bank).

Note.: The figures are the weighted average of the statistics from the following 18 countries for the years indicated in parentheses: Argentina (1992, 1998 and 2014), Bolivia (1997, 2002 and 2013), Brazil (1993, 2003 and 2013), Chile (1992, 2000 and 2013), Colombia (1996, 2003 and 2013), Costa Rica (1992, 2002 and 2013), Dominican Republic (1996, 2003 and 2014), Ecuador (1994, 2003 and 2014), El Salvador (1991, 1998 and 2013), Guatemala (2000 and 2011), Honduras (1992, 2003 and 2013), Mexico (1992, 2000 and 2012), Nicaragua (1993, 2001 and 2009), Panama (1991, 2001 and 2013), Paraguay (1995, 2004 and 2013), Peru (1997, 2004 and 2014), Uruguay (1992, 2004 and 2014) and Venezuela (1992, 2001 and 2011).

FIGURE 3.2

Hourly wages for all workers increased in almost all the countries, although they rose more sharply for workers living in poverty



Source: Prepared by the authors based on CEDLAS estimates using information obtained from SEDLAC (CEDLAS and the World Bank).  
 Note: Hourly wages are expressed in local currency and adjusted to 2014 prices based on the consumer price indexes published in the World Bank's World Development Indicators (WDI) (November 2015 update). The periods covered for each country are as follows: Bolivia (2002-2013), Brazil (2003-2013), Colombia (2003-2013), Costa Rica (2003-2013), Dominican Republic (2003-2014), Ecuador (2003-2014), Guatemala (2000-2011), Honduras (2003-2013), Mexico (2000-2012), Nicaragua (2001-2014), Panama (2001-2013), Paraguay (2004-2013), Peru (2004-2014) and Uruguay (2004-2014).

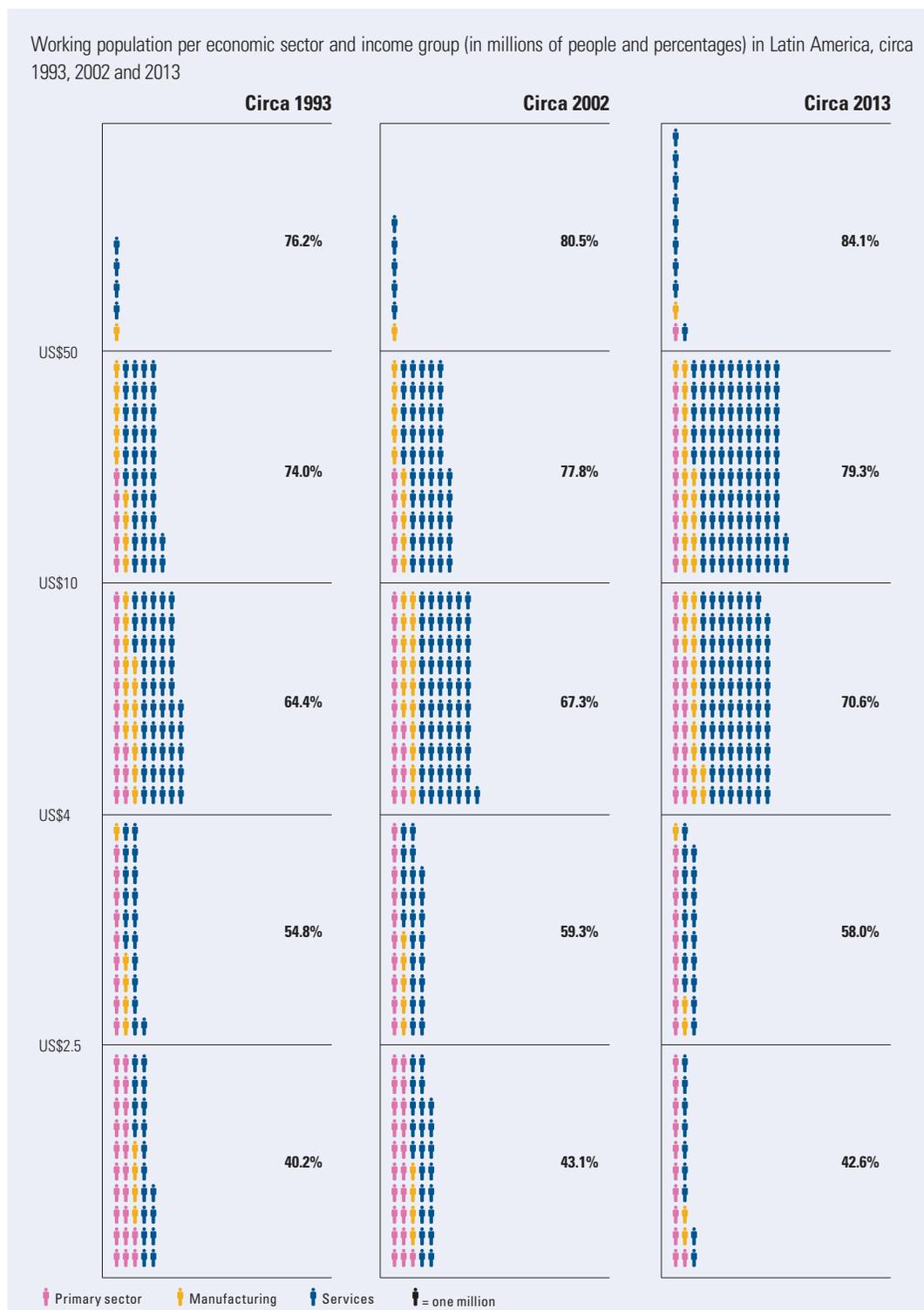
Secondly, changes generated via the labour market. Specifically, and beyond a slight increase in formal improvement rates,<sup>20</sup> most of the benefits of the economic growth generated by the recent commodities boom have been transferred to workers via wages, particularly those at the bottom end of the distribution. This was the case during the period of greatest change, when hourly wages grew in most of the countries for which information is available (see figure 3.2). In Brazil, for instance, actual growth of hourly wages occurred at an average annual rate of 6 percent for workers living in extreme poverty and at a rate of 5.5 percent for workers experiencing moderate poverty.<sup>21</sup>

The dynamism of the economy changed the composition of the region's workforce. Over the 1993-2002 period, 39 million

people joined the ranks of the working population, which grew from 206 to 245 million. Approximately 50 million further swelled the population over the following decade, with the working population totalling close to 300 million in 2013. These figures account for 46 percent, 48 percent and 51 percent of the region's total population in the corresponding years. This latest expansion of close to 50 million workers was concentrated in the middle strata of the population and in terms of types of work, almost all of these workers joined the service industry (see figure 3.3). Over the 2003-2013 period, 87 percent of the new workers who were economically vulnerable and 81 percent of the new middle class workers swelled the ranks of the service sector.<sup>22</sup>

FIGURE 3.3

**Approximately 50 million people joined the working population over the 2003-2013 period. The increase was concentrated in the middle strata of the population and was almost entirely absorbed by the service industry**



Source: Prepared by the authors based on CEDLAS estimates using information obtained from SEDLAC (CEDLAS and the World Bank).

Note: The income thresholds separating each group are expressed in US dollars (US\$) per person per day. Each person on the chart represents one million workers. The figures are the total from the following 18 countries in the years indicated in parentheses: Argentina (1992, 1998 and 2014), Bolivia (1997, 2002 and 2013), Brazil (1993, 2003 and 2013), Chile (1992, 2000 and 2013), Colombia (1996, 2003 and 2013), Costa Rica (1992, 2002 and 2013), Dominican Republic (1996, 2003 and 2014), Ecuador (1994, 2003 and 2014), El Salvador (1991, 1998 and 2013), Guatemala (2000 and 2011), Honduras (1992, 2003 and 2013), Mexico (1992, 2000 and 2012), Nicaragua (1993, 2001 and 2009), Panama (1991, 2001 and 2013), Paraguay (1995, 2004 and 2013), Peru (1997, 2004 and 2014), Uruguay (1992, 2004 and 2014) and Venezuela (1992, 2001 and 2011).

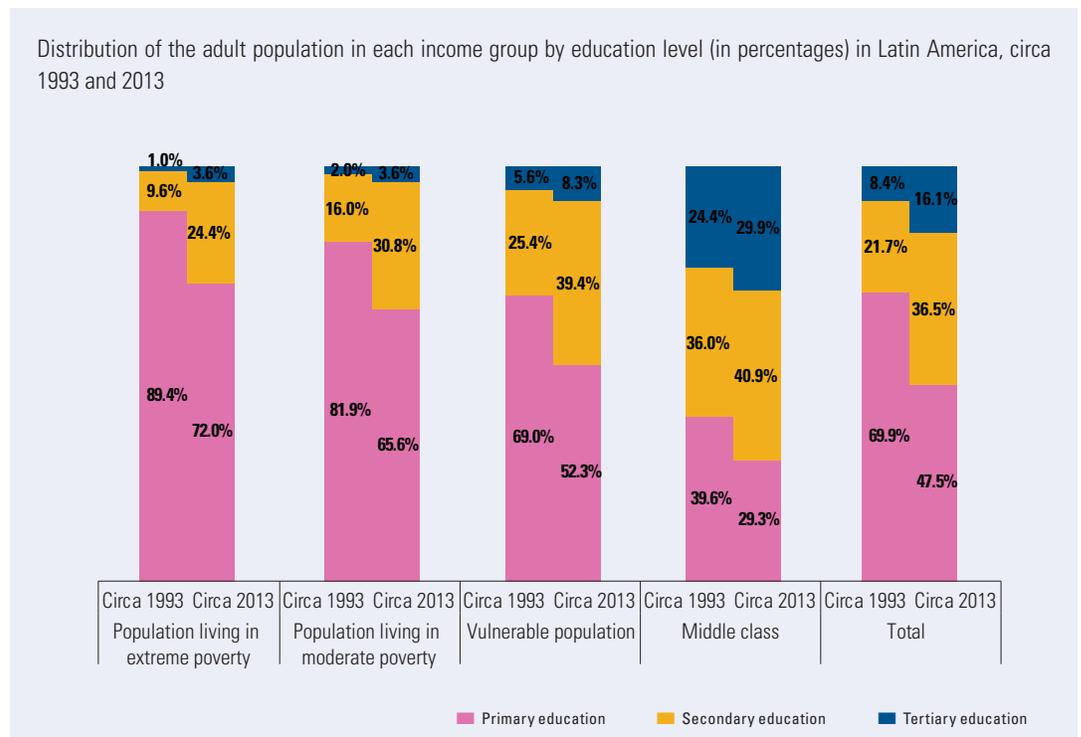
Finally, it is important to mention the widespread rise in educational attainment which helped to reduce wage gaps caused by qualification levels. Along with wage increases, the proportion of the working population with higher educational attainment also rose.<sup>23</sup> The proportion of the adult population of working age with some secondary and tertiary education increased over the past two decades, rising from 30 percent in the early 1990s to 38 percent in 2002, and slightly over 50 percent in 2013. This change in skills distribution occurred in all the income groups and particularly in lower-income groups. If we solely compare figures from 1993 and 2013, we see that this proportion doubled among adults living in extreme and moderate poverty, grew from 31 percent to 48 percent among economically vulnerable

people, and increased from 60 to 70 percent in the middle class (see figure 3.4).

Progress made in key areas of human development, for instance, health and education, increased significantly since 1990, at average annual rates of 0.6 percent and 1.3 percent respectively — higher than the rates for the economic component of the Human Development Index (HDI). Meanwhile, specific maternal mortality, infant mortality and food deficit indicators fell by more than half over the same years (see figure 3.5). Notable improvements were also achieved in other areas such as water supply, sewerage, and energy and all the income groups benefited from these improvements (see figure 3.6).

FIGURE 3.4

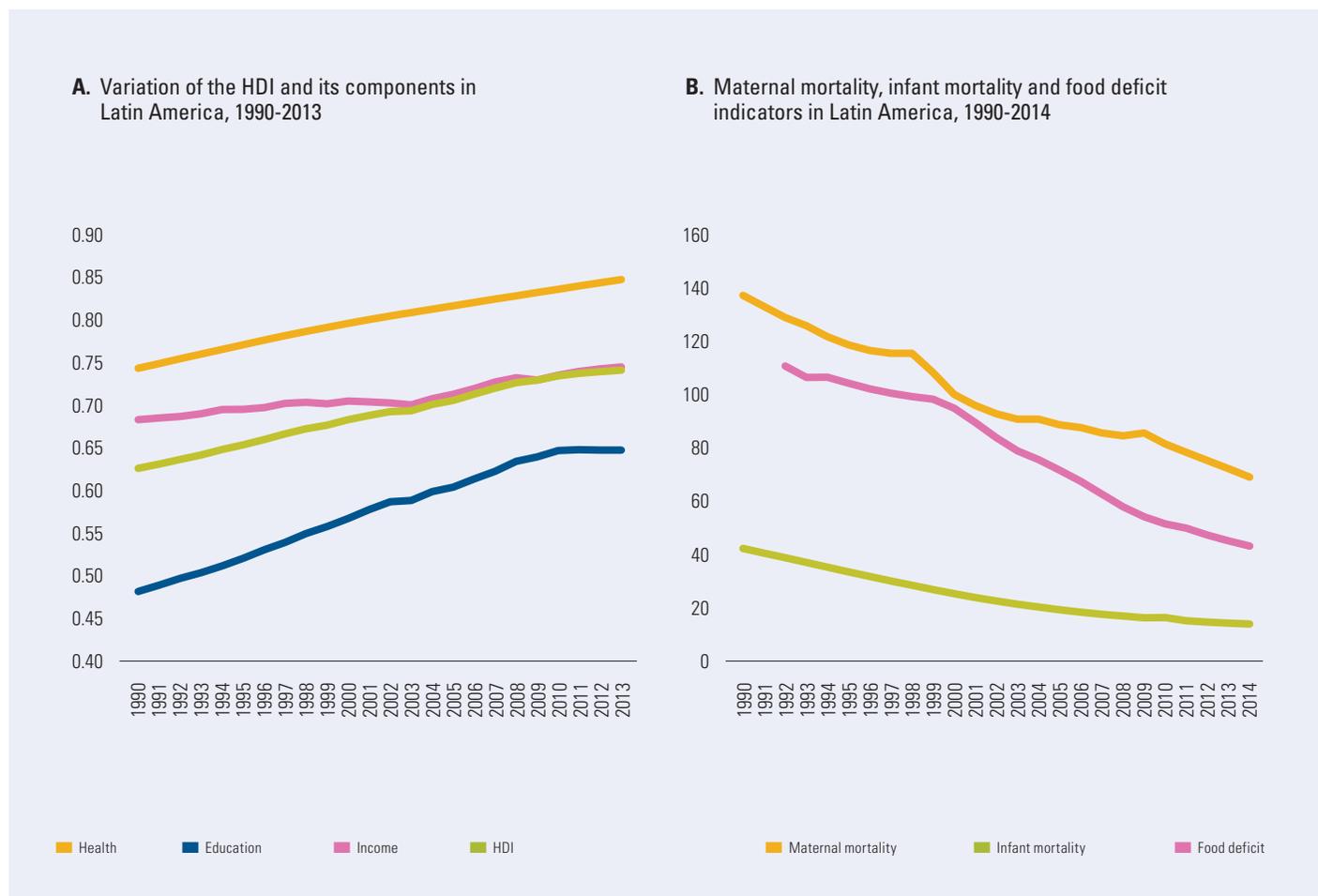
**In 2013, over half of the region's adult population had completed at least a year of secondary or tertiary education**



Source: Prepared by the authors based on CEDLAS estimates using information obtained from SEDLAC (CEDLAS and the World Bank).  
 Note: Education levels are defined based on years of schooling completed by the population, without monitoring the quality of education: zero to eight years of education equates to primary level, nine to 13 years equates to secondary level, and over 13 years of education equates to tertiary level. The adult population is made up of people aged 25-55. The figures are the weighted average of the statistics from the following 18 countries for the years indicated in parentheses: Argentina (1998 and 2014), Bolivia (2002 and 2013), Brazil (2003 and 2013), Chile (2000 and 2013), Colombia (2003 and 2013), Costa Rica (2002 and 2013), Dominican Republic (2003 and 2014), Ecuador (2003 and 2014), El Salvador (1998 and 2013), Guatemala (2000 and 2011), Honduras (2003 and 2013), Mexico (2000 and 2012), Nicaragua (2001 and 2014), Panama (2001 and 2013), Paraguay (2004 and 2013), Peru (2004 and 2014), Uruguay (2004 and 2014) and Venezuela (2001 and 2011).

FIGURE 3.5

**Significant improvements have been made in the region in health, education and food. Maternal and infant mortality, for example, were roughly halved over the 1990-2014 period**



**Source:** Prepared by the authors based on data from the Human Development Index (HDI) and its components from the UNDP Human Development Report Office, 2014; maternal mortality data from WHO, UNICEF, UNFPA, World Bank and United Nations Population Division (2014); infant mortality data from UNICEF (2015), and data about the food deficit from the Food and Agriculture Organization of the United Nations (FAO), 2014.

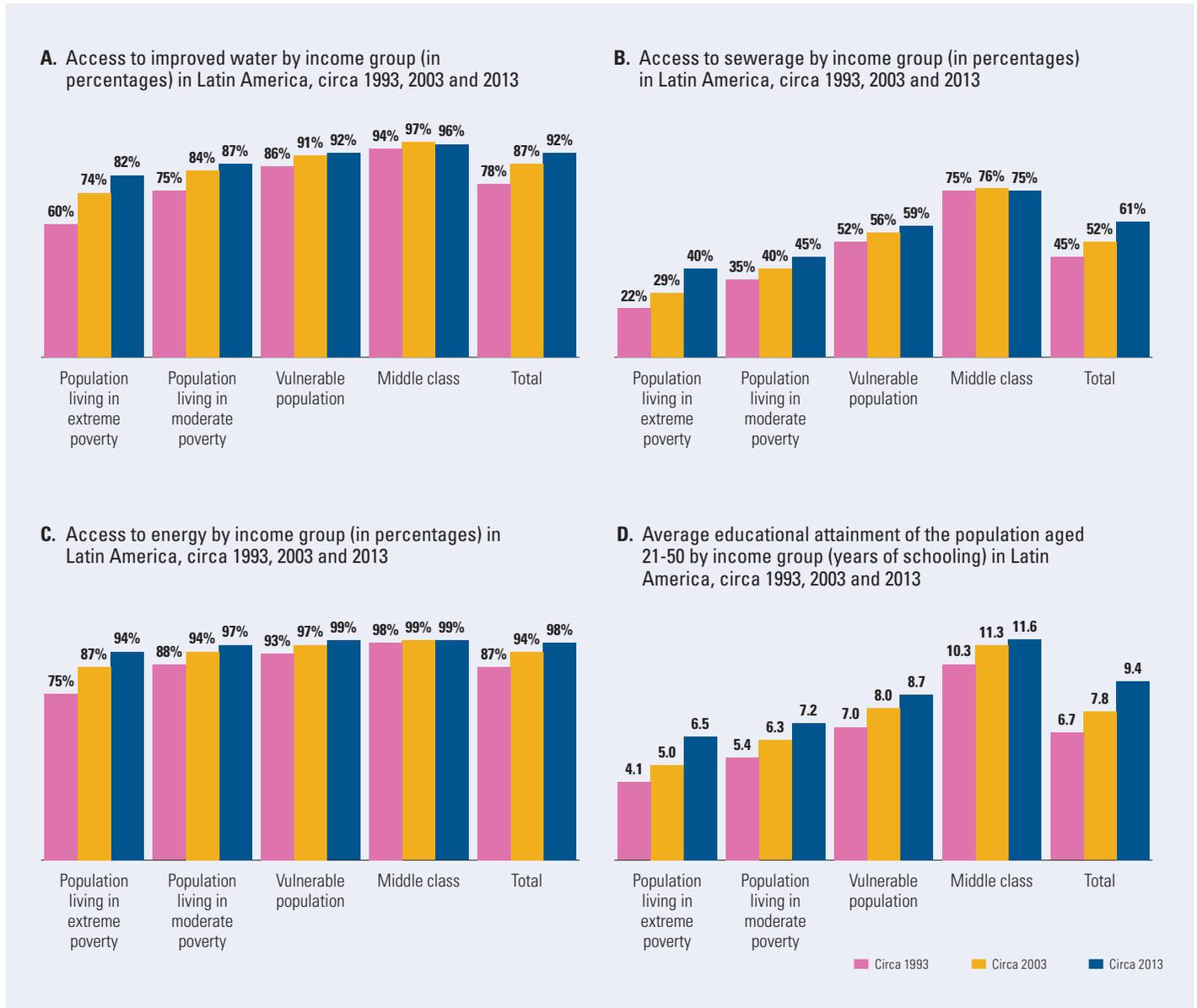
**Note:** The HDI is a summary measure of average achievement in three dimensions of human development — health, education and income — and is the geometric mean of normalized indices for each of the three dimensions. The health dimension is assessed by life expectancy at birth; the education dimension is measured by years of schooling for adults aged 25 years and over, and expected years of schooling for children of school-entering age. The income dimension is measured by Gross National Income (GNI) per capita. The number of women who died from pregnancy-related causes is used as the maternal mortality indicator, i.e. during pregnancy or in the 42-day period after pregnancy ended, for every 100,000 live births. The infant mortality indicator shows the number of children who died before their first birthday for every 1,000 live births in a given year. The food deficit indicator shows the amount of calories that malnourished people need to consume to escape this state, if all the other variables remain the same.

A noteworthy aspect is that in many of the aforementioned dimensions, the region's achievements (viewed in the global context) have exceeded what was expected given its level of economic development (see figure 3.7). The indicators in figure 3.7 appearing outside the circle are those that have performed better than expected, given the region's income level. In particular, health and mortality, access to basic services and labour market participation indicators stand out. Environment-related indicators,

such as adverse levels of environmental degradation, the emission of pollutants and depletion of natural resources, are also worthy of note, as the region's performance as a whole in this area still falls below the levels observed in other regions of the world. Notwithstanding the positive nature of these results, the region has undergone major environmental change, which is threatening and compromising the sustainability of its development in the future. For example, according to FAO statistics, while

FIGURE 3.6

There was inclusive progress in dimensions unrelated to income, as improvements were relatively greater in the population living in income poverty



Source: Prepared by the authors based on CEDLAS estimates using information obtained from SEDLAC (CEDLAS and the World Bank).

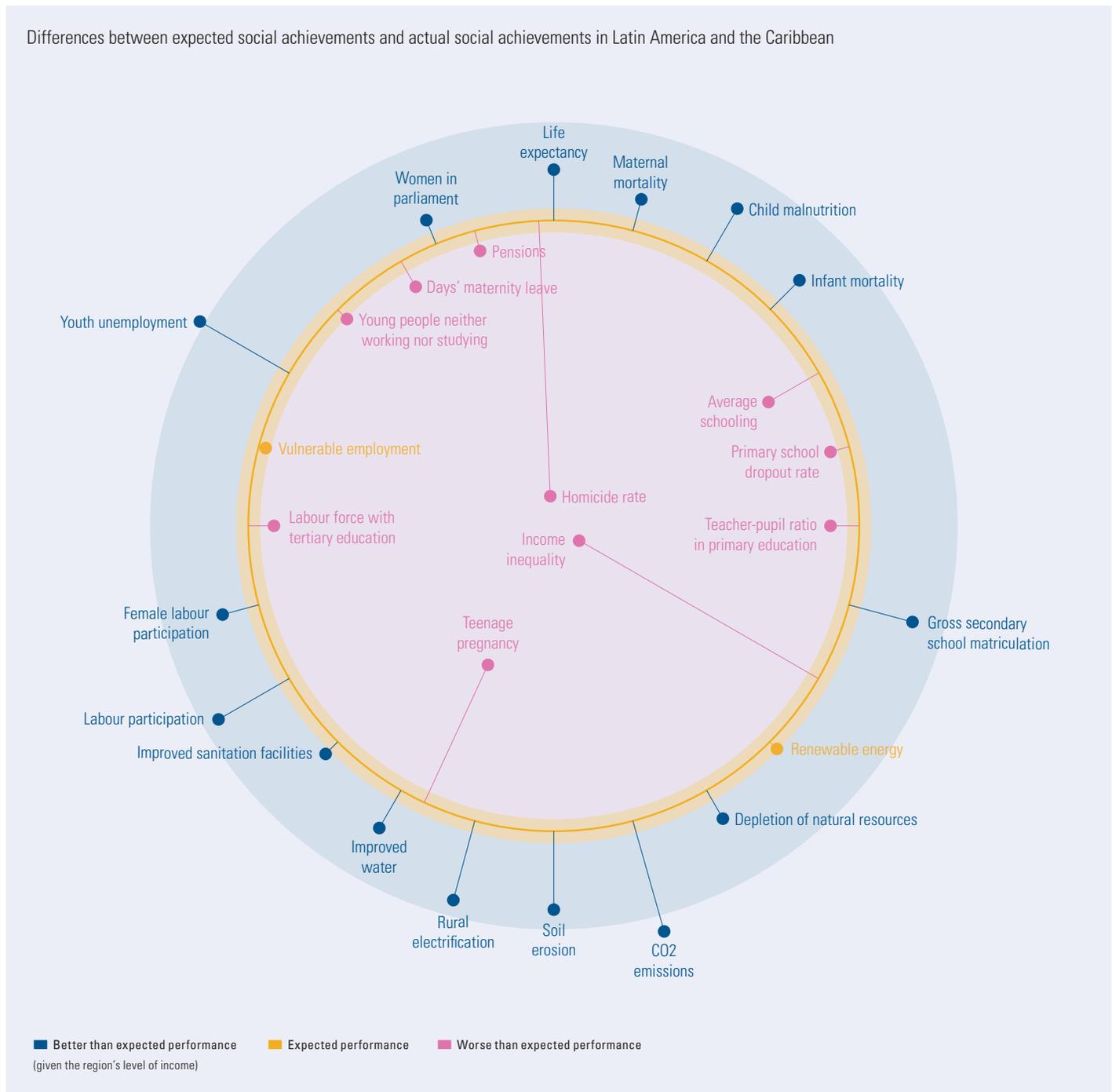
Note: The figures are the weighted average of the statistics from the following 18 countries for the years indicated in parentheses: Argentina (1992, 1998 and 2014), Bolivia (1997, 2002 and 2013), Brazil (1993, 2003 and 2013), Chile (1992, 2000 and 2013), Colombia (1996, 2003 and 2013), Costa Rica (1992, 2002 and 2013), Dominican Republic (1996, 2003 and 2014), Ecuador (1994, 2003 and 2014), El Salvador (1991, 1998 and 2013), Guatemala (2000 and 2011), Honduras (1992, 2003 and 2013), Mexico (1992, 2000 and 2012), Nicaragua (1993, 2001 and 2009), Panama (1991, 2001 and 2013), Paraguay (1995, 2004 and 2013), Peru (1997, 2004 and 2014), Uruguay (1992, 2004 and 2014) and Venezuela (1992, 2001 and 2011). With regard to the improved water supply indicator, the Dominican Republic (circa 1993) and Panama (for the three years) were excluded from the weighted average. For sanitation, Argentina, Costa Rica, Panama, the Dominican Republic and Venezuela circa 1993 were excluded from the weighted average and Panama was excluded in the remaining two years. Regarding the access to energy indicator, Argentina, Panama and the Dominican Republic were excluded from the weighted average for circa 1993, Panama and Uruguay were excluded for 2002 and Panama alone was excluded for circa 2013. The educational attainment indicator measures the average number of years of schooling for people aged 21-50.

close to 47 percent of the region is still covered by forest,<sup>24</sup> enabling the region to perform better than expected in this area, it has experienced significant deforestation

at an average annual rate of close to 0.40 percent since 1990, with this process being concentrated in Central America and South America (see box 3.1).

FIGURE 3.7

For 16 of the 27 social, labour and environmental indicators evaluated, in Latin America and the Caribbean greater achievements than expected based on the region's GNI per capita have been observed. GNI measures the value of the goods and services produced in an economy (it does not measure well-being)



Source: Prepared by the authors based on data from the Human Development Report Office of the United Nations Development Programme (UNDP) and the World Bank's World Development Indicators (WDI) database.

Note: The indicators outside the circle are those that have shown better than expected development according to gross per capita income for the region, while the indicators situated inside the circle are those that have shown poorer performance than expected. The results shown in the figure on Latin America and the Caribbean should be interpreted in the context of a world comparison. In other words, the data is obtained from a regression based on information on 188 countries in which the dependent variable is the value observed for each of the 27 indicators taken into consideration, and is explained by the logarithm of gross national income per capita. Based on the coefficient obtained from each regression, an expected value is calculated for each of the 27 indicators for each country. The difference between the values observed and those expected is then standardized based on the standard deviation of the observed value for each indicator. The exercise follows the method employed by the Organisation for Economic Cooperation and Development (OECD) in their series of country diagnostic studies entitled *Development Pathways*. The aggregate for Latin America and the Caribbean is the weighted average per population of the values of each of the indicators for the countries for which information was available: 19 countries in the case of Latin America (Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay and Venezuela) and 12 in the case of the Caribbean, (Antigua and Barbuda, Bahamas, Belize, Dominica, Guyana, Haiti, Jamaica, Saint Lucia, Saint Vincent and the

Grenadines, Suriname, and Trinidad and Tobago). Different countries were taken into account for each of the indicators considered. For indicators on life expectancy, infant mortality, average years of education, CO<sub>2</sub> emissions, rural electrification, teenage pregnancy, and homicide rates, all countries were included. For the maternal mortality indicator, Antigua and Barbuda, and Dominica were excluded. In the case of the indicator for child malnutrition, Bahamas, Barbados, Antigua and Barbuda, Saint Lucia and Dominica were excluded. For education indicators (dropout rates, pupil-teacher ratio, gross enrolment in secondary school education), Haiti was excluded. In the case of the inequality indicator, 18 countries in Latin America were included (all of those comprising the aggregate except Cuba), as well as Haiti and Jamaica. For the renewable energy indicator, 18 countries in Latin America were included (all of those comprising the aggregate except Cuba) and with the addition of Haiti, Jamaica, and Trinidad and Tobago. For the indicator related to the depletion of natural resources, Antigua and Barbuda was excluded. In the case of the soil erosion indicator, the 19 countries in Latin America were included, along with Belize, Haiti and Jamaica. The improved water resources indicator excludes Dominica. For the indicator on improved sanitation, Antigua and Barbuda was excluded, along with Dominica, San Vicente and the Grenadines. In the case of labour participation rates (total and female), Antigua and Barbuda, and Dominica were excluded. For the indicator on the labour force with tertiary education, the 19 countries of Latin America were included along with Barbados and Belize. In the case of youth unemployment, Haiti was excluded. In the case of young people neither employed nor in education, the indicator included 14 countries (Argentina, Belize, Brazil, Costa Rica, Colombia, Ecuador, Guatemala, Honduras, Mexico, Panama, Peru, Paraguay, Trinidad and Tobago, and Venezuela). The indicator on paid maternity leave (days) included all 18 countries in the Latin American region (all of those comprising the aggregate except Cuba), along with Haiti and Jamaica. For the pensions indicator, Cuba and Suriname were excluded, and for the indicator on the percentage of parliamentary seats held by women, Dominica was excluded. The definition, year and specific source for each indicator are indicated below. The following data comes from the UNDP Human Development Report Office: gross national income per capita at 2011 prices adjusted to purchasing power parity (2014); life expectancy at birth measured in years (2014); maternal mortality measured as the number of maternal deaths registered in a year for every 100,000 births (2013); child malnutrition, which corresponds to the indicator on chronic malnutrition, measured as a percentage of children aged under five with a low height-for-age (2008-2013); child mortality, measured as the number of deaths in under-fives registered in a year per 1,000 live births (2013); average schooling, measured as a mean of accumulated years of education (2014); primary school dropout rates, defined as the percentage school dropout rate for the education level in question (2008-2014); the pupil-teacher ratio in primary education, measured as the number of pupils per teacher at this education level (2008-2014); gross enrolment rates at secondary school, defined as the total enrolment corresponding to this education level, regardless of age, as a percentage of the school-age population at this education level (2008-2014); the indicator of renewable energy, defined as the percentage of total energy coming from natural resources that are constantly renewed, including solar, wind, geothermal, hydroelectric, biomass, and ocean resources, as well as some energies from waste, excepting nuclear energy (2012); income inequality, corresponding to the Gini coefficient (2005-2013); the indicator on the depletion of natural resources, measured as a proportion of gross national income (2008-2013); CO<sub>2</sub> emissions, measured as the volume of carbon dioxide emissions per capita in tonnes (2011); soil erosion, measured as the percentage of the population living on degraded land (2010); rural electrification, measured as the proportion of the rural population with an electricity supply (2012); the labour force with tertiary education, measured as the proportion of the workforce with some level of tertiary education (2007-2012); female labour participation, measured as the proportion of the female population aged 15 years or over that is economically active (2013); youth unemployment, measured as a proportion of the workforce aged between 15 and 24 that is unemployed (2008-2014); vulnerable employment, measured as a proportion of the people working as unpaid family workers and self-employed workers (2008-2013); young people who neither work nor study, measured as the percentage of young people aged between 15 and 24 who are neither in work nor in education (2008-2013); homicide rate, measured as the number of homicides registered per year per 100,000 people (2008-2012); days' maternity leave, measured as the number of days of paid maternity leave (2014); pensions indicator, measured as a percentage of legal beneficiaries of old-age pensions of an age to receive these pensions (2004-2012); teenage pregnancy, measured as the number of births registered per year per 1,000 women aged between 15 and 19 (2010-2015); and the position of women in parliament, measured as the proportion of parliamentary seats held by women (2014). The WDI database created by the World Bank provides data on improved sanitation and water indicators, measured as the percentage of the population with access to these services (2013).

### BOX 3.1

#### Behind the transformation: the threat of environmental and ecosystem degradation

Population growth, patterns of consumption, the expansion of agriculture, intensive use of natural resources and dependence upon raw materials, combined with the negative effects of the natural disasters to which the region is constantly exposed, constitute a real threat to the sustainability of its future development.

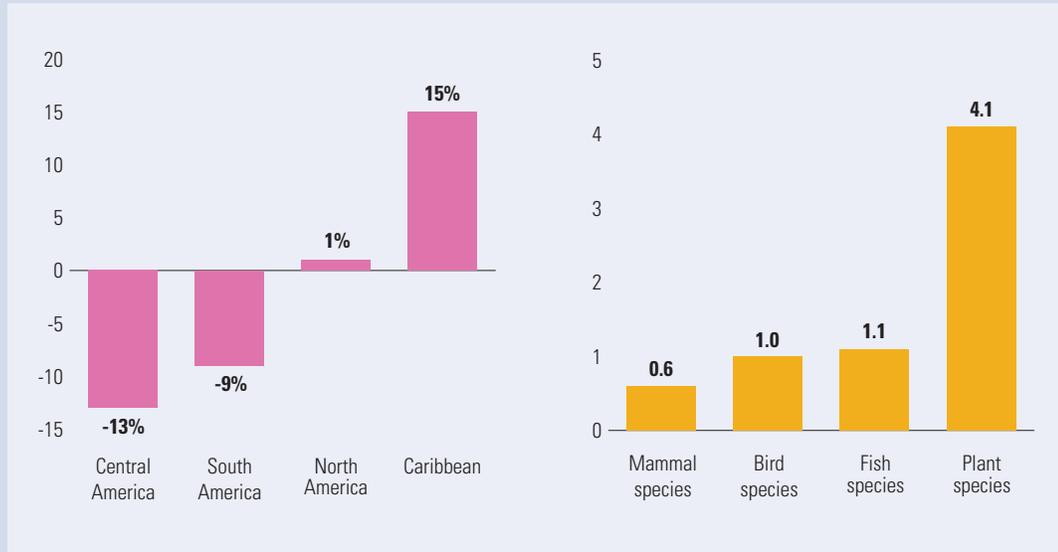
Latin America and the Caribbean is the world's most biodiverse region. Almost half of the world's biodiversity is found in South America alone and 50 percent of plant life in the Caribbean is not found anywhere else in the world (UNDP, 2010). Moreover, the region as a whole is home to almost 23 percent of the planet's forests and 27 percent of its freshwater sources (UNDP, 2010) and almost 20 percent of the world's eco-regions (UNEP, 2010). At the same time, the total forest areas in Central and South America fell over the period 1990-2010, mainly due to forests being converted into areas for crop and livestock farming, both of which expanded and intensified during the recent commodities boom. In 2012, over 4,000 species of endangered higher plants were recorded in the region (see figure 1). Significant initiatives have been undertaken to protect the region's ecosystems; for instance, from 1990-2000 the land covered by protected areas

increased from 9.7 percent to 20.2 percent, while the global increase was from 9.1 percent to 12.3 percent, and protection of territorial waters rose from 21.0 percent of waters to 28.6 percent of waters over the same period. Despite these efforts, the region's biodiversity is still facing a major threat (FAO, 2014).

Conversely, although the region only produces 9.9 percent of the world's greenhouse gas emissions,<sup>25</sup> the effects of climate change, such as changing sea levels and rainfall patterns, have started to have a negative impact on people's well-being, especially in lower-income groups. In the first instance, these effects reduce ecosystem stability and productivity, jeopardizing the population's future sources of income. For instance, increased seawater acidity and temperatures limit fishing, while changes to rainfall patterns disrupt the development of pests and diseases and change growing periods, which has a bearing on crop failure (UNEP, 2010). This is a major issue, as almost one fifth of employment in the region is in the farming sector, according to CEDLAS data, while products from this sector account for one third of regional exports, without taking into account Mexico, according to the World Trade Organization (WTO).

FIGURE 1

### Variation of forest areas (in percentages), 1990-2011, and endangered species (in thousands of species) in Latin America and the Caribbean, 2012



Source: Prepared by the authors based on FAO (2014).

Note: According to the classification presented in FAO (2014), the Caribbean includes the following countries: Antigua and Barbuda, Bahamas, Barbados, Cuba, Dominica, Dominican Republic, Grenada, Haiti, Jamaica, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, and Trinidad and Tobago; Central America includes the following countries: Belize, Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua and Panama; South America includes the following countries: Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Guyana, Paraguay, Peru, Surinam, Uruguay and Venezuela, and North America includes Canada and the United States.

Secondly, the region's population is very exposed to the effects of natural disasters such as floods, hurricanes and droughts, which are worse in contexts without adequate protection networks. Information from the international disasters database has been used to estimate that roughly 15 percent of the world's natural disasters occurred in the region over the 2000-2015 period and that these sorts of events led to close to 57 percent, 20 percent and 9 percent of the total number of injured people, fatalities and economic impacts respectively in the region (Guha-Sapir, Below and Hoyois, 2015).

Furthermore, the effect of the urbanization that has taken place in the region over recent decades needs to be added to this situation (the urban population now constitutes slightly over 80 percent of the region's total population). Urbanization has created challenges with regard to the provision of public services, particularly drinking water and sanitation

in urban areas, as well as dealing with the levels of environmental pollution caused by generating the energy needed to satisfy the usage needs of a growing urban population with higher incomes, particularly a growing middle class.<sup>26</sup> Regarding energy, although energy intensity (the link between energy consumption and GDP) decreased in the region since the 1990s at an annual rate of 0.5 percent, and although the penetration of renewable energy has been greater than at the global level — renewable energy's share of total final energy consumption is close to 30 percent (IEA and World Bank, 2015) — very little progress has been made towards switching to efficient and modern kitchen equipment. Approximately 68 million of the region's inhabitants still use a low-quality energy source for cooking, mainly wood and coal; 23 million inhabitants do not have access to electricity.<sup>27</sup>

Source: Prepared by the authors based on data from FAO (2014), UNEP (2010) and UNDP (2010).

### 3.2 Towards a more rigorous assessment of well-being: multidimensional approaches

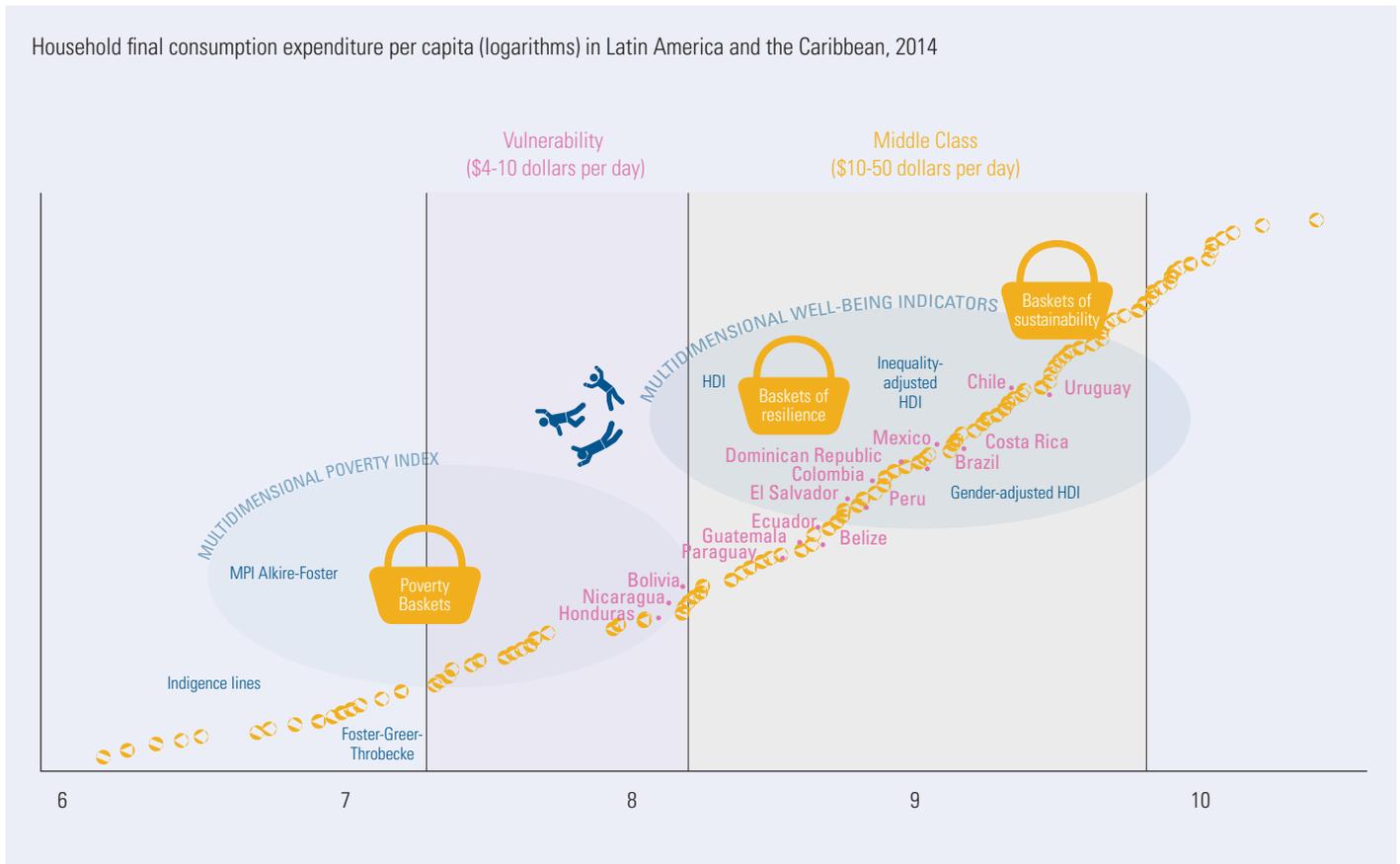
Changes in the region have resulted in a new reality for countries. Average per capita consumption in these societies is now above the poverty line (see figure 3.8) given that there has been a significant increase in the population above this threshold. The region has responded by moving from purely income- and consumption-based indicators to multidimensional poverty indicators (which establish deprivation thresholds) and, increasingly, towards indicators of multidimensional well-being that enable progress

to be measured, from a human development approach, in multiple dimensions beyond simple income poverty.

According to the human development approach, inspired by the work of Amartya Sen, the interaction between the *functionings* — the “beings” and “doings” of a person, such as living a healthy lifestyle, participating in community activities or being involved in productive work — and the *capabilities* required for those purposes provides the conceptual space where human progress takes place (Sen, 1992). The relationship between capabilities and functionings provides a vast sphere of freedom that reflects the many possible ways of living available to each person

FIGURE 3.8

The region requires decisive public policy action that extends beyond poverty thresholds



Source: Prepared by the authors based on data consulted in the World Bank's World Development Indicators (WDI).  
 Note: HDI = Human Development Index; MPI = Multidimensional Poverty Index.

in each context (Alkire, 2015b). Some functionings form part of the existing MPI, some constitute sets of multidimensional well-being indicators, and yet more are common to both — such as improvements in access to, and the quality of, education and health.

How can new measurement instruments be designed to capture aspects of well-being in middle and upper-middle income countries? The development literature notes that the expansion of well-being indicators takes place according to a gradient of progress (Ravallion and Chen, 2012). At the lowest levels of well-being distribution, for example, functionings that constitute acute poverty are recorded. These relate to minimum nutrition, a lack of protection from infant mortality and a minimum level of access to social services and housing. As increasing numbers of people manage to satisfy these needs, new functionings emerge that, set out new aspirations for well-being and raise new public policy challenges. For example, indicators relating to quality of employment, social protection or access to assets can be considered. At higher levels, new functionings may emerge, including time use and the sustainability of the development model. Emerging and developing economies require a whole range of indicators to produce a holistic agenda for transformation. There is no need to “wait” for increases in per capita GDP before addressing issues related to sustainability or vulnerability.

Both sets of indicators — multidimensional poverty and multidimensional well-being — are necessary in middle-income countries where, although millions of people still live below the poverty line, much of the population is now above this threshold. The methodological difference between both kinds of indicator lies in the fact that *poverty* refers to acute deprivations that define a situation into which households and people must not fall, while *well-being* refers to wider and more demanding possibilities of “beings” and “doings”. These possibilities are additional to those that define the way out of poverty, and are vital for people to continue building a life of options and to have greater freedom of action.

### 3.2.1 Multidimensional poverty

The pioneering work of Alkire and Foster (2007 and 2011), embodied in the Oxford Poverty & Human Development Initiative (OPHI), represented a decisive step forward in this area with the elaboration of the MPI.<sup>28</sup> In 2010, UNDP published a global-level application of this work. The global MPI represented a decisive breakthrough in the multidimensional approach. This index allows acute poverty to be measured through the dimensions of education, health and standard of living, and provides an important point of comparison with income poverty lines.<sup>29</sup> A household is considered multidimensionally poor if it has deprivations in at least 33% of weighted indicators used to measure these dimensions (see box 3.2). The index has various advantages over other, similar, measuring instruments: it can be broken down both by dimension (into any of the 10 deprivation indicators) and by incidence among population groups or geographical groups, or by intensity (in order to estimate the poverty level in relation to the number of deprivations) (Alkire et al., 2016). Since publishing the MPI, instruments for measuring multidimensional poverty have seen design innovations in a number of the region’s countries.

It is important to make the distinction between poverty indicators, such as the MPI, which set deprivation thresholds; well-being indicators, such as the HDI, which measure progress towards the highest standards; and distribution indicators, such as the Gini coefficient, which describe the concentration of income by population group. There is no need to *choose* one over the other (Alkire, 2015a) but rather to understand that well-being indicators, for example, are useful to describe changes over time in a particular country or between countries, while inequality indicators show that the averages conceal significant differences in well-being between the members of a particular population group. Over its 25 years in existence, the family of HDI indicators (which includes indicators of deprivation, distribution and well-being) has made it possible to reorient the development agenda, moving from the idea of economic growth as an aim in itself to the concept of human development by and for human beings.

### The global MPI

The MPI published by the United Nations since 2010 in the Human Development Report, and based on the methodological work of Alkire and Foster (2007 and 2011), represented a decisive step forward in terms of working from a multidimensional approach. This index considers three dimensions for measuring poverty — health, education and living standards — each of which has 10 indicators. The health dimension includes indicators of nutrition and infant mortality; education includes indicators of years of schooling and school attendance; and living standards includes indicators of housing characteristics in terms of access to electricity, sanitation, water and assets, kind of floor, and kind of fuel used for cooking.

The MPI is constructed on the basis of two kinds of threshold: i) a dimension threshold, which identifies the minimum performance level required in each dimension for the household not to be considered as suffering deprivation in this regard. For example, in education, any school-age child not attending school is suffering deprivation in the attendance indicator, and people over the age of 10 who do not have at least five years of education are suffering deprivation in the educational achievement dimension; and ii) a poverty threshold, which identifies which indicators must be deficient for a household to be considered multidimensionally poor. In the case of the global MPI, this threshold is set at one third. This means that any household or person with deprivations of one third or more of the 10 indicators in question will be considered multidimensionally poor.

According to this methodology, each household is allocated a deprivation index, defined as the sum of each household's deprivations in the three dimensions' 10 indicators; each dimension is weighted the same. The maximum possible deprivation is 100 percent, with each dimension weighing 33.3 percent. As the different dimensions have different numbers of

indicators, however, the weighting of the indicators is different. The indicators for the health and education dimensions each account for 16.7 percent, as there are two indicators for each dimension. In contrast, each of the indicators for the standard of living dimension represents 5.6 percent, as there are six indicators in this dimension. Once the weights of the deprivations indicated in each household have been added together, a household is defined as being multidimensionally poor if it has deprivations of 33.3 percent or more. If the household has deprivations of 50 percent or more, it is considered to be in severe multidimensional poverty. The rate of poverty is calculated as the ratio between the number of multidimensionally poor households and the total number of households.

Thanks to methodological innovations, the MPI enables not only the incidence but also the intensity of multidimensional poverty to be measured, and the level of poverty to be broken down by dimension in order to estimate each one's share. This enables the design, focus and evaluation of public policy to be improved due to the possibility of unbundling priority indicators for each sector. The global MPI enables comparisons to be made between 101 countries around the world, thus enabling the level of deprivation prevalent in a particular region or country to be understood from a global perspective. The following table gives the countries in which the highest MPIs are recorded, according to the most recent data.

According to this global indicator, the region is in a relatively better situation than the other developing countries for which we have information (see Map 1). It is estimated that 32.5 million people in Latin America and the Caribbean are living in multidimensional poverty, or 6.5 percent of the region's population.<sup>30</sup> Incidence between countries, however, varies from under 4 percent to almost 20 percent.

TABLE 1

## Example of a hypothetical calculation of the MPI for households

Indicator	Household			
	1	2	3	4
Number of household members	4	7	5	4
<b>Education</b>				
No household member has completed six years of education	0	1	0	1
Presence of at least one member of school age not attending school	0	1	0	0
<b>Health</b>				
A household member is undernourished	0	0	1	0
Infant mortality	1	1	0	1
<b>Living standards</b>				
No electricity	0	1	1	1
No access to clean water	0	0	1	0
No access to basic sanitation	0	1	1	0
House has earth floor	0	0	0	0
Uses undesirable cooking fuels	1	1	1	1
The household has no access to information or assets	0	1	0	1
<b>Outcomes</b>				
Household deprivation index (C) (sum of the number of deprivations multiplied by the weight of each one)	22.2%	72.2%	38.9%	50.0%
Is the household multidimensionally poor? (The household is multidimensionally poor when C is equal to or greater than 33.3%)	No	Yes	Yes	Yes

Source: UNDP (2015, technical notes).

Note: Value 1 indicates that the household is suffering deprivations with regard to the indicator in question, while value 0 indicates that it is not.

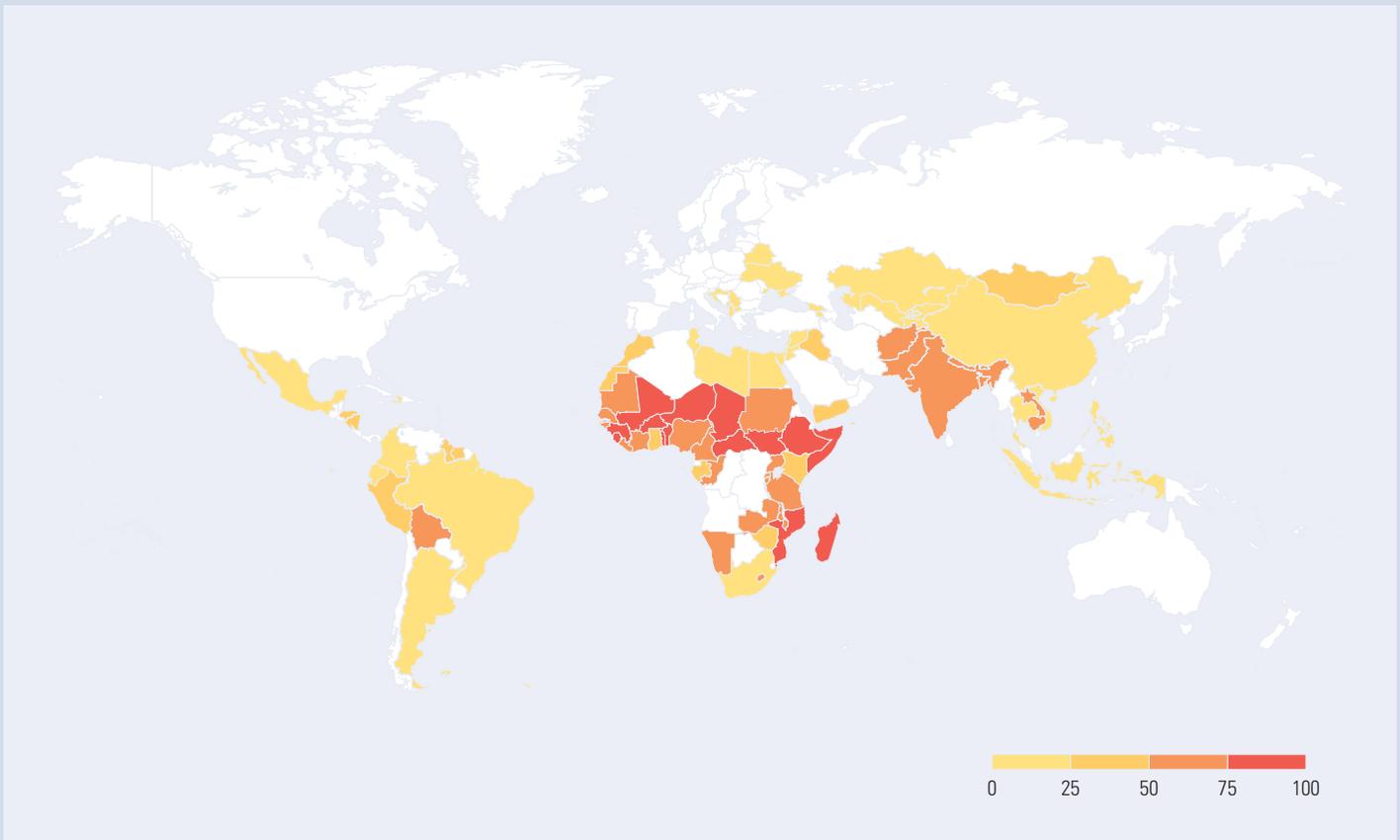
TABLE 2

## Population living in multidimensional poverty (in millions of people and as a percentage) in the countries with the greatest proportion of people in this situation, circa 2012

Country	Year	Population living in multidimensional poverty	
		Millions of people	Percentage
Ethiopia	2011	78.9	88.2
Nigeria	2013	88.4	50.9
Bangladesh	2012-2013	75.6	49.5
Pakistan	2012-2013	83.0	45.6
China	2012	71.9	5.2

Source: UNDP (2015, table 2.2).

### Map of multidimensional poverty (incidence rate), circa 2014



Source: Estimates from the Human Development Report, Office of the United Nations Development Programme (UNDP), March 2016.

Source: Prepared by the authors based on data consulted at UNDP (2015) and data from the Human Development Report Office of the United Nations Development Programme (UNDP).

Advances in estimating multidimensional poverty have led to the establishment of more demanding goals and the identification of new dimensions more in tune with the level of development achieved in each country. A number of the region's countries have made innovations in this regard. Chile, Colombia, Costa Rica, Ecuador, El Salvador and Mexico, for example, have their own MPI, developed on the basis of Alkire and Foster's methodology (2007 and 2011), which goes beyond income to include dimensions that are important in the context of each country, highly valued by the population and measured in line with their level of development.

In these cases, it is possible to identify two broad approaches to addressing the

multidimensional nature of poverty: a rights-based approach and a deprivations-based approach (CONEVAL, 2014). The first relates to the existence of fundamental, inalienable, irreplaceable and interdependent rights and therefore, from this perspective, poverty in itself forms a denial of human rights (UNDP, 2003; Robinson, 2001). For this approach, we refer to Mexico's instrument for measuring multidimensional poverty (see box 3.3). The second approach restricts the population's deprivations to estimates of unmet basic needs, assets and capabilities, among other variables (Attanasio and Székely, 1999; Ravallion, 1998; Sen, 1980 and 1992). For this approach, we refer to the way Colombia's MPI is calculated (see box 3.4).

## BOX 3.3

## Measuring multidimensional poverty from a social rights-based perspective: the case of Mexico

Mexico's MPI, implemented in 2008 as a follow-up to the 2004 General Law on Social Development, is based on the concept of poverty as a multidimensional phenomenon defined by a lack of guaranteed enjoyment of social rights and a lack of sufficient income. The primary objective of the new index is to provide timely monitoring of the social deprivations in the dimensions that this Law considers to be the fundamental right of the whole population, and to supplement the analysis of income poverty with vulnerability indicators based on measurements of social deprivation.

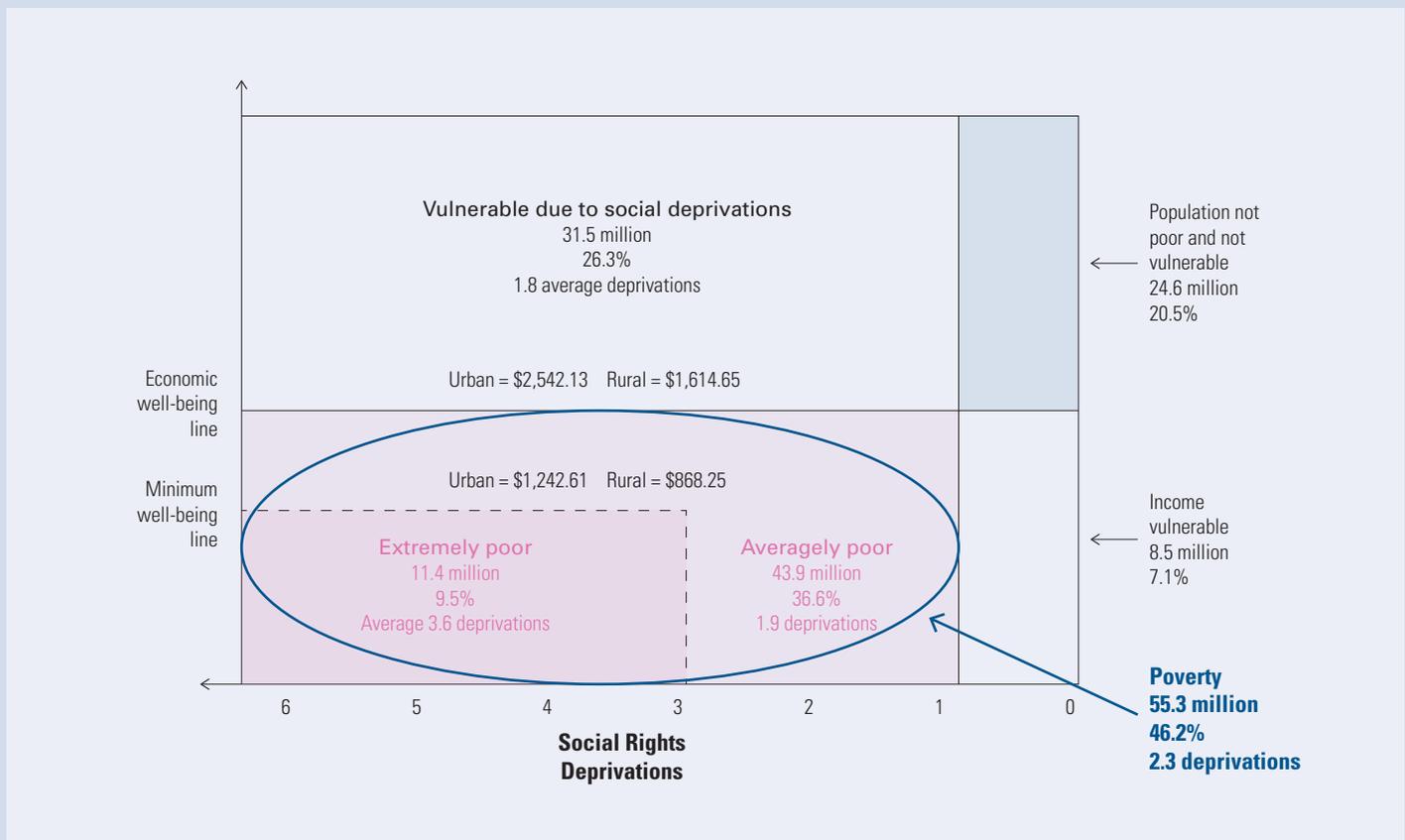
The MPI includes three spheres for the population's living conditions: economic well-being, social rights and the regional context. According to this concept, a person is considered to be living in multidimensional poverty when their income is insufficient to purchase the goods and services they require to meet their needs, and when they suffer from deprivations in at least one of the following six indicators: education gap, access to health

services, access to social security, housing quality and space, basic housing services and access to food. The regional context is measured separately, via the degree of social cohesion.

Given that the improvements achieved in one or other sphere are distinct, the way in which this indicator is constructed (by cross-referencing the level of income with the indicator of social deprivations) enables us to observe the interaction between economic and social policy. Furthermore, it allows us to identify who is living in poverty or vulnerability, whether because they suffer social deprivations or because they have insufficient income. According to the latest report on multidimensional poverty (2014), 55.3 million people are multidimensionally poor in Mexico as they suffer from at least one social deprivation and also have a level of income below the threshold established for economic well-being (CONEVAL, 2014).

FIGURE 1

## Incidence of multidimensional poverty in Mexico, 2014



Source: CONEVAL (2014). Estimates from the National Council for the Evaluation of Social Development Policy (CONEVAL) based on the Socio-economic Conditions Module (MCS) of the National Survey of Income and Spending in Households (*Encuesta Nacional de Ingresos y Gastos de los Hogares*, ENIGH) 2014.

Note: The values of the minimum well-being line and the economic well-being line correspond to August 2014, and are given in Mexican pesos.

The following are some of the main contributions of this methodology to the country's public policy: i) it enables not only the poverty but also the vulnerability of the population to be observed; ii) it enables the kind of attention required by each population group to be noted; iii) it helps identify the policies that need to be jointly applied to improve social development — for example, economic and social policies, universal and focused policies, and complementary actions instead of isolated ones; and iv) it enables direct monitoring of the Government's plans and programmes to improve the people's standard of living, as well as its economic plans (CONEVAL, 2014).

Producing an instrument for measuring multidimensional poverty from a rights-based approach represented a fundamental change in the concept

of development and role of policy in Mexico. For example, “the mere satisfaction of needs is no longer the guiding principle of poverty eradication actions. With the adoption of a rights-based approach, people have moved from being objects to subjects of rights with legal capacity who can, in principle, claim enforcement of these rights, access available information in this regard, and strengthen their participation and communication with the responsible institutions in a context that increases the complaints mechanisms” (Ortiz-Juárez and Pérez-García, 2013). By adopting this approach, Mexico has moved from solidarity-based forms of social protection, mutual aid or charity to the institutionalization of a comprehensive social policy, both with regard to the legal instruments that guide and regulate it and the actual actions that make it happen.

Source: Prepared by the authors using information consulted in CONEVAL (2014) and Ortiz-Juárez and Pérez-García (2013).

### BOX 3.4

#### Multidimensional poverty as a central element of multisectoral policy: the case of Colombia

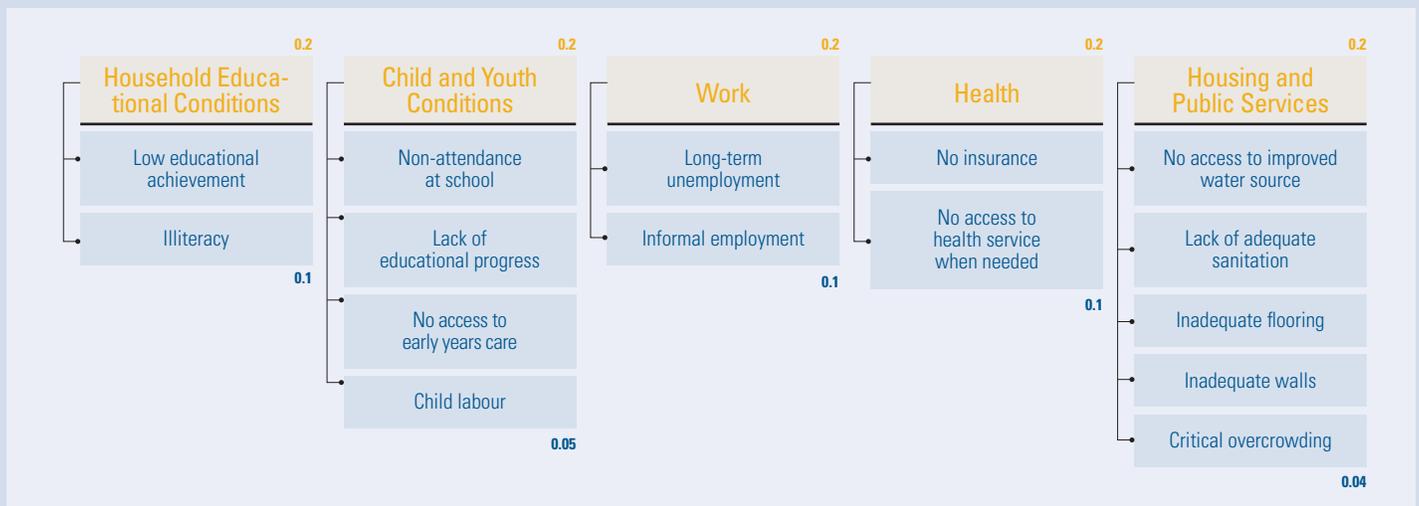
The production and application of the MPI in Colombia is closely linked to the national poverty elimination strategy and, along with the income poverty indicator, is one of two official measurements of poverty in the country. The design of this index, which included decisions relating to how the unit of analysis, database, dimensions and variables are defined, as well as the thresholds and weightings, was decided and approved jointly by statisticians, politicians and

social policymakers in order to ensure that Colombia's MPI is a useful tool for guiding the design of social programmes aimed at poverty eradication.

The dimensions and variables considered, as well as the thresholds established, reflect both Colombia's social agreements on the rights set out in the 1991 Constitution and recent demands deemed valuable by society and considered important by the Government.

### DIAGRAM 1

#### MPI in Colombia



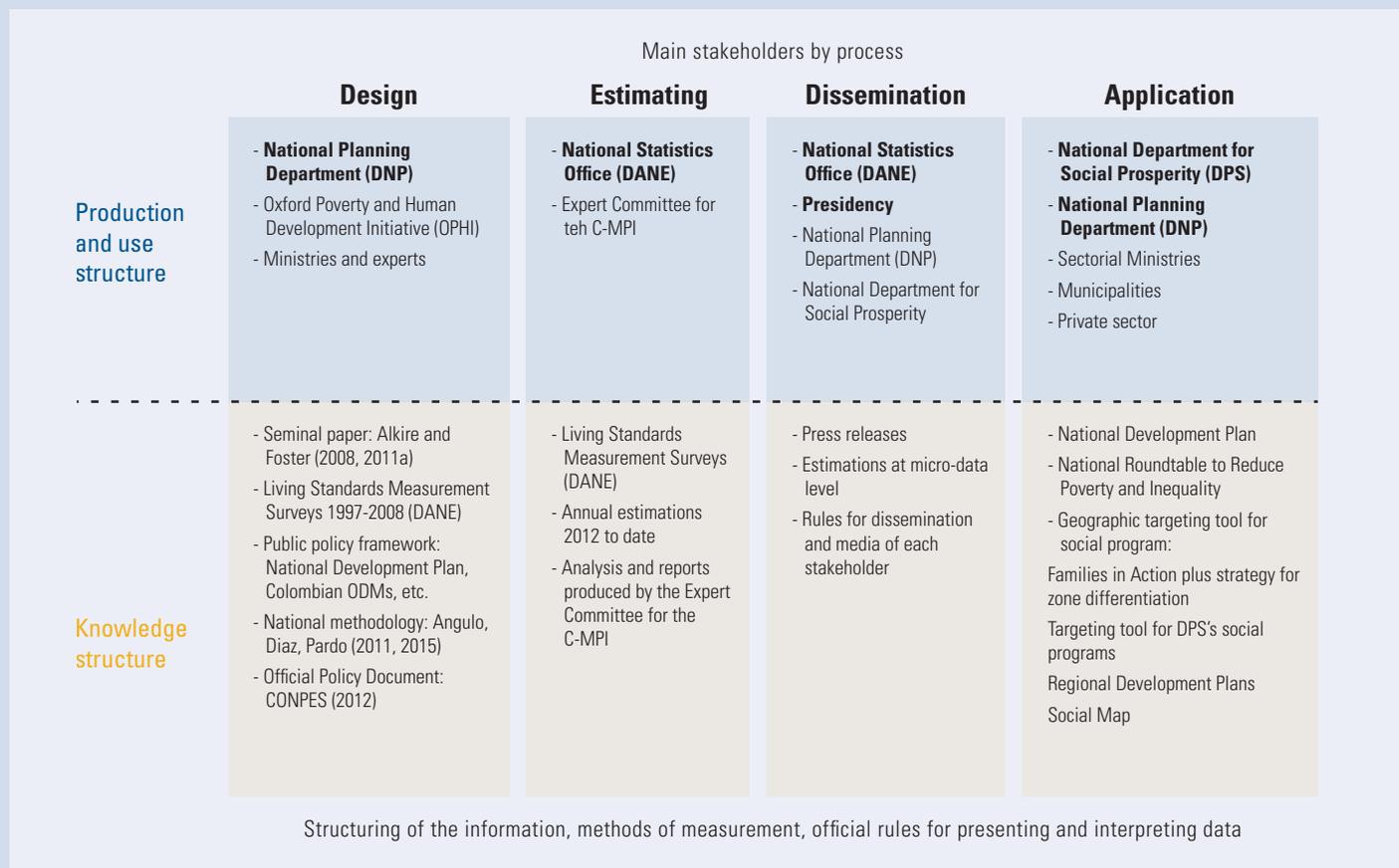
Source: Angulo, Díaz and Pardo Pinzón (2013).

The following diagram shows the institutional architecture for implementing Colombia's MPI. Each process comprises actors from both the public

and private sectors (Angulo, 2015).

## DIAGRAM 2

### Implementation process for Colombia's MPI



Source: Prepared by the authors based on Angulo (2015).

In addition, Colombia's MPI is a central tool for intersectoral coordination and linkages within the Government. Monitoring and analysis of Colombia's MPI is the responsibility of the intersectoral committee for poverty and inequality reduction, headed by the President of the Republic of Colombia. Six ministries participate in this committee (education, health, housing, rural development, employment and finance), alongside three government departments (National Planning Department, the Department for Social Prosperity, and the National Administrative Statistics Department) and various institutions with a crucial role to play in the strategy. Participation in the intersectoral committee, which meets at least twice a year, is compulsory for the authorities. At these meetings, they review the changes observed in Colombia's MPI and also monitor the specific objectives of each ministry using information provided by the dimensions and variables

of Colombia's MPI and other official indicators and indexes, such as the Gini coefficient and the income poverty index.

The MPI's contribution to the design and management of social programmes includes, in particular, its use as a tool for ensuring a geographical focus on beneficiaries (as in the case of the *Más Familias en Acción* [More Families in Action] conditional transfers programme), or for identifying the graduation criteria for the UNIDOS Network strategy to combat extreme poverty. Bodies such as Colombia's intersectoral committees, which bring together different institutions and organizations involved in tackling poverty, ensure that there is a coordinated government strategy and enable poverty to be tackled not only from an income dimension, but also from the multiple dimensions included in its definition.

Source: Prepared by the authors using information consulted in Angulo (2015).

BOX 3.5

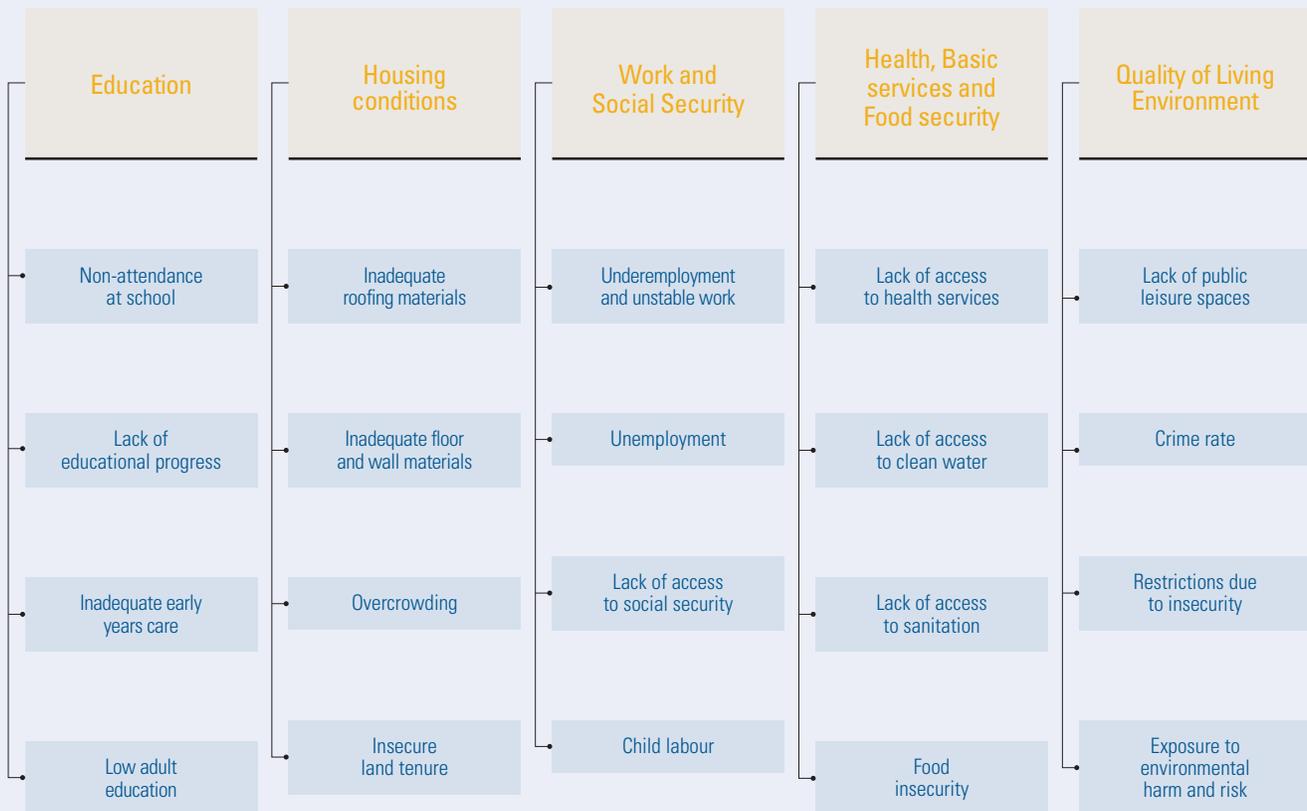
**An MPI based on the population’s aspirations: the case of El Salvador**

In 2015, the Government of El Salvador, through the Presidential Technical Secretariat of Planning (STPP) and together with UNDP, launched an MPI as an essential government tool to improve the conceptualization and design of the country’s social policy. One innovation in El Salvador was the process for selecting the dimensions and indicators of poverty, as this included the opinions, perceptions and aspirations of

people who were living in poverty. Along with UNDP, the Government ran focus groups around the country to identify how people living in poverty defined their situation and to establish their main deprivations. It also explored perceptions of their most pressing deprivations and future aspirations for progress.

DIAGRAM 1

**Dimensions and indicators chosen to measure multidimensional poverty in El Salvador**



Source: Presidential Technical Secretariat of Planning (STPP), Ministry of the Economy-Directorate General of Statistics and Censuses (MINEC-DIGESTYC) and UNICEF (2015).

Based on these results, using a rights-based approach and the principles set out in the Social Development and Protection Law, and following a systematic review of the surveys, 20 indicators were identified in five areas: education; housing conditions; work and social security; health, basic services and food security; and quality of living environment. These formed the dimensions of the country's multidimensional poverty.

El Salvador's MPI indicates that a household is multidimensionally poor if it suffers deprivations in at least seven of the 20 indicators. According to the 2014 results, 35.2 percent of households in El Salvador are multidimensionally poor, or a little over 600,000 households. This figure is slightly higher than that for income poverty, which stands at 31.9 percent. If both measures are combined, 49.4 percent are facing some kind of poverty (17.5 percent multidimensional but not income poverty;

14.2 percent income but not multidimensional poverty; and 17.7 percent both types of poverty).

In addition to identifying the population living in income poverty, this index aims to provide inputs with which to design social policy insofar as it can contribute to: i) defining the priority contents of social policy, and distributing public investment regionally and sectorally according to the dimensions with the greatest deprivation; ii) closing gaps and reducing inequalities, by focusing on actions with population groups or in geographical areas with a higher incidence or intensity of poverty; iii) estimating the necessary resources to raise or standardize a certain level of achievement in areas that are essential to well-being; and iv) producing government goals that link the management of different institutions on the basis of multidimensional indicators.

Source: Prepared by the authors using information consulted in STPP, MINEC-DIGESTYC and UNICEF (2015).

### BOX 3.6

#### Estimating multidimensional poverty in Haiti

In 2015, UNDP calculated an MPI for Haiti. Based on information available in the 2012 Post-Earthquake Household Living Conditions Survey (ECVMAS), the MPI was constructed around five dimensions and 11 indicators. Normally, an MPI would include more health and education indicators, such as access to health services or average years of education. This initial attempt

was nevertheless extremely useful in guiding policy definition, as well as illustrating the possible use of the information available in the household surveys. The following table summarizes the dimensions and indicators included in Haiti's MPI.

TABLE 1

#### Dimensions and indicators used to measure multidimensional poverty in Haiti

Dimensions	Indicators
Education gap	Children in school
Asset ownership	Possession of identified assets
Nutrition	Food security index
Standard of living	Quality of flooring
	External walls
	Quality of roof
	Overcrowding ratio
Access to basic services	Source of water
	Sanitation
	Electricity
	Fuel used for cooking

Source: Prepared by the authors based on data available in the 2012 Post-Earthquake Household Living Conditions Survey (ECVMAS).

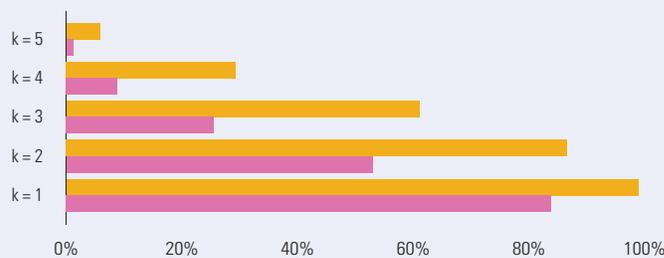
The methodology implemented in Haiti uses the “dual cut-off line”, as devised by Alkire and Foster (2007 and 2011). The cut-off lines  $z_j$  within the dimensions determine whether or not a household suffers deprivations in each of the dimensions considered, and the cut-off lines  $k$  between the dimensions determine which households should be considered as being multidimensionally poor. In order to show a range of results and decide on an appropriate cut-off line  $k$  between the dimensions, the estimates are presented in three different forms, as shown in the following figures. The first set of results are based on five dimensions, and thus show results for

$d = 5$  and  $k = 1, \dots, 5$ , with equal weighting. The second set of results is based on the 11 indicators given in the previous table, with  $d = 11$  and  $k = 1, \dots, 11$ ; again, equal weightings are applied. Lastly, the third set of results follows a similar structure to the second, the difference being that weightings were applied when calculating the incidence of poverty. In this set-up, each dimension is weighted equally (2.20 each), and each indicator within a dimension is also weighted equally — the sum of all weights assigned must total 11.

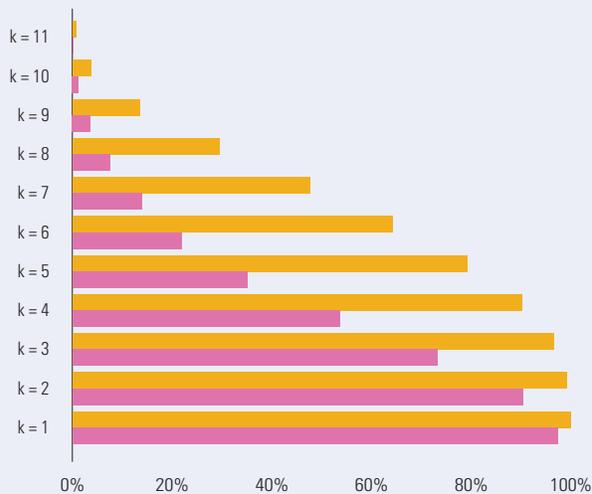
FIGURE 1

**Multidimensional poverty in Haiti: sensitivity to different assumptions (in percentages)**

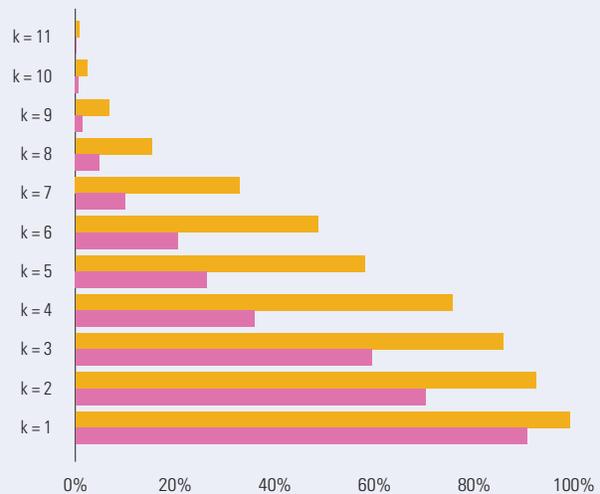
Profile of poverty in Haiti with methodology 1 (percentage of households)



Profile of poverty in Haiti with methodology 2 (percentage of households)



Profile of poverty in Haiti with methodology 3 (percentage of households)



Legend: Rural households (1,132,388) Urban households (1,100,182)

Source: Prepared by the authors based on information from the 2012 Post-Earthquake Household Living Conditions Survey (ECVMAS).

The results are broken down by rural and urban households in order to show in graph form the significance of the different methodologies, particularly when measuring the incidence of poverty in rural households. The results are more sensitive to the first methodology, for the simple reason that this offers five cut-off options instead of 11. The change in poverty incidence when the cut-off point is increased in one of the indicators is therefore far more significant than in the case of the following two methodologies. The difference is particularly notable among rural families. Use of the second methodology — without weighting — shows that the incidence of poverty levels out once the cut-off line falls below  $k = 4$ , while

the ratio is more lineal when the last methodology is used, which assigns weights to each indicator.

The debate around this index should focus not only on defining the threshold, but also especially on analysing the breadth of information that a multidimensional index offers in order to create specific policies for those who most need them. This analysis needs to go beyond a distinction between areas of residence and kinds of poverty (urban and rural) and should address issues such as how to encourage ownership of assets in poor households to reduce vulnerability to systematic risks.

Source: Prepared by the authors based on information consulted at UNDP (2016, forthcoming).

In general, the application of MPIs in different countries of the region has provided multiple contributions to the design and evaluation of public policy. The methodological innovations in the indicators enable: i) the necessary disaggregation with which to improve the design and focus of social services, for example by breaking poverty down by population group, region or dimension; ii) greater and better intersectoral coordination and linkages, alongside improved monitoring, control and evaluation of public social expenditure; iii) the design of comprehensive programmes that have an effect on multiple deprivations; and iv) increased demand for more efficient administrative services and better data. By measuring the intensity of poverty and multidimensional inequality, MPIs also makes improvements in the implementation, monitoring and evaluation of policies possible, with the aim of closing gaps.

In addition to the use of the MPI in national contexts, Santos et al. (2015) and a document from the Economic Commission for Latin America and the Caribbean (ECLAC, 2013) present a proposal to develop a regional measuring instrument that includes dimensions and thresholds in line with progress in the region. To this must be added UNICEF's efforts to identify the dimensions of an MPI for children (García et al., 2013). Furthermore, the inclusion of non-traditional dimensions that reflect discrimination and

exclusion also constitute a major step forward and enable exclusions that go beyond income to be taken into consideration in the design of public policies. For example, OPHI and CAF-Development Bank of Latin America have identified six potential missing dimensions that should be considered when calculating multidimensional poverty: quality of employment, empowerment of people, physical security, psychological well-being, and the possibility of living without shame or humiliation (OPHI and CAF, 2016).

The indicators studied by OPHI and CAF for measuring the quality of employment include its informal nature, the level of income from the job, occupational risks, over-employment and under-employment, the number of work activities and unfulfilling work. Empowerment relates to concepts such as agency, autonomy, self-determination, liberation, participation, mobilization and self-confidence (Nayaran, 2005)<sup>31</sup> and is measured by a set of questions included in national surveys that focus on the autonomy and decision-making exercised by people in different spheres and situations: work, housework and care of children, older adults and people with a disability or who are convalescing, health crises, group participation and political participation (Alkire and Ibrahim, 2007). With regard to lack of security — security being considered an essential condition for human well-being — this variable is estimated using indicators such as

the incidence of violence and other threats to security, particularly theft. Subjective and psychological well-being is measured by questions related to satisfaction with life and happiness and, finally, the possibility of living without shame and humiliation — aspects central to understanding how poverty is experienced — is estimated using

indicators related to the shame caused by being considered or seen as poor, the stigma of poverty and discrimination. Some of these indicators have already begun to be generated in countries such as Chile and Colombia through the inclusion of specific questions in household surveys (see box 3.7).

### BOX 3.7

#### The missing dimensions of poverty: the case of humiliation and shame in Chile

Feelings of humiliation and shame relating to poverty can impose significant limitations on a person's progress. Both affective states can have severe consequences on emotional and physical health, as they are related to a significant number of psychosocial problems and illnesses, including low self-esteem, poor interpersonal relationships, social phobia, anxiety, depression, paranoia, marital problems and domestic violence (Zavaleta Reyes, Ballón and Robles Aguilar, 2015). Moreover, they can have a significant negative effect on the outcomes of different social policies, programmes and projects — people may stop attending health services if they feel discriminated against, may not send their children to school or may be prevented from working. As Sen indicates, deprivations in the area of human relationships are an intrinsic part of the poverty of capabilities. The “ability to go about without shame” is a basic and important capability that must form a central part of the definition of absolute poverty (Sen, 1984a, 1984b, 1990 and 2000).

In 2009, the OPHI conducted a survey in Chile as part of the initiative on the Dimensions Missing from an Analysis of Poverty, using the same sampling frame

as the National Socioeconomic Characterization Survey (CASEN). This asks questions about shame and humiliation. One of the main results was that 17 percent of those surveyed acknowledged having been the object of a discriminatory act either occasionally, frequently or always. Of these, 28 percent stated that these acts were perpetrated by the health services, 22 percent in the workplace, and 12 percent by an unknown person in a public place. In terms of the motives for these acts of discrimination, 54 percent said the main reason was because they belonged to a specific socioeconomic group, 12 percent because of their level of education, and 10 percent because of their ethnicity (Zavaleta Reyes, Ballón and Robles Aguilar, 2015). These data can easily be broken down (for example, by sex, level of income or ethnic background) in order to demonstrate the significant differences that can be noted between groups and can thus be used as a guide to designing anti-discrimination programmes. The data can also be used to produce in-depth studies on the relationships between discrimination and all the socioeconomic variables considered in the CASEN survey.

FIGURE 1.A

**Main reason for discriminatory treatment (by percentage) in Chile**

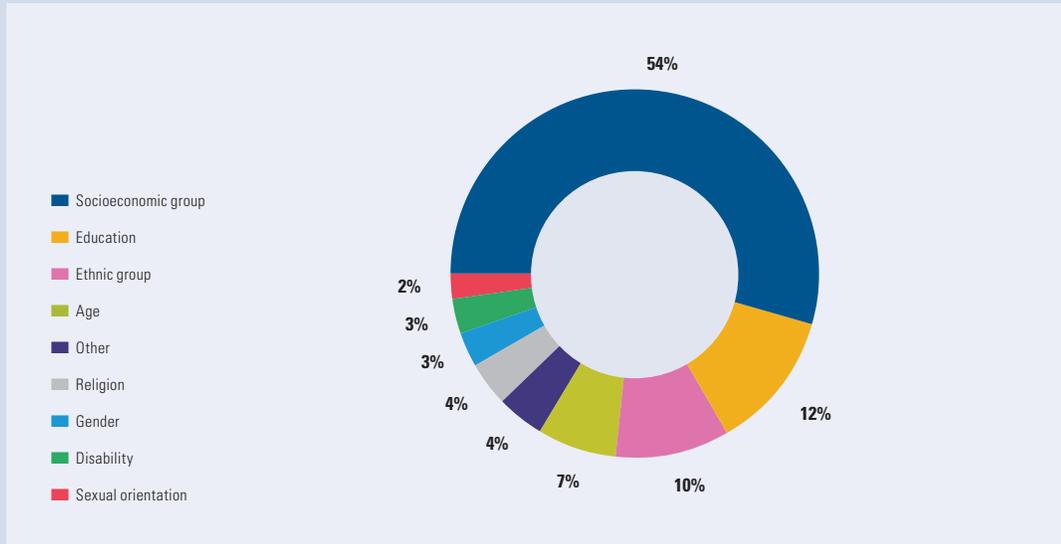
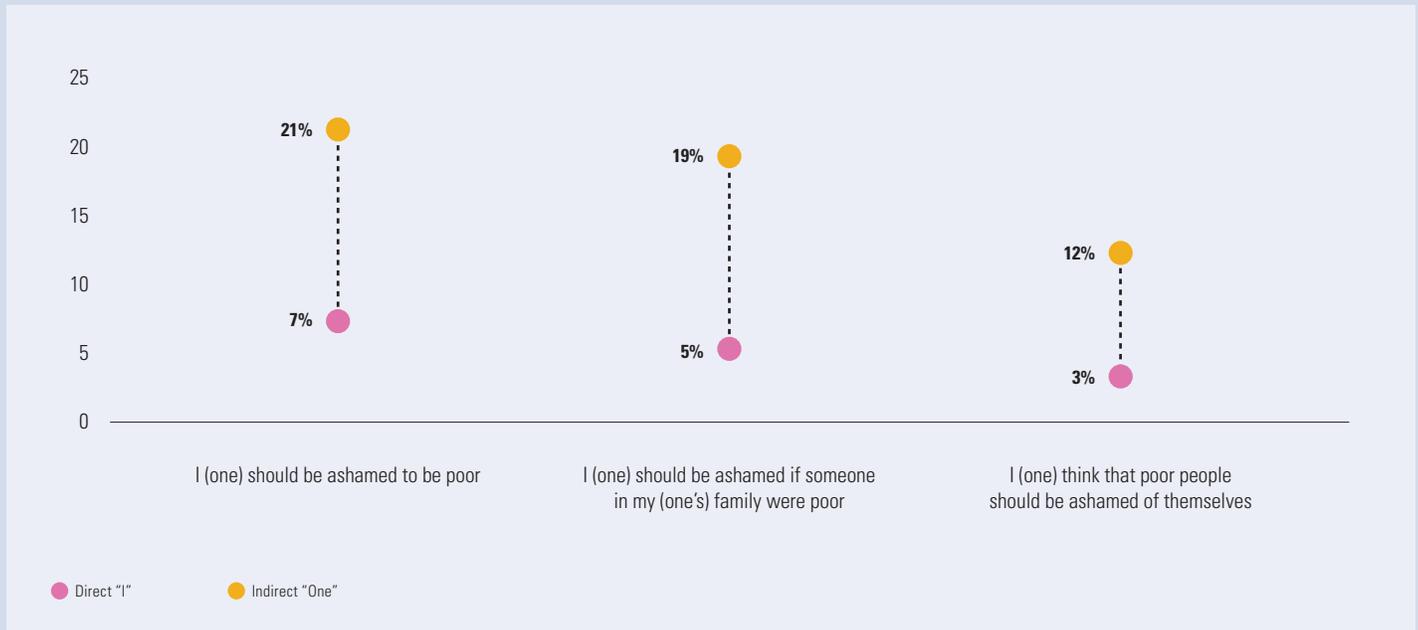


FIGURE 1.B

**Differences between direct and indirect questions (percentage of those polled that answer yes) in Chile**



Source: Zavaleta Reyes, Ballón and Robles Aguilar (2015).

Source: Prepared by the authors using data consulted in Zavaleta Reyes, Ballón and Robles Aguilar (2015).

### 3.2.2 Multidimensional well-being above the poverty threshold

In a region in which approximately 6.5 percent of the population lives below the global multidimensional poverty threshold (UNDP, 2015), there is a growing interest in constructing measurements to identify the situation of population groups who are *above the threshold*, but whose capacities and potential achievement of well-being are limited by vulnerability and exclusion. The achievements of these population groups vary from one country to another, as well as within the same country.

How can we define dimensions to measure achievements that go beyond poverty thresholds? Diagram 3.1 shows functioning vectors that are potentially unlimited for each person and each household and depend on idiosyncratic characteristics linked to the life cycle, cultural identity, interests, and lifestyle preferences. Subsets of these vectors can also encompass unlimited capacities that make achievements possible in each specific context. For example, in order to start a new craft business, someone might need to have the initial skills of creative abilities, educational tools, work experience, access to physical and financial assets, and access to a potential market where they can sell or exchange their products. As the achievements increase, so do the capacities required.

Diagram 3.1 shows three subsets of functionings that might be useful in the definition of public policy in middle-income countries. One of these subsets covers multidimensional poverty indicators, already described earlier, while the other two subsets describe baskets of indicators yet to be estimated: one related to indicators of resilience to vulnerability, and another to sustainability indicators. Conceptually, these baskets of indicators constitute multidimensional subsets of achievements concerning social, economic and environmental factors, which also correlate to the capacities required to realize these achievements.

A basket of indicators of resilience to vulnerability would, for example, consider aspects to reduce the risks related to falling into poverty. The economic and social

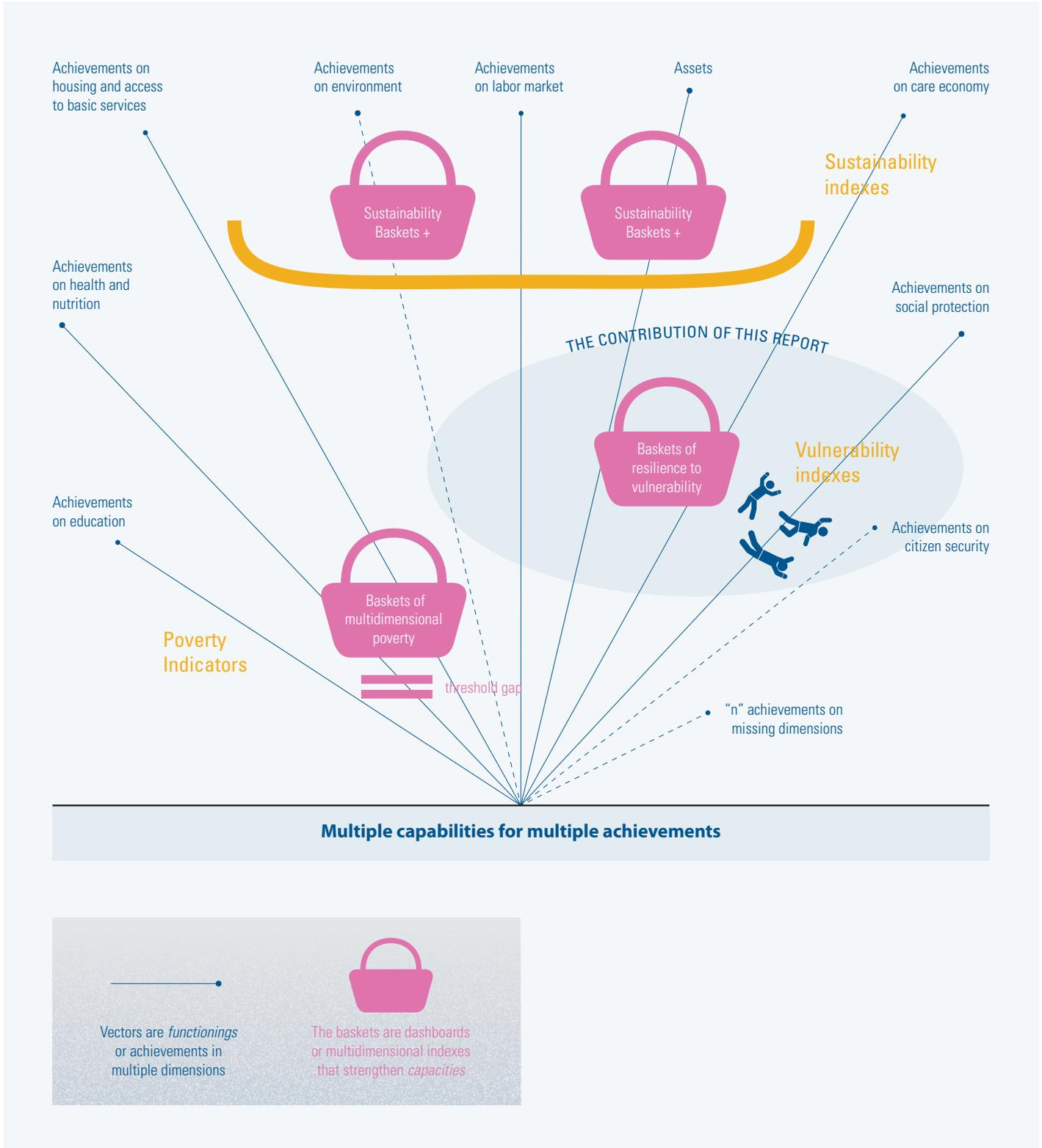
transformation experienced in the region in recent years has resulted in some 224 million people in transit from income poverty to the middle class — the population termed to be living in economic vulnerability. In this context, the definition and implementation of public policy interventions in areas that make it possible to minimize the risks of impoverishment are crucially important in guaranteeing the sustainability of the achievements made and boosting increased sustainable development in the region in the future.

As noted in the previous chapter, while almost 72 million people escaped income poverty during the period 2003-2013, there is a potential group of people who risk falling back into poverty. This is due to reduced income and household assets, whether because of a loss of employment or employment insecurity, health risks, or the effects of natural disasters. Recent evidence obtained based on the synthetic panels technique (Stampini et al., 2015) and longitudinal surveys of Chile, Mexico and Peru shows that, during the decade in question, an average of between 10 and 13 percent of the vulnerable population moved towards income poverty. By extrapolating these proportions to the current total of people living in a vulnerable situation, we can generate an approximate estimate of the number of people that face the greatest risk: some 25 to 30 million people in the next decade.

The results of the probabilistic studies presented in the preceding chapter enable some of these vectors for functionings to be defined within a basket of factors to build resilience to vulnerability. In general, four groups of common factors can be identified in the region's countries: those linked to the labour market, which can be addressed by improving the quality of employment; social protection, which can be expanded through universal access to a package of social benefits that are separate from the labour market; access to physical or financial assets, which can be promoted through the development of better mechanisms for financial inclusion and access to credit; and demographic aspects related to the presence of children and older adults in households, which can

DIAGRAM 3.1

Multidimensional progress: poverty, vulnerability and sustainability indicators



Source: Prepared by the authors.

be addressed by developing care systems for children, older adults, and people with an illness or disability. These last aspects are generally related to the gender gap in terms of time use and labour participation. These vectors constitute a set of dimensions which, if taken into account in the design of public policy actions, could contribute to reducing the risks of falling into poverty.

Figure 3.9 shows that the progress made by the vulnerable population, as measured by various approximate indicators (such as the labour market vector) remains insufficient and incomplete in the region. Fifty-five percent of those who constitute the vulnerable

employed population are in precarious employment (of low quality), i.e. working in small enterprises with fewer than five employees, as unpaid employees, as domestic employees, or as unskilled, self-employed workers. Moreover, 58 percent of those in employment do not have access to work-related pensions. Finally, the participation rate for men is still 1.5 times higher, on average, than the rate for women. This difference could be indicative of the fact that more women are occupied in household activities, which would point towards the importance of expanding care systems.

FIGURE 3.9

**Important challenges remain in some key indicators to reduce the risks of impoverishment**



### B. Incidence of jobs without access to pensions among the vulnerable population (in percentages) in Latin America



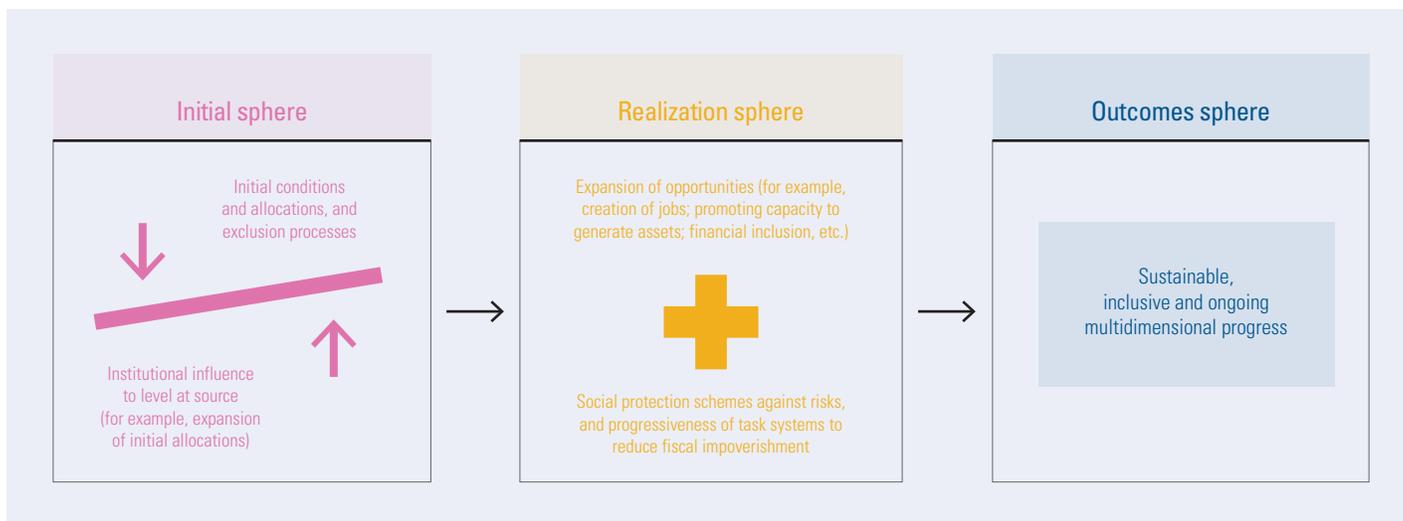
### C. Gender gap in the employment participation rate among the vulnerable population in Latin America



Source: Prepared by the authors based on CEDLAS estimates using information obtained from SEDLAC (CEDLAS and the World Bank).

## DIAGRAM 3.2

**Public policy institutions and decisions must go beyond expanding initial contributions; they must extend the opportunities to transform these contributions into greater well-being in a context characterized by tools to protect against risks of impoverishment**



Source: Prepared by the authors.

In order to reduce the risks of impoverishment, in particular, and so that pathways to multidimensional well-being are sustainable, in general, regional public policy agendas need to go beyond a specific focus on social problems. Instead, they must work in a coordinated manner in different spheres across the whole social fabric. In these spheres, institutions are the main driver of transformation as they are capable, for example, of promoting the improvement of some of the initial conditions by closing gaps in key dimensions, influencing the expansion and quality of individual functioning, and expanding opportunities to transform these functionings into sustainable well-being (see diagram 3.2).

Well-being is multidimensional insofar as it does not depend solely on access to material goods or improvements in financial indicators, but also on other dimensions that are relevant to people's lives (Sen, 1980 and 1992). In the case of poverty, for example, in addition to an income level that guarantees the ability to satisfy basic food needs or access to a basic set of material goods, it is equally important to have good health and basic access to knowledge, in order to

transform material spaces into spaces of opportunity that expand life options. In this process, the performance of institutions and public policy actions are insufficient if they are limited solely to guaranteeing access to these resources — income, either from work or transfers, and education and health, by expanding the offering and coverage — and they neglect interventions aimed at expanding opportunities to enable the population to exploit these resources and to survive without protection schemes. For society as a whole, and to achieve long-term development objectives, it is both inadequate and inefficient that these minimum guarantees in areas such as education are incompatible with the quality and content that the markets and the productive structure of the country require. Recent evidence shows that the returns on education relative to the generation of beneficiaries of conditional transfers are low due to the low quality of teaching (Filmer and Schady, 2014), and this reduces opportunities for economic mobility.

The role of institutions and public policy actions, however, should not be restricted to the sphere of poverty or basic deprivation. Public influence should be a continuum that

both transcends and complements efforts to exceed these thresholds through multi-sectoral actions that are consistent with the economic and social progress observed in the region during the decade under consideration, and that address multiple functioning vectors such as those described in figure 3.9.

In an environment characterized by lower projections of economic growth over the coming years, interventions to improve the quality and productivity of work, the expansion of social protection systems, the design of pillars of care, and the promotion of access to productive and financial assets become essential. The following chapter describes some public policy recommendations for these areas of development.

### 3.2.3 The missing dimensions of well-being

Household surveys, censuses and administrative records have natural limitations with regards to the type of information collected, its frequency, and how statistically representative it is. In recent years, however, countries in the region have produced an array of new sources of information that make new approaches to multidimensional well-being possible. From happiness surveys to measuring time use in the home, and new approaches to *good living*, the missing dimensions of well-being point to an important new area of information (see box 3.8).

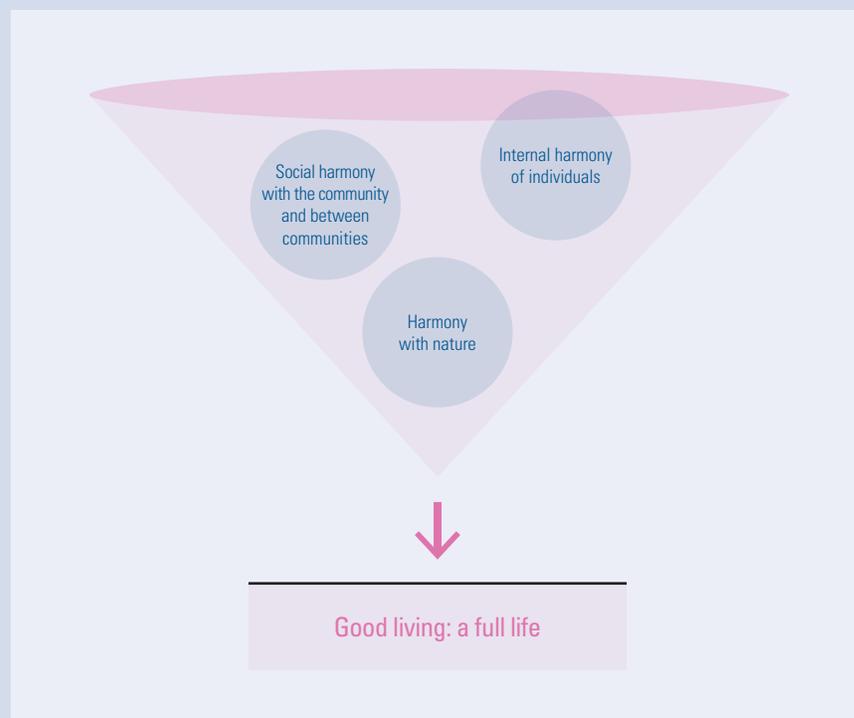
#### BOX 3.8

##### How to measure *good living*. Innovations in Ecuador and Bolivia

In 2008, the Constitution of the Republic of Ecuador introduced the notion of good living (*sumak kawsay*), inspired by the world view of the indigenous people of the Andes and Amazonia. The Government of Ecuador has subsequently promoted its implementation through National Plans for Good Living. There are various definitions of what constitutes good living. Mauricio León (2015), for example, defines it as a full life, the principal components of which can be summarized as: internal or individual harmony, harmony with the community, and harmony with nature. René Ramírez Gallegos (2013) defines it as happiness, which is the bridge between materiality and subjectivity. The definitions agree that to live well, human beings must be in equilibrium or harmony with themselves, with other human beings, and with nature. It is around these three components that the system of indicators of good living and its subsystems are organized.

#### DIAGRAM 1

##### Good living as an expression of a full life



Source: León (2015).

Internal harmony requires an equilibrium or balance between the material and objective aspects and the spiritual and subjective aspects of life. To a degree, these elements can be at least approximately associated with the concepts of physical health (inner

strength), mental health (balanced conduct), education and knowledge (wisdom, capacity for understanding), *eudaimonia* (vision of the future, perseverance) and feelings or emotions (compassion).

TABLE 1

**Objective and subjective components of the internal harmony subsystem**

<b>Subsystem of internal harmony of individuals</b>	<b>Objective aspects</b>
	Health
	Education
	Habitat
	Work
	Free time
	Participation
	Freedom
	Harmony with the community
	Harmony with nature
	<b>Subjective aspects</b>
	Eudaimonia
	Spirituality
	Evaluation of life
	Positive emotions
	Negative emotions
Flourishing	

Source: León (2015).

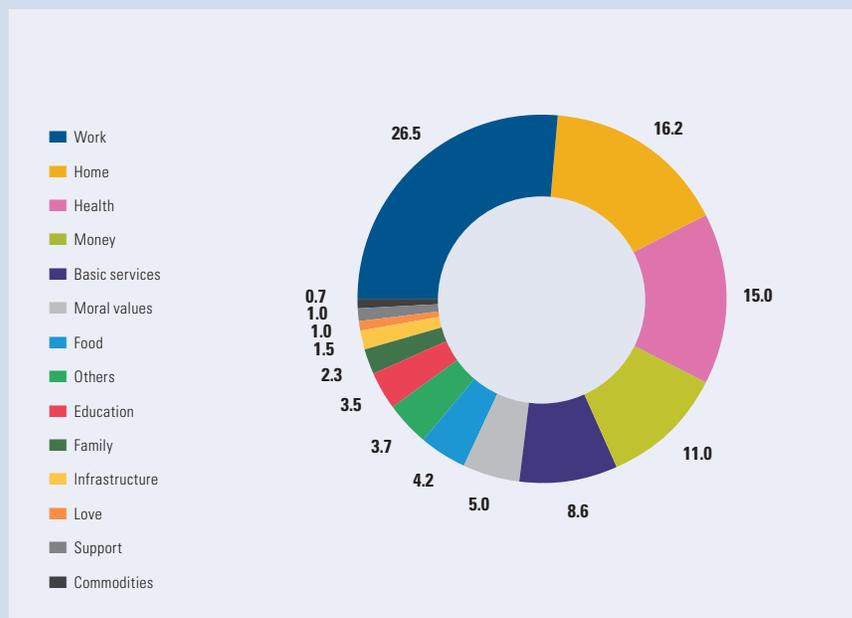
The concept of good living is also characterized by criticism of economic growth, opulence, consumerism and the over-emphasis of production. This questions the “more is better” principle that typifies capitalist societies, leading to the unlimited accumulation of wealth. Although the notion of good living constitutes significant conceptual progress, we need to measure it innovatively in order to be able to estimate key, objective improvements in the good living of individuals or communities.

In Bolivia, good living provides the basis for proposing an alternative development paradigm, based on ancestral knowledge and new measurements to capture the achievement of a full life, in harmony with nature.<sup>32</sup> Article 8 of the Political Constitution

of Bolivia establishes that “The State adopts and promotes the following as ethical, moral principles of the plural society: *ama qhilla, ama llulla, ama suwa* (do not be lazy, do not be a liar or a thief), *suma qamaña* (live well), *ñandereko* (live harmoniously), *teko kavi* (good life), *ivi maraei* (land without evil) and *qhapaj ñan* (noble path or life).” In accordance with the above, the Law of the Rights of Mother Earth, the Framework Legislation on Mother Earth and Integrated Development to Live Well (Act No. 300 October 2012) and the Agricultural Community Productive Revolution Law establish the concept of systems of life, arguing that nature is the fruit of a long-term relationship between human beings, their processes and their natural surroundings.

FIGURE 1

## Perceptions of what is needed to live well (in percentages)



Source: Figueroa Cárdenas (2012), based on data from the Mobility and Social Stratification Survey 2009 conducted by the United Nations Development Programme (UNDP).

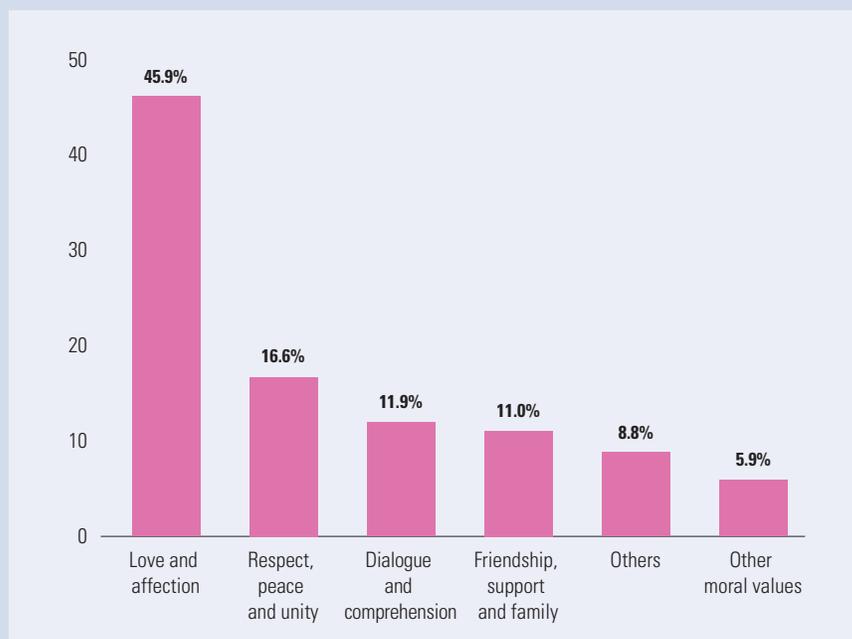
Despite the above, measurements to capture good living are still being developed. These efforts can be seen in some exploratory work — for example, by Figueroa Cárdenas (2012) conducted using the database of the Mobility and Social Stratification Survey 2009 conducted by UNDP (see graphs 1 and 2 in this box). Empirical findings show that good living is perceived as the result of unity between material and non-material determinants, and the results appear to confirm that individuals' income or even their consumer spending, although necessary, are not sufficient variables to evaluate good living.

According to people's perceptions, the requirements viewed as indispensable for good living are: having work, identified as the first need among economic goods; next came the importance of being in good health, part of the group of primary goods; while the importance of having ethical and moral values was identified within the group of emotional goods. These are basic rights contained in the Political Constitution of the State, although these are not yet fully linked with ideas relating to care for the environment and harmony with nature, which appear to be deemed to be of secondary importance after the satisfaction of the aforementioned basic needs.

Source: Prepared by the authors based on data consulted in Figueroa Cárdenas (2012), León (2015), UNDP and CIS (2015) and Ramírez Gallegos (2013).

FIGURE 2

## Emotional aspects necessary to live well (in percentages)



Source: Mobility and Social Stratification Survey 2009 conducted by the United Nations Development Programme (UNDP).

For several years, measurements of time use and its distribution among men and women have been on the agenda of academics and those devising public policy in several of the region's countries. Surveys into time use and the inclusion of time poverty in multidimensional poverty measurements allow us to visualize the activities involved in domestic and care work, calculate the size of the total remunerated and non-remunerated workload, measure gender inequality and, lastly, understand the real conditions of poverty in which women are living. The

contribution of women to countries' wealth creation, well-being and poverty reduction through productive, domestic and care work has been widely proved. Domestic and care services supplement monetary incomes, and evaluating them provides a broader measure of well-being (see box 3.9).

An innovative response to recording dimensions that are absent from well-being measurements is mobile telephone technology, applications and interactive websites that process information through GPS or perform secondary processing. For example,

### BOX 3.9

#### Time: a resource for escaping poverty

Monetary income-based measures of poverty and inequality provide an incomplete overview of the main forms of deprivation. The implementation of a transport policy that reduced the travel time of those working six days per week by one hour, or the expansion of public care centres that helped reduce the time spent caring for children, older adults or people with disabilities by four hours per day, would have a highly significant effect. Those benefiting from this type of policy would gain around five or six hours per week, around 300 hours per year, and around 1,400 hours that they could spend on other activities, whether remunerated or not. These policies would have a large impact on the quality of life of millions of people. How is it possible that individuals' lack of time (time deficits) continues to be ignored when policies are being designed?

Around the world, monetary income-based measurements continue to dominate official statistics, govern social policies and represent the main tool used by Governments when measuring the reach of public policies. Against this backdrop, the clear losers are those whose problems remain completely or partially hidden. Furthermore, when time poverty is not measured, policymakers lack any incentive to promote measures to overcome this type of poverty.

Measuring *time* could shine new light on the deprivations hidden behind household income measurements — and that are omitted in other multidimensional measurements — as well as on its connection to economic growth, the world of paid and unpaid work and public and well-being policies. Moreover, joint consideration of income poverty and time poverty could contribute to designing more suitable public policy interventions. The relatively recent availability of surveys on time use in the region is opening up this possibility.

Inequality in terms of time use may be severe, and not only because of differences relating to gender roles. It may also be exacerbated by a number of factors, such as the presence and number of people in the household requiring care; income; employment in jobs that allow workers to voluntarily work longer hours; education; and the possibility of paid

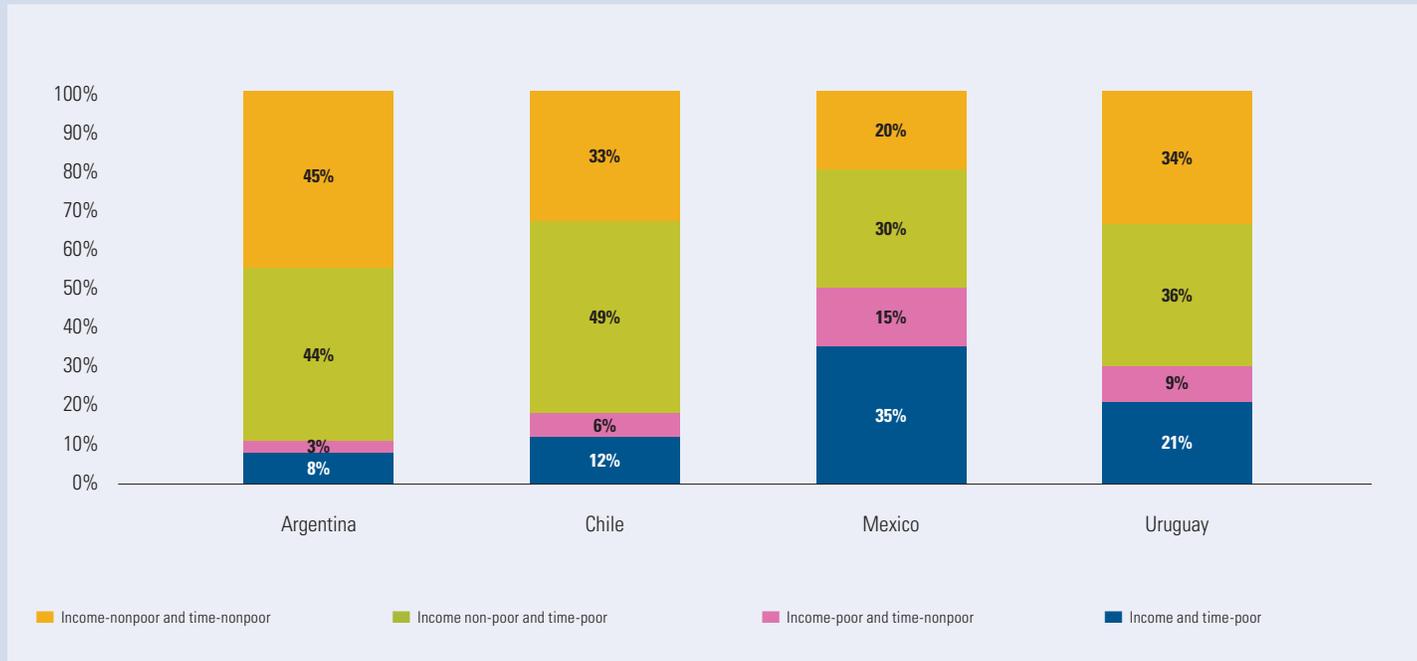
activity that fits around a household's routine, which is more accessible for those with qualifications (Damián, 2003; Antonopoulos, Masterson y Zacharias, 2012).

The progress made to date in the development of a suitable framework for measuring and analysing time deficits, as well as in terms of capacities to act on the aforementioned factors, remains in its infancy. The Levy Institute Measure of Time and Income Poverty (LIMTIP) provides considerable help in considering income and time deficits jointly. It should be emphasized that, far from presenting straightforward, comparable international estimates, the figure below presents the effects of that combination of deficits *within* Argentina, Chile, Mexico and Uruguay (Antonopoulos, Masterson y Zacharias, 2012: 41).

The result is a representation of the relative weighting for four different types of households with different needs in terms of State intervention. In Uruguay, for example, of the 30 percent of households that are income-poor, 21 percent also suffer time deficits. Any policy that creates greater time burdens for low-income households, such as an increase to working hours or time spent travelling, and that does not take action on other factors linked to time poverty, is likely to be unsuccessful. It would also be advisable to consider the 9 percent of households that are income-poor but not time-poor.

The values vary according to family composition and, more specifically, according to the presence or absence in the household of dependent people requiring care. Rates of time poverty are higher among married couples with children than among married couples in general. The difference is particularly acute in Argentina, where the time poverty rate among all married couples is 65 percent, while among the subgroup of couples with children it rises to 82 percent. In Uruguay, two of every three adults in households comprising one adult and one child are time-poor (65 percent). The percentage is slightly higher than in households where two adults are responsible for three or more children (60 percent). Households without children record lower rates of time poverty.

FIGURE 1

**Time poverty and income poverty (as percentages) in Argentina, Chile, Mexico and Uruguay**

Source: Maier Blixen (2015).

Source: Prepared by the authors based on data taken from Maier Blixen (2015).

the *Nacer Aprendiendo* [Born Learning] programme in Peru creates virtual gateways based on health data so that health workers can use mobile phones to access critical information on patients located anywhere in the country. In the Caribbean, a public information campaign on tsunamis uses text messages to disseminate information on prevention and safety in relation to natural disasters. The DatAgro project disseminates climate information on locations liable to flooding or droughts in countries in the region (UNDP, 2012). Additionally, in several countries mobile telephones have been used to share information on conditional cash transfers and payments to beneficiaries' accounts.

Perhaps one of the most promising advances in the systematic recording of dimensions that are absent from well-being

measurements is the expansion of records of beneficiaries of social transfers to include real-time information on multiple aspects and shortcomings that go beyond the objective of conditional transfer programmes. The registries in Brazil and the Dominican Republic, and the single register of beneficiaries in Mexico — to cite but a few examples — are becoming multidimensional dashboards, using administrative registers and data obtained from interviews carried out by social workers during home visits. By harmonizing information on income, social services, labour markets, housing, basic services and risks posed by natural disasters, these records build the capacity of political decision makers to visualize complex and multidimensional problems (see boxes 3.10 and 3.11).

**BOX 3.10**

**The Climate Shocks Vulnerability Index (IVACC): A multidimensional measure to mitigate the impact of natural disasters in the Dominican Republic**

The Government of the Dominican Republic, together with UNDP, designed a multidimensional vulnerability index to establish measures to address the effects of natural phenomena on the most vulnerable households, thus preserving their lives and property. Given that between 1980 and 2012, natural disasters such as storms and hurricanes caused an estimated loss of between 1,000 and 1,500 human lives in the Dominican Republic, the IVACC was created to predict and prevent, through public policy actions, loss associated with climate change, as well as to increase the resilience of the most vulnerable households.

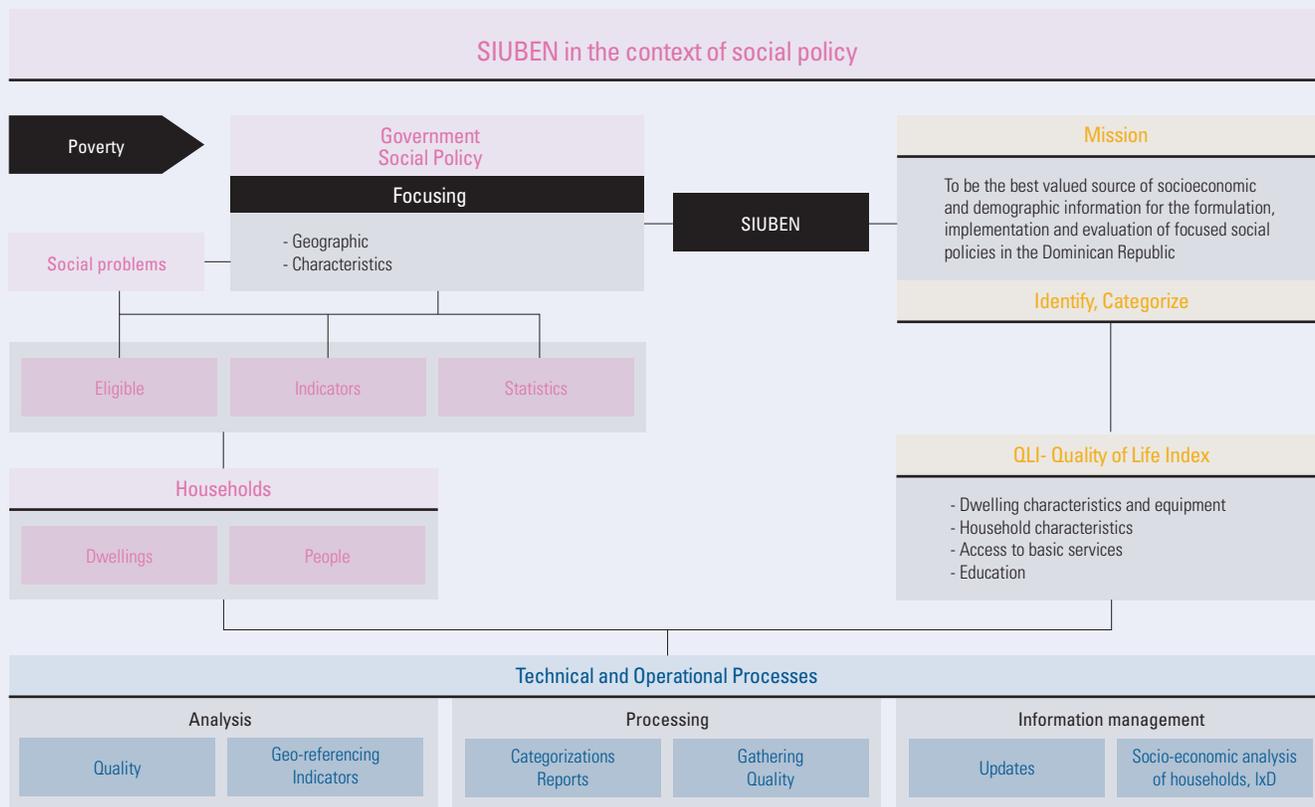
The IVACC defines vulnerability as “the condition of being damaged by exposure to stress associated with climate change and the absence of the capacity to adapt” (IVACC/UNDP, 2014). In this context, the IVACC measures the probability (based on a logit model) of a household being vulnerable in the event of hurricanes, storms and droughts, by considering

socio-economic characteristics such as income, the physical condition of the dwelling, place of residence and proximity to rivers, streams and ravines, as well as other demographic variables and the household’s health. The result is an index that gives values between zero and one. Households with values close to zero are the least vulnerable (i.e. they are less likely to be affected by environmental shocks), while those with an index value of one are the most vulnerable.

The environmental vulnerability index is based on data from the Unified System of Beneficiaries (SIUBEN). It aims to: i) identify the population very likely to suffer environmental risks and that also suffer shortcomings in other areas relating to quality of life; ii) focus on interventions at the territorial and population levels, prioritizing poor households in high-risk areas; and iii) design public policies to address the effects of hydrometeorological shocks, particularly storms, floods and hurricanes.

**DIAGRAM 1**

**The Unified System of Beneficiaries (SIUBEN) in the context of social policy in the Dominican Republic**



Source: IVACC/UNDP (2014).

## ILLUSTRATION 1

**Climate Shocks Vulnerability Index (IVACC)**

Source: UNDP in the Dominican Republic (2014).

SIUBEN is the main instrument for focusing social policy in the country and allows us to characterize the whole population and identify those who are eligible for the different programmes, according to a social shortcomings index (Quality of Life Index). SIUBEN thus represents a centralized information platform to focus activities. There are significant advantages to complementing the data provided by SIUBEN with the information provided by the IVACC, particularly in terms of defining and coordinating policies. For example, the new vulnerability index complements the information on households' quality of life obtained through SIUBEN, precisely identifying the poorest households that could suffer the greatest damage from climate events. In turn, since the creation of the IVACC, SIUBEN has been used to promote interoperability with civil protection and rescue bodies, such as the National Emergency and Civil Defence Commission, that allows not only for the improvement and planning of those bodies' capacities to respond to natural disasters, but also for the improvement of the wealth of information provided by SIUBEN to

design prevention and mitigation actions. Therefore, since 2015 SIUBEN has been an active part of the National Technical Committee on Risk Prevention and Mitigation.

The first results demonstrate, for example, that households in rural areas and the lowest-income households are most vulnerable to the effects of climate change. While the population living in large (metropolitan) cities has an average Vulnerability Index of 0.45, the rural population has an average of 0.61. Similarly, 48.5 percent of households addressed by SIUBEN have an IVACC that is higher than the national average, which is 0.524, and 30.4 percent of the population has an IVACC that indicates high vulnerability, greater than 0.7. These households will be prioritized in the initial interventions.

The results of the early analyses demonstrate that households with the greatest deprivations (those in the first quintile according to the Quality of Life Index) are most vulnerable to climate shocks. As deprivation levels decrease, so does environmental vulnerability.

FIGURE 1

### Environmental Vulnerability Index according to Quality of Life Index Quintile



Source: UNDP in the Dominican Republic (2014).  
Note: "QLI" stands for "Quality of Life Index".

Access to this type of index is important for three main reasons:

- i) The geographical location of the Dominican Republic: The country is situated on the hurricane and storm belt, and hurricane season lasts for six months a year. It is therefore important to understand which areas and households are at greatest risk of being affected, and which suffer the greatest environmental vulnerability, so as to redirect resources towards them.
- ii) Prioritization of action: The IVACC allows us to identify the country's most vulnerable areas in terms of the climatic impact of these phenomena and to understand which households have the greatest resilience or capacity for adaptation.

- iii) Sustainable social investment: It allows social resources to be better focused on the most vulnerable households, thereby optimizing the State's resources, focusing actions and avoiding the loss of investment in beneficiary households in the aftermath of a phenomenon.

Given the high incidence of national disasters relating to climate change and the correlation between social inequality and the vulnerability of households living in poverty to such events, the IVACC represents a highly innovative approach to the design of instruments to guide social policy and an important step in reducing households' risk. Owing to the creation of the IVACC, the Dominican Republic is a global pioneer in calculating and implementing an environmental vulnerability index for households that allows data to be disaggregated by geographic area, ethnicity and income level.

Source: UNDP in the Dominican Republic (2014).

## BOX 3.11

**Beyond household surveys: the experience of the *Cadastro Único* [Single Registry] in Brazil**

Since the 1980s, information from household surveys has been used to identify the beneficiaries of social programmes in the region, and to estimate poverty and exclusion indicators. Surveys are based on sampling criteria and consider variables that are approximations of the characteristics of a country's households. In 2001, Brazil made a significant jump in its ability to gather detailed information on millions of households and people. The Single Registry for Federal Government Social Programmes, a comprehensive database that stores and cross-references information on 79.2 million low-income Brazilians, enables possible beneficiaries of social programmes to be identified and families to be followed up over time. These actions enable the programmes to be evaluated and verified to assess whether they have the desired effect on individuals' progress.

The Single Registry is a powerful tool for increasing the efficiency of public policies, particularly given that it allows for a transition

from uni-dimensional, income-based approaches to multidimensional approaches focused on the services and assets of the poor. Initiatives of this type allow us to identify families living in poverty, who are usually invisible to public policy managers. Rather than waiting for them to come knocking on the State's door, such initiatives seek out the population living in extreme poverty, which is extremely useful in geographically isolated communities or those suffering exclusion or discrimination. The gathering of these data gives greater roles and responsibilities to municipal authorities, while helping to increase co-ordination and efficiency in the implementation of social programmes, as well as the decentralization of public services. Thanks to the Single Registry, since 2011, 1.2 million families in extreme poverty have been identified in Brazil and included in an extensive social protection network. They also participate in social programmes that meet the specific needs of each family.

Source: Prepared by the authors based on data from the Brazilian Ministry of Social Development and the Fight against Hunger. Available at: <http://mds.gov.br/assuntos/cadastro-unico>.

### 3.3 Conclusions

Behind the income-based transitions that transformed the region's social pyramid, there are structural drivers that go beyond income and underlie simultaneous processes of social, economic and environmental change. Demographic, labour and educational factors, and factors relating to the use of natural resources are the most visible drivers behind changes in the income pyramid. Progress in multiple dimensions of well-being has been systematically underestimated in countries of the region because of the use of GDP per capita as a proxy for well-being. At the regional level, 16 of 27 social, work and environmental indicators display greater levels of progress than predicted by the region's per capita income, in a context that encompasses every country in the world.<sup>33</sup>

The most significant example of progress made in measuring well-being beyond income is reflected in the Multidimensional Poverty Index (MPI) in many of the region's countries. The conceptual and empirical leap from a measure based solely on income to one based on a range of social, labour and living standard

indicators is not only statistically valuable, but is also key to designing new public policies. These indexes, which allow data to be broken down and aggregated, make it possible to construct maps and intersectoral focuses that can be broken down by person, household, neighbourhood, municipality and region. They also make it possible to steer the work of different sectors involved in the provision of services in the spheres of education, health, nutrition, housing, and basic services. This leap is accompanied by a tendency to expand the boundaries of what is measurable to incorporate dimensions traditionally absent from measures of poverty, including factors such as psychological well-being, humiliation, empowerment, quality of work, and citizen security. New regional measures that use indicators concerning the labour market, social protection, and social and environmental vulnerabilities when estimating deprivations are also emerging.

A natural evolution of the multidimensional approach is interest in understanding and analysing what happens at various levels of well-being, since not all obstacles exist below the thresholds of certain deprivations; many

types of exclusion and discrimination based on ethnicity, race or gender occur both above and below these thresholds. The analytical framework presented in this chapter is therefore an example of how to define a (non-exhaustive) basket of resilience to vulnerability based on dimensions relating to the quality of work, social protection, access to physical and financial assets and care systems. If placed at the centre of the regional public policy agenda in the coming years, this basket could help to prevent between 25 and 30 million people from falling back into poverty.

Well-being indicators above the multidimensional poverty line have yet to be defined and represent a core invitation of this chapter, and this Report, which views multidimensional progress as a conceptual umbrella that encompasses the capacities needed to overcome poverty, confront vulnerability and build long-term sustainability. The following three chapters cover the connection between multidimensional measures and multidimensional policies that address the holistic nature of human development.

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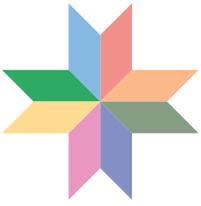
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# Policies to prevent gains from being lost: new challenges in the middle





# Policies to prevent gains from being lost: new challenges in the middle

## Introduction

The economic and social transformations under way in Latin America frame future public policy challenges. Much remains to be done with regard to coverage and quality of, and access to, social services and labour markets. More-of-the-same in terms of economic growth will not protect vulnerable populations or improve the conditions of those groups that have been excluded from the decade of growth. The current economic situation raises new challenges that threaten achievements to date. Falling prices of commodities and fossil fuels have created a negative macroeconomic environment for many countries in the region. Public policy actions need to be implemented on two fronts: *protecting the gains* made during this period (chapter 4), and *including those who have not benefited* from the economic and social transformations under way (chapter 5).

Given the magnitude of economic vulnerabilities in the region, the prevalence of precarious employment, high levels of informal employment and regressive tax systems, and the absence or insufficient scope of social protection mechanisms, a new set of interventions must be universal and include groups of the population above the poverty threshold. Policies must be designed to sustain, consolidate and ensure the continuity of what has already been achieved. Universal policies are designed to have an integrated, coordinated impact on variables linked to the labour market, economic inclusion and the creation of assets; social protection and its various pillars, with particular emphasis on health, old age and care; quality education and training in skills that reflect the needs of the labour market; and the tax system.

Although action in these areas may not directly impact immediate well-being, they have the potential, taken together, to promote more productive societies with a more sustainable pattern of economic growth over the long run (Bittar, 2014; OECD, ECLAC and CAF, 2014).

It will also be necessary to change the policy approach for groups that were excluded from the achievements of the period 2003-2013, or that have not benefited from them to the same extent as others. Direct interventions will need to be designed to create a level playing field by compensating for the effects of both initial exclusion and discrimination that affect some population groups. Given the size of the population currently living in poverty in the region, and the dynamics of chronic poverty experienced by a significant proportion of this group, the interventions should include specific, differentiated interventions aimed at the Afro-descendant and indigenous population, at the rural population in general and at women, in particular.

The challenges the region faced at the start of the 1990s are not the same as those it faces today. This chapter addresses new policy challenges, focusing on the sustainability and resilience of existing social achievements. Chapter 2 showed that the factors associated with household economic mobility and resilience are related to: demographic dynamics (for example, the number of adults in the labour market, the area of residence and household composition, with an emphasis on the situation of children and older adults); access to physical, financial and human assets, and the capacity to generate these assets; and aspects of the labour market, including greater participation of women in it, and external factors such as the occurrence of shocks or the impact of the tax system.

In order to sustain the achievements to date and to deliver further social gains, it is important that public policy assumes a role that complements and transcends the provision of direct transfers and uncoordinated, indirect subsidies. This is to be achieved through integrated actions based on fiscal responsibility and designing meticulous crosscutting public policies, the aims of which go beyond simply overcoming poverty. The ability of those who are at risk of poverty or have successfully escaped from it to generate the necessary resources, such as sufficient assets and income, to safeguard them from falling into poverty depends to a large extent on the consolidation of policies designed to promote the following outcomes: i) achieving greater access to the labour market for women, combined with a fair distribution of time use in households, and the development of comprehensive care systems; ii) generating better skills and improved conditions for integrating men and women into the labour market; iii) achieving greater productive inclusion and improved access to credit markets; iv) developing a universal social protection system to coordinate support for men and women throughout the life cycle, and v) gradually redesigning tax systems.

## 4.1 Employment policies for productive inclusion

The low level of productive inclusion in high-quality jobs is one of the ongoing

challenges in the region, and also represents a barrier to achieving further transformations in the future. Despite the high levels of economic growth in the region in the last decade, and the improvements observed in traditional indicators that measure quantity of work, such as employment and unemployment rates, the region continues to be characterized by high rates of precarious and informal unemployment and low-productivity jobs, indicators that are used to measure the quality of employment (Burchell et al., 2013).

Although the greater weight of the service sector has made it possible to absorb the growing workforce and contributed to the decline of poverty, many of the activities in this sector are characterized by low productivity, poor quality and a lack of social security.<sup>34</sup> In 2013, of almost 300 million people working in the region, slightly over half were working as salaried employees in micro-enterprises with fewer than five workers, as unqualified self-employed workers, or as unpaid workers. Eighty-three percent of workers in a situation of extreme poverty and 70 percent of workers in moderate poverty worked in these conditions, as did more than half of working people in a vulnerable situation (see figure 4.1). Moreover, of all those working people in a vulnerable situation, only 48 percent were in permanent employment, while 45 percent lacked the right to access job-related, contribution-based social security. The prevalence of precarious employment makes the productive inclusion of this population a major challenge.

FIGURE 4.1

**In 2013, almost 80 percent, 70 percent and 50 percent of workers in a situation of extreme poverty, moderate poverty and vulnerability, respectively, were engaged in low-productivity activities. Among the middle classes, the proportion was 36 percent**



Source: Prepared by the authors based on estimates provided by the Center for Distributive, Labor and Social Studies (CEDLAS) using information obtained from the Socio-Economic Database for Latin America and the Caribbean - SEDLAC (CEDLAS and the World Bank).

Note: Monetary lines separating each group are expressed in US dollars (US\$) per person per day. Each person on the chart represents one million workers. The figures correspond to totals for all of the 18 countries listed below, with the years indicated in parentheses: Argentina (1992, 1998 and 2014), Bolivia (1997, 2002 and 2013), Brazil (1993, 2003 and 2013), Chile (1992, 2000 and 2013), Colombia (1996, 2003 and 2013), Costa Rica (1992, 2002 and 2013), Ecuador (1994, 2003 and 2014), El Salvador (1991, 1998 and 2013), Guatemala (2000 and 2011), Honduras (1992, 2003 and 2013), Mexico (1992, 2000 and 2012), Nicaragua (1993, 2001 and 2009), Panama (1991, 2001 and 2013), Paraguay (1995, 2004 and 2013), Peru (1997, 2004 and 2014), Dominican Republic (1996, 2003 and 2014), Uruguay (1992, 2004 and 2014) and Venezuela (1992, 2001 and 2011).

Informal employment particularly affects young people and women. In 2013, of the total population of young people in work (45.2 million), only 35 percent (15.9 million) were in formal employment. Moreover, more than half of young people enter the labour market via informal employment (Alaimo et al., 2015). This situation has a long-lasting impact on young people: those who experience unemployment or informal employment during their youth continue to suffer the effects on their employment as adults (Cruces, Ham and Viollaz, 2012). In addition, almost 70 percent of small and medium-sized enterprises in the region are informal, while 27 percent are very small businesses or micro-enterprises (see figure 4.2).

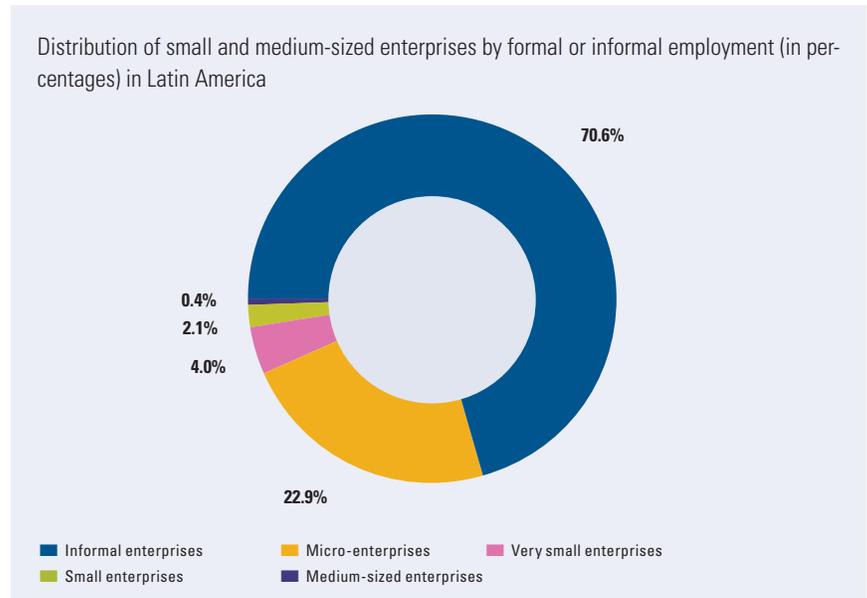
At the same time, in the service sector the productivity gap between the region and economies in the Asia-Pacific region or the developed world is higher than the gap for any other productive sector (World Bank, 2015a). During the years of greatest economic growth, this was due primarily to the contribution of capital and labour, with overall productivity making only a modest contribution of 4.3 percent to growth during this period. In the years following the 2009 crisis, the contribution of productivity to growth was negative, at just over -65 percent (see figure 4.3).

Furthermore, since 2003 the pace of growth in productivity of the labour factor in the countries of the region has remained well below the levels observed in high-growth economies, such as China, whether considered in terms of productivity per worker or productivity per hour of work (see figure 4.4).

According to a study by the Inter-American Development Bank (IDB), the persistence of informal employment and low productivity are accompanied by labour instability, as evidenced by high job turnover. On average, 25 percent of workers in the region have been in their current job for less than one year, and approximately one third of workers at any given business will no longer be employed there one year later (Alaimo et al., 2015). The combination of high instability, informality and low productivity prevent employment from driving mobility or

FIGURE 4.2

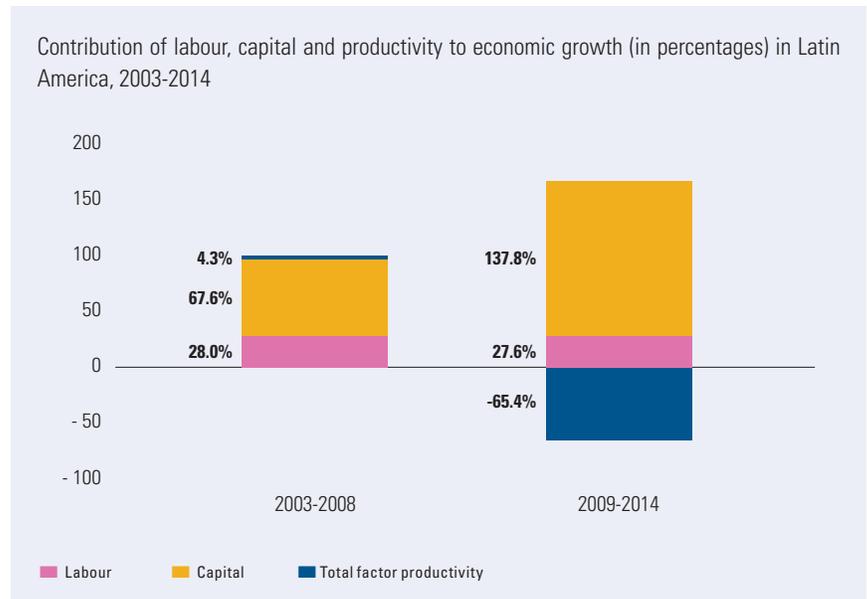
**Almost 70 percent of small and medium-sized enterprises in the region are in the informal economy**



Source: Prepared by the authors based on information from the SME Finance Forum Project of the International Finance Corporation of the World Bank.

FIGURE 4.3

**Growth in productivity in the region was very low during the years of greatest economic growth, and its contribution to growth following the 2009 crisis was negative**

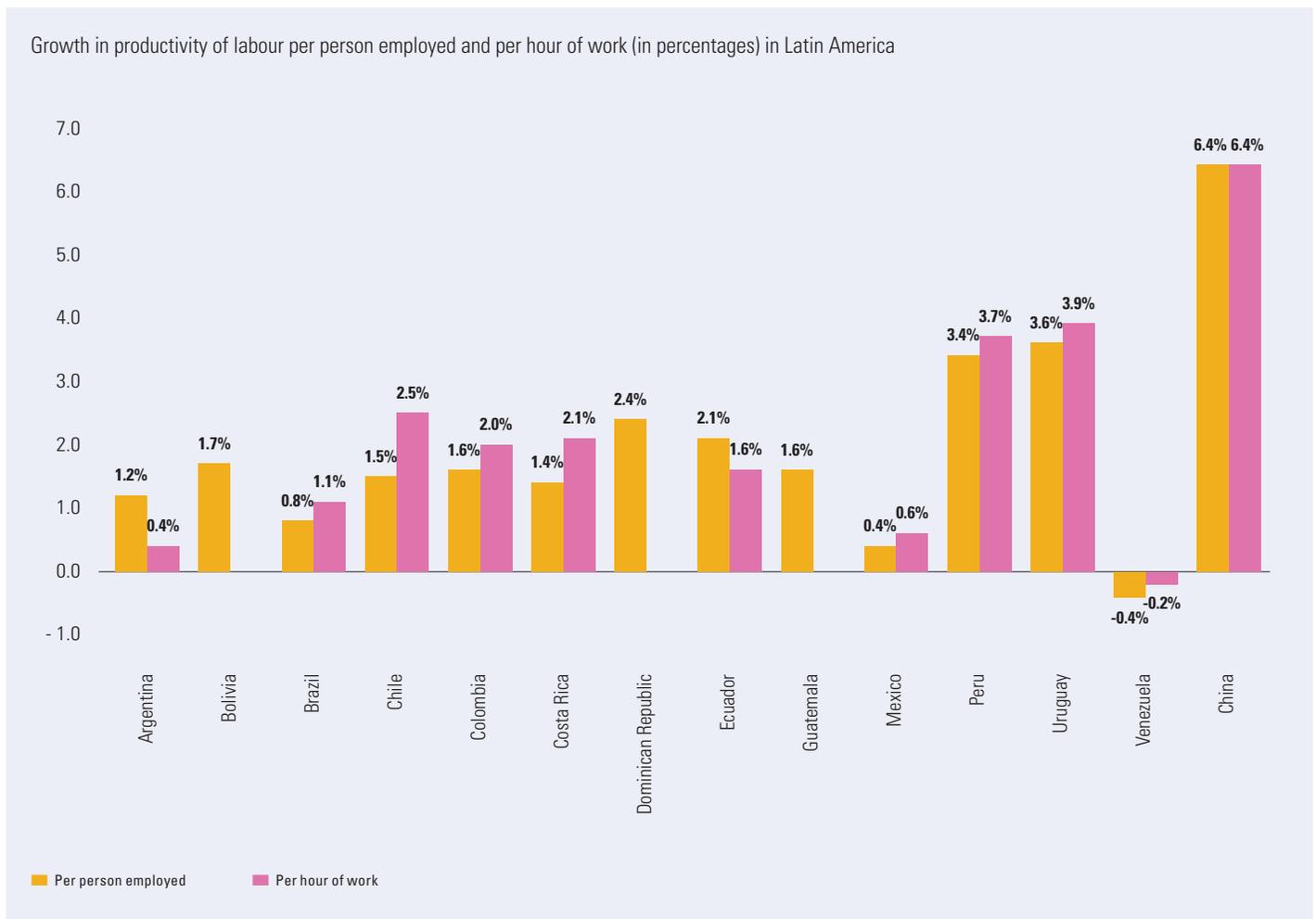


Source: Prepared by the authors using the Total Economy Database of the Conference Board, and the World Economic Outlook Database of the International Monetary Fund (IMF).

Note: The figures presented here indicate the contribution of each factor to the average growth recorded in the region during the periods identified in the graph, and are an aggregate for the Latin America region based on the following 13 countries: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, Guatemala, Mexico, Peru, Uruguay and Venezuela.

FIGURE 4.4

Growth in the productivity of labour in the region has been below that observed in high-growth economies, such as China



Source: Prepared by the authors based on information consulted in the Total Economy Database of the Conference Board.

sustainable, long-term progress. A high level of informality has economic, social and tax repercussions, insofar as it limits the coverage of social insurance, and reduces the opportunities to generate savings and to produce fiscal resources. At the microeconomic level, informal workers have fewer opportunities to accumulate human capital, less chance of escaping from poverty, and are more likely to fall back into poverty as a result of external shocks. From a macroeconomic perspective, the lack of sufficient savings may reduce the resources available to fund productive projects and, as a result, may restrict economic growth (World Bank, 2015a).

In this context, the achievements in the region with regard to the various dimensions of well-being — particularly those related to greater social inclusion and increased access to education, health and public services — have not been accompanied by a corresponding increase in productive inclusion. As we saw in the previous chapter, the performance of Latin America on indicators relating to vulnerable employment, the inactivity of young people, and the skilled workforce do not reflect the level of performance that one would expect given the level of development of the region. The guarantee of the universal right to decent employment, part of the agenda promoted by the International

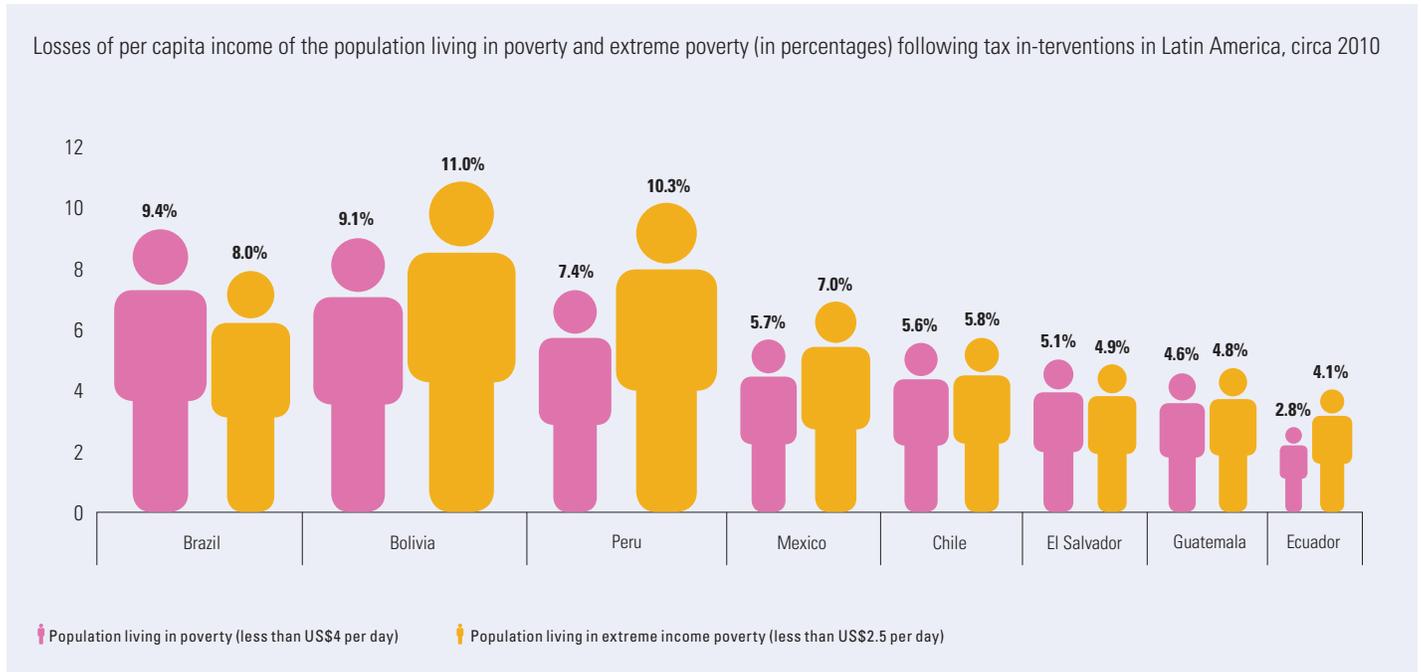
Labour Organization (ILO), has not yet been achieved in Latin America. Although the benefits of economic growth have been enjoyed by households (higher income from employment delivering a significant reduction in poverty), this process has not been accompanied by improvements in terms of the quality or stability of employment, meaning that a significant proportion of the population remains at high risk of impoverishment. This issue is of vital importance in the current context, with lower growth projections raising the possibility of an increase in informality and adjustments in the labour market. In particular, the active workforce is expected to fall, due primarily to the exit of women and young people with low incomes and a low level of education (World Bank, 2015b).

It is therefore necessary to implement simultaneous, integrated policies on several fronts. On the demand side, there is a need for policies to generate incentives to promote the creation of formal employment and continuing training for those in employment. On the supply side, there is a need to implement active policies aimed at the labour market, incentives for the training of human capital, improvements to information systems to advertise vacancies, and mechanisms to promote effective integration and reintegration into the labour market. Finally, the development of crosscutting policies should be evaluated in the context of each country. Such policies may include a minimum salary, in order to increase the income of the most vulnerable sector of the population without distorting efforts to increase formal employment, combined with unemployment insurance to enable the unemployed to find better job opportunities without falling into poverty due to the absence of the safety net of a minimum income. In this respect, it is important to note that the absence of unemployment insurance (a characteristic of many of the countries in the region) leaves a significant proportion of the population in a position of economic insecurity.

With regard to the first group of policies, a range of studies have shown that the costs of hiring a worker on a formal basis are high in comparison to productivity, a situation that is due in particular to the non-wage costs arising from the creation of formal employment, linked to health, pensions, training and, in some cases, unemployment insurance. The minimum cost of hiring a salaried worker on a formal basis represents, on average, 39 percent of GDP per worker, which in some countries rises to 70 percent (Alaimo et al., 2015). In this context, it is necessary to generate productive incentives targeted at companies to promote the creation of jobs, reduce and simplify non-wage costs, and increase productivity per worker. It is also necessary to generate incentives for workers, as institutional arrangements continue to provide significant disincentives to formal employment. The existence of some minimum, non-contributory social benefits, independently of their quality and coverage, disincentivizes workers from taking employment in the formal labour market due to the cost of social security contributions currently linked to formal employment.<sup>35</sup> At the same time, the regressive nature of some tax systems can also incentivize informality, in particular where the population is in a situation of poverty, to the extent that it contributes to impoverishment. In chapter 2 we saw that in many countries in the region, the tax system can be one of the key drivers of income inequality and impoverishment, by promoting patterns of downward mobility. The value of monetary losses — estimated as a proportion of per capita income before taxes and transfers — corresponding to those who were below the poverty lines of US\$4 and US\$2.5 per day after tax system deductions, average almost 6 and 7 percent, respectively. (In Brazil and Bolivia, the losses exceed 9 percent in the population below the line of US\$4 per person per day, while in Bolivia and Peru, the losses for those below the extreme poverty line are between 10 and 11 percent — see figure 4.5).

FIGURE 4.5

Some tax systems in the region may generate impoverishment



Source: Prepared by the authors based in information consulted in Lustig and Martínez-Aguilar (2016).

Note: The figures correspond to the eight countries listed below, with the years indicated in parenthesis: Bolivia (2009), Brazil (2009), Chile (2013), Ecuador (2011), El Salvador (2011), Guatemala (2010), Mexico (2012) and Peru (2011). According to Higgins and Lustig (2015), losses are calculated as the difference between pre-tax earnings and post-tax income in the case of those individuals in a situation of poverty before any tax intervention. These losses are estimated based on the difference between the poverty line and post-tax earnings for those individuals who fall into poverty following tax interventions. The above is true so long as post-tax income is lower than pre-tax income.

Social security contributions account for a high proportion of the non-wage costs of formal employment. In turn, this link between formal employment and social protection is the main cause of the inadequate coverage of social benefits, and of the segmentation between care and social protection. Universalizing social protection systems while simultaneously reducing non-wage costs of employment to promote formal employment requires adjustments to the funding mechanisms, and the development of new contribution methods (ILO, 2015; ECLAC, 2013). The incorporation of policy innovations, such as flexible contribution mechanisms that distinguish between different contributory categories (such as small enterprises and self-employed workers), the simplification of tax registration and collection processes, and the payment of subsidies for National Insurance and social security contributions, have made it possible to expand both the statutory and the actual

coverage of social protection. The single payment system in Uruguay (ILO, 2014b), and differentiated legislation in Argentina and Brazil, are successful examples in this regard. They demonstrate the possibility of increasing formal employment through a combination of policies relating to social protection and those relating to the labour market. With respect to funding, guaranteeing universal social protection will require an appropriate combination of contributory and non-contributory mechanisms, and where possible will require unified sources of tax income, to enable the link between formal employment and social protection to be eliminated, and universal rights to be guaranteed (ILO, 2014a).

At the same time, the increase in productivity requires the implementation of a range of policies, including the promotion of broader, more secure credit markets, high investment in public goods (designed, for example, to reduce transport costs), and

promoting productive development and access to productive assets (Pagés, 2010; World Bank, 2015a). Interventions required in this sphere include institutional arrangements designed to promote greater effective access to credit through clear funding options.

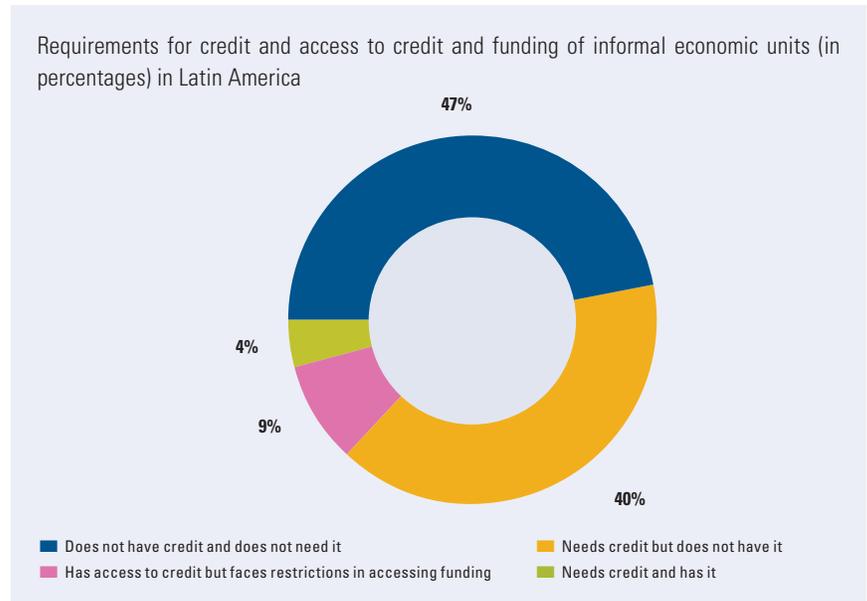
The lack of access to credit and restrictions on access to funding appear to be closely linked to the high levels of informality and low productivity of the region's businesses. In Latin America, there are over 50 million small and medium-sized enterprises — almost 37 million of which are informal. Of these, 40 percent state they need a loan but are unable to access one, while 9 percent face restrictions in accessing funds, despite holding credit lines (see figure 4.6). According to data from the International Finance Corporation of the World Bank, in the case of formal small and medium-sized enterprises, access to credit is higher: slightly more than 10 percent of such companies require credit but are unable to access it. However, over half of these companies report that, although they have access to credit, they still face restrictions when seeking funding.

With respect to supply, active policies aimed at the region's labour market are at an early stage, and in general do not provide adequate labour intermediation or facilitate good links between young people and their first job, or better integration or reintegration into the labour market of unemployed workers. Furthermore, the quality of education and the provision of programmes sometimes fail to reflect productive needs or over-arching national commitments, resulting in a mismatch between the knowledge imparted to young people and the knowledge that companies require (Bassi et al., 2012). It is therefore necessary to reduce the entry barriers to the labour market, and to the formal sector in particular, especially for young people and the population in a situation of poverty, and to improve the quality of education through strong investment designed to develop labour observatories and education and employment centres, in order to promote training that reflects productive needs.

While the increased coverage of the education system and improved educational

FIGURE 4.6

**Of a total of 37 million informal establishments, 40 percent do not have access to credit, and those that do have a credit option report facing restrictions on their access to funding**



Source: Prepared by the authors based on information from the SME Finance Forum Project of the International Finance Corporation of the World Bank.

outcomes in the region were a significant driver of the recent transformation, the quality of education remains low, thereby limiting the capacity to deliver a more extensive transformation over the long term. Making major investments in the quality of education, reducing the segmentation between public and private provision, and reducing the gap between different income levels should be a priority. In addition, investment in research and development needs to be promoted, while the quality and reputation of technical and technological training in specific sectors that are key to the productive development of countries in the region needs to increase. In any event, a reform of educational programmes to include the training required for the development of basic general competencies or social and emotional skills is essential, given the central importance of these skills in the labour market.

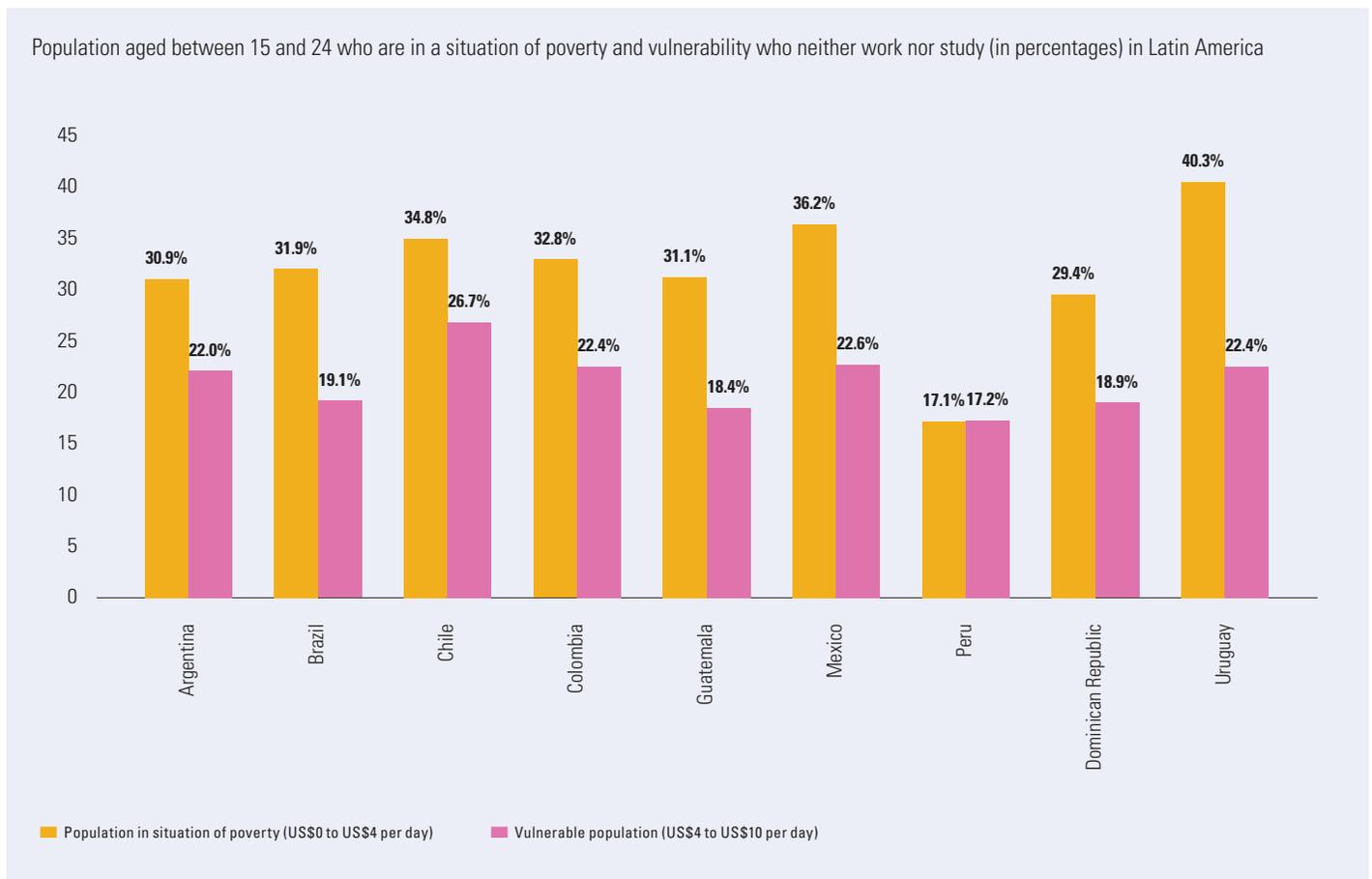
One key point is the need for greater coordination between programmes to overcome poverty and programmes for productive inclusion and employment. The high coverage

levels of programmes designed to overcome poverty, particularly of conditional transfer programmes, represents an opportunity for the productive inclusion of the poorest population if these programmes are coordinated — through the elimination of access barriers and the inclusion of a special training component — with programmes focusing on professional training, job placements, and enterprise support. These kinds of actions are particularly important in the case of young people, who currently suffer from inactivity rates (those who neither work nor study) of almost 30 percent in the case of the population in a situation of poverty, and approximately 20 percent in the case of the population in a situation of vulnerability (see figure 4.7).

Finally, with respect to the development of crosscutting policies, Latin America has experience in the implementation of a minimum wage as a policy designed to overcome poverty and protect the most vulnerable workers. The legal establishment of a minimum wage makes it possible to increase the income of workers with a low educational level and that of the most vulnerable workers, including those occupied in the informal sector, through indirect mechanisms.<sup>36</sup> However, experience shows that the results of implementing such policies are not unequivocally positive. If the threshold is set too high, relative to per capita income and wage distribution in the country, it reduces the proportion of the population who are effectively covered by the minimum wage. This can lead to a

FIGURE 4.7

**Almost one third of the population aged between 15 and 24 who are in a situation of poverty neither work nor study**



Source: Adapted from López-Calva et al. (2014) using information obtained from SEDLAC (CECLAS and the World Bank).

widening of the wage gap between formal and informal workers, thereby increasing inequality. However, if the threshold is set too low, it will only have a minimal effect. A recent study in Honduras, a country with a relatively high minimum wage for its per capita income level, shows that 64 percent of workers receive less than 90 percent of the legal minimum wage. By contrast, in Mexico, where the minimum wage is low compared to the income level, only 15.7 percent receive an income that is below 90 percent of the minimum wage (World Bank, 2014).

Coverage of the minimum wage in the formal sector and the effects on the informal sector define its impact as an instrument to reduce poverty. In Brazil, for example, an increase of 35 percent in the minimum wage over the 2001-2007 period is linked to the large fall in inequality of income from employment and poverty reduction over the last decade. However, evidence based on counterfactual comparisons between public policy alternatives shows that, with regard to the reduction of inequality, an increase in conditional transfers from the *Bolsa Familia* [Family Pack] programme of a similar magnitude to the increase in the minimum wage would have been equally efficient (Barros et al., 2010).

The minimum wage policy should therefore be considered in the light of each country's circumstances. Its scope as an instrument to deliver greater reductions in inequality and poverty and to incentivize progress on well-being will depend, at the very least, on the level at which it is established in relation to the average per capita income; on the capacity to guarantee compliance throughout the formal sector; on the magnitude of the indirect effects on the informal sector;<sup>37</sup> on its efficiency in comparison with alternative methods of improving the level of well-being; and on the scale of the adverse economic costs that may result from potential distortions following its implementation.

In any case, any alternatives in public policy terms must adapt to the new forms of employment that are arising in a globalized world, which break with the traditional concept of work insofar as they are less stable, more short-term and entail less social

security. The transformation of employment relationships has major economic and social repercussions, in particular increased economic vulnerability due to reduced social security and greater income volatility. As a result, it will be increasingly urgent to sever the link between formal employment and occupational training and continuing education, care services and social protection.

## 4.2 Towards universal social protection systems

Expanding social protection systems to guarantee universal coverage and combat the variety of risks that can arise throughout the life cycle of the population is essential in this less poor, yet more vulnerable Latin America. According to the ILO, social protection policies play a critical role in realizing the human right to social protection for all, reducing poverty and inequality, and promoting inclusive growth — by boosting human capital and productivity, and by supporting domestic demand and structural transformation of national economies (ILO, 2015). These policies, which support the different stages of the life cycle, include: i) social protection for children, which helps prevent the transmission of poverty from one generation to the next and promotes access to goods of public interest, such as education and health care; ii) social protection for working age people, which stimulates income protection by, for example, providing unemployment benefits and protection against work-related risks or disability; iii) protection in old age, and iv) universal health coverage.

In recent years, Latin American governments have made significant efforts to guarantee social protection for children through the expansion of conditional transfer programmes. These programmes — first introduced in Mexico and later adopted across the majority of the region, covering just over 130 million beneficiaries (Stampini and Tornarolli, 2012) — not only represent a great innovation in social assistance for poverty reduction in the present, but also aim to interrupt poverty reproduction cycles by investing today's income in training the

human capital of tomorrow. The effects of these transfers have been widely analysed, and in general the results of the studies on the subject indicate — although there are differences between the countries analysed — that these programmes have been successful in achieving their objectives of reducing poverty, promoting the use of health services and increasing educational attainment in terms of coverage, attendance and completion of the school cycle.<sup>38</sup>

At the same time, through these programmes, the main qualitative increase in terms of social protection for women, and in particular for poor women, has been in their position as mothers, especially those of young children. As this is a temporary role, it does not guarantee their rights as women as such. While this criterion for access is very positive for children and should as such be supported and improved, it should be complemented with another means of accessing social protection for poor adults in general and for women in particular, whether through employment and contributory social protection, through non-contributory mechanisms or through a combination of the two.

In the new social context of countries in the region, with the proportion of the population living in poverty significantly lower than it was a decade ago and the significant lags in terms of labour, questions are raised about what the next step should be for these programmes. In principle, these programmes should adapt to the new needs and contexts of the region's population to include components aimed at achieving better quality education, and greater and better integration into the labour market, both for mothers, who are responsible for the perception of the transfers, and for the beneficiaries who have graduated. Links between these programmes and other income-generating programmes should be encouraged. A fundamental element is the discussion about the transition towards more universal transfers (such as the universal allocation for each child introduced in Argentina), which should be designed to avoid the segmentation and horizontal equity problems of targeted programmes.

Among the priority actions that should be considered when redesigning conditional transfer programmes, three stand out:

- i) *Improving the quality of education and health provision.* Although the impact assessments show improvements in performance for the indicators related to the use of education and health services, no increase in the quality of these services has been observed. Consequently, one option would be to expand the conditional cash transfer programmes to include conditions related to improved service quality, both in education and health. This could be achieved in each country by awarding incentives to local governments to improve and adapt their services.
- ii) *Linking conditional transfer programmes with income-generating programmes, aimed in particular at mothers and young people.* Promoting stronger links between the conditional transfer programme beneficiaries and beneficiaries of programmes for income generation and integration into the labour market is essential, as is facilitating the transition between the two types of programme. This objective could be achieved by developing workplace internships or traineeships, as well as by supporting entrepreneurship and work-related projects.
- iii) *Developing better information systems on beneficiaries and social protection programmes.* Given their increased coverage, the information and monitoring systems for the conditional transfer programmes can facilitate the design of improved information systems, which should, in turn, facilitate the design of more comprehensive social protection policies. One successful example is Brazil's *Catastro Único* (Single Registry), developed on the basis of information related to the *Bolsa Família*. This tool enables social services to be better designed according to the needs of the population and better focused, and enables benefits to be unified and compliance with the criteria for joining or leaving the programmes to be verified.

Social protection policies aimed at guaranteeing income protection for working age people are possibly the most lacking in the region. Less than 5 percent of the unemployed population in the region receives unemployment benefits, while this percentage rises to 28 percent for North America, to 64 percent for Western Europe and to 12 percent worldwide (ILO, 2015). Furthermore, access to the majority of social protection mechanisms, such as disability payments, maternity leave and protection against work-related risks, are linked to formal salaried employment. Historically, the region's social protection systems have been segmented according to the type of employment, with high benefits for the formally employed population and very limited benefits for the population employed in the informal sector (Kaplan and Levy, 2014) (see figure 4.8). Consequently,

given the high level of informal employment in the region, it is necessary to extend social protection policies to cover people employed in the informal sector as well. Although actions have been taken to develop flexible contribution mechanisms and non-contributory schemes, this is the most deficient pillar of the region's systems. As such, a starting point would be to make progress on developing the legal regulations required to simplify contributions and to introduce flexible payments according to the type of employment.

Non-contributory pensions constitute another of the great innovations introduced in the region over the past decade to guarantee universal access to income during old age. Several countries, such as Argentina, Bolivia, Brazil, Chile, Mexico and Panama, have introduced non-contributory pensions to protect the older adult population,

FIGURE 4.8

**Even though access to health care and membership of pension schemes increased in the period from 2002 to 2012 for the employed population, there remains a high level of inequality of access depending on the type of employment**



Source: Ocampo and Gómez-Arteaga (2016), based on information consulted in ECLAC (2013).

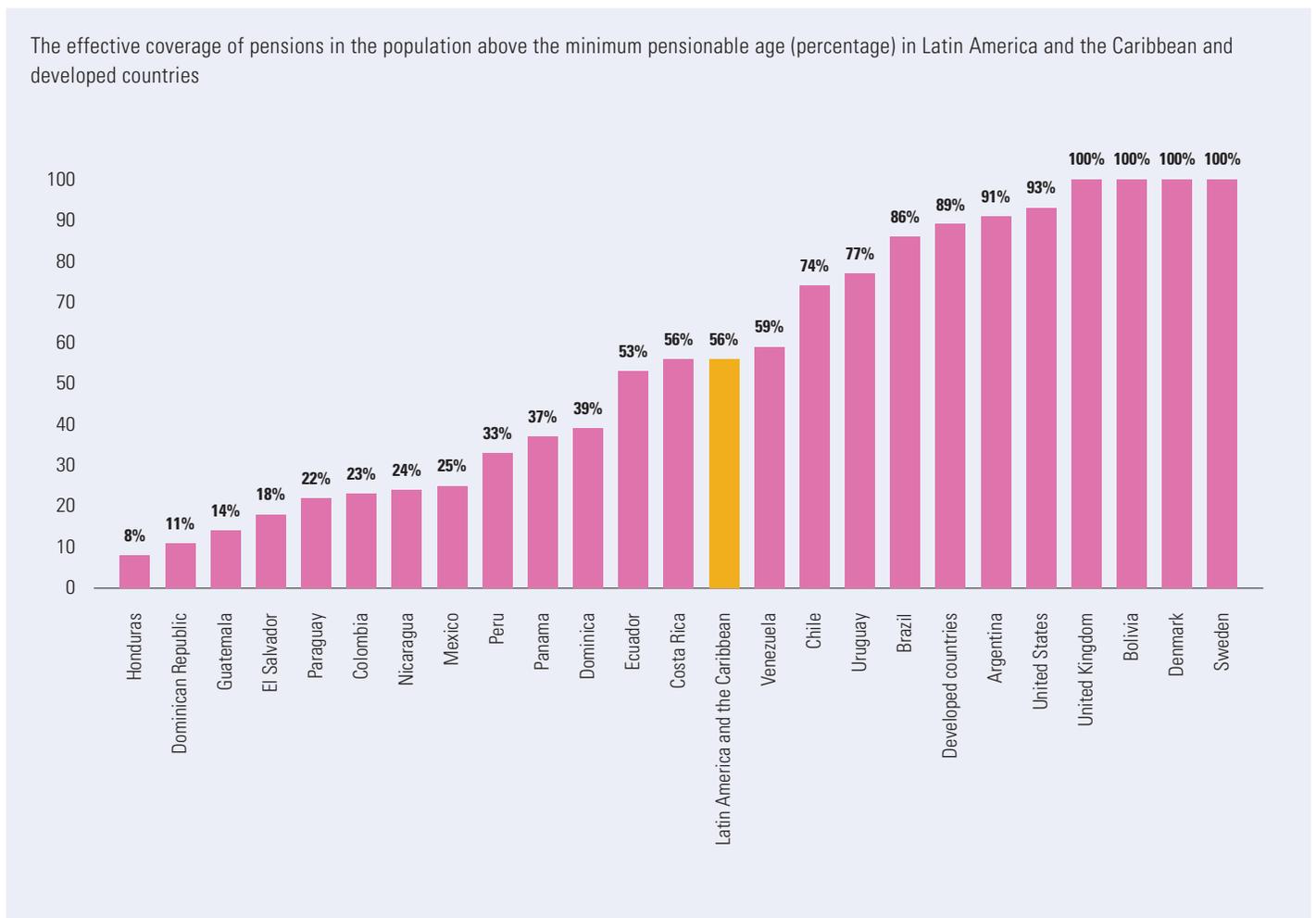
independently of their level of contribution during their working life. Furthermore, in some countries, such as Argentina and Bolivia, the right of older adults to receive a pension has been established as a universal right. Nevertheless, in Latin America and the Caribbean, older adults' access to pensions varies greatly, while the level of coverage of these pensions in the region as a whole is less than that observed in developed countries (see figure 4.9). Consequently, expanding non-contributory pensions or pensions with a subsidized component so that the older adult population can receive at least a minimum income will be essential

for guaranteeing the right to economic security in old age.

In short, expanding social protection systems with a view to universality, based on removing segmentation by type of employment or income level, alongside improving the quality and level of benefits (in monetary terms as well as dimensions covered), will be fundamental in the region. Nevertheless, both coverage (horizontal dimension) and the benefits of social protection schemes (vertical dimension) will depend on the countries' fiscal capacity (ILO, UN Women and UNDP, 2012).

FIGURE 4.9

**The effective coverage of pensions in Latin America, as a percentage of the population above the minimum pensionable age, still presents a significant lag in comparison with the coverage rates in other regions**



Source: ILO (2014a).

### 4.3 Improving pre-school education and developing skills throughout the life cycle: working towards better returns on education

Access to quality education is a driver for social transformation and a basic tool in any comprehensive development strategy — it helps to overcome the intergenerational reproduction of poverty, contributes to the achievement of equality in various spheres and generates economic mobility. Furthermore, guaranteeing greater and better education is not only an end in itself, as a universal right: it is also an essential means of achieving integration into the labour market, increased productivity and economic growth.

Progress in the area of expanding access to education and education coverage has been significant in all countries in the region. Social spending on education as a percentage of GDP rose from 3.7 percent in 1990 to 4.9 percent in 2013 (ECLAC, 2014), and all countries achieved significant progress towards achieving the universal primary education goal. However, there remains a high percentage of young people who are not studying or completing secondary education, and an even higher percentage who are not continuing with their studies, that is, who are not continuing with tertiary education (Bitar, 2014). Meanwhile, the quality of education in the region is still very low — an average student in Latin America continues to lag almost two years behind an average student in the Organisation for Economic Co-operation and Development (OECD) — and there continues to be a mismatch between what young people learn in the school cycle and the demands of the labour market. This explains why education has not been able to stimulate increases in productivity (OECD, ECLAC and CAF, 2014).

One area that has received increasing attention is that of developing of non-cognitive skills, particularly at an early age. The results of a recent study showed that these social-emotional skills are valued more highly in the labour market than cognitive skills, measured by years of schooling, and

that the former are more difficult to find among young people (Bassi et al., 2012). Furthermore, there is evidence that these types of skills have a high correlation with positive results in adult life and in the labour market (Bowles, Gintis and Osborne, 2001).

The evidence available indicates that improving educational attainment solely by increasing the number of years of schooling will not be sufficient to break away from poverty traps, guarantee better integration in the labour market or promote economic mobility. Consequently, the quality and content of education programmes must be reformed to achieve the following objectives: i) introduce a component to develop social-emotional skills at an early age; ii) link secondary school level education with the labour market through training in work-related competencies; and iii) consolidate specialization schemes that match the demands of the market.

It is also crucial to invest in designing and implementing pre-school education programmes, for children aged 0 to 6 years, that encourage the development of cognitive skills. The evidence available suggests that the educational benefits of these programmes are greater than those of programmes aimed at any other age group due to the creation of cumulative effects, complemented by cognitive educational attainment. This means that investing in early childhood is not only more efficient — that is, it brings greater returns in relation to the level of spending — but it also increases the returns on all investments made later in people's life cycle. For example, one study referencing Jamaica indicated that people who during the first two years of their life were beneficiaries of an intervention aimed at their fathers and mothers, in adult life had salaries 25 percent higher than their peers who had not been such beneficiaries, and that they were in turn less likely to be involved in criminal activities. On the other hand, children who in early childhood suffer deficiencies in their nutrition, cognitive development, language or motor and emotional skills have been observed as being less likely to learn, to finish secondary

education or to be productive in adult life (Berlinski and Schady, 2015).

Investments of this type require decisive action to improve how spending is focused on services aimed at early childhood, in terms of coverage as well as the quality and variety of services available. This includes programmes aimed at mothers and fathers, developing infant care, introducing maternal breastfeeding programmes, promoting early school attendance and training people in the various roles related to this type of teaching. The major challenge is in designing an education policy for early childhood and early education as part of a comprehensive strategy, rather than introducing segmented and isolated sectoral programmes.

Moreover, it is crucial to coordinate secondary education with technical and technological programmes, to create secondary schools that have access to a high level of technology and innovation and a strong work-related component, as well as to encourage flexible and participatory methods and work-related projects aimed at young people (OECD, 2015). School drop-out, which continues to affect the primary and secondary levels, supports the need to expand quality second-chance programmes aimed at those who have dropped out of the

education system; the provision of flexible options includes certification for work and the introduction of training schemes that develop the specific technical skills required in the labour market, as well as workshops to develop life skills. A recent study indicated that the majority of those attending adult education programmes are young people aged 15 to 18 years who are looking for less formal, more flexible and more attractive opportunities to complete their education, which they need above all at secondary level when they have to combine education with work (Rico and Trucco, 2014b).

Social transformation in the region has also increased the participation of women in the labour market. At the same time, gender differences are still very marked in the region: the employment rate for women continues to be significantly lower than that of men, with higher rates of informal employment; women also receive lower remuneration both for the same work and for work of equal value (ILO, 2015). In 2013, even when the proportion of adult women of working age with tertiary education was higher (17.3 percent) than the corresponding proportion of men (14.8 percent), women received an average hourly wage that was 16.4 percent lower than that of men (figure 4.10).

#### 4.4 Care systems: a public issue of collective interest

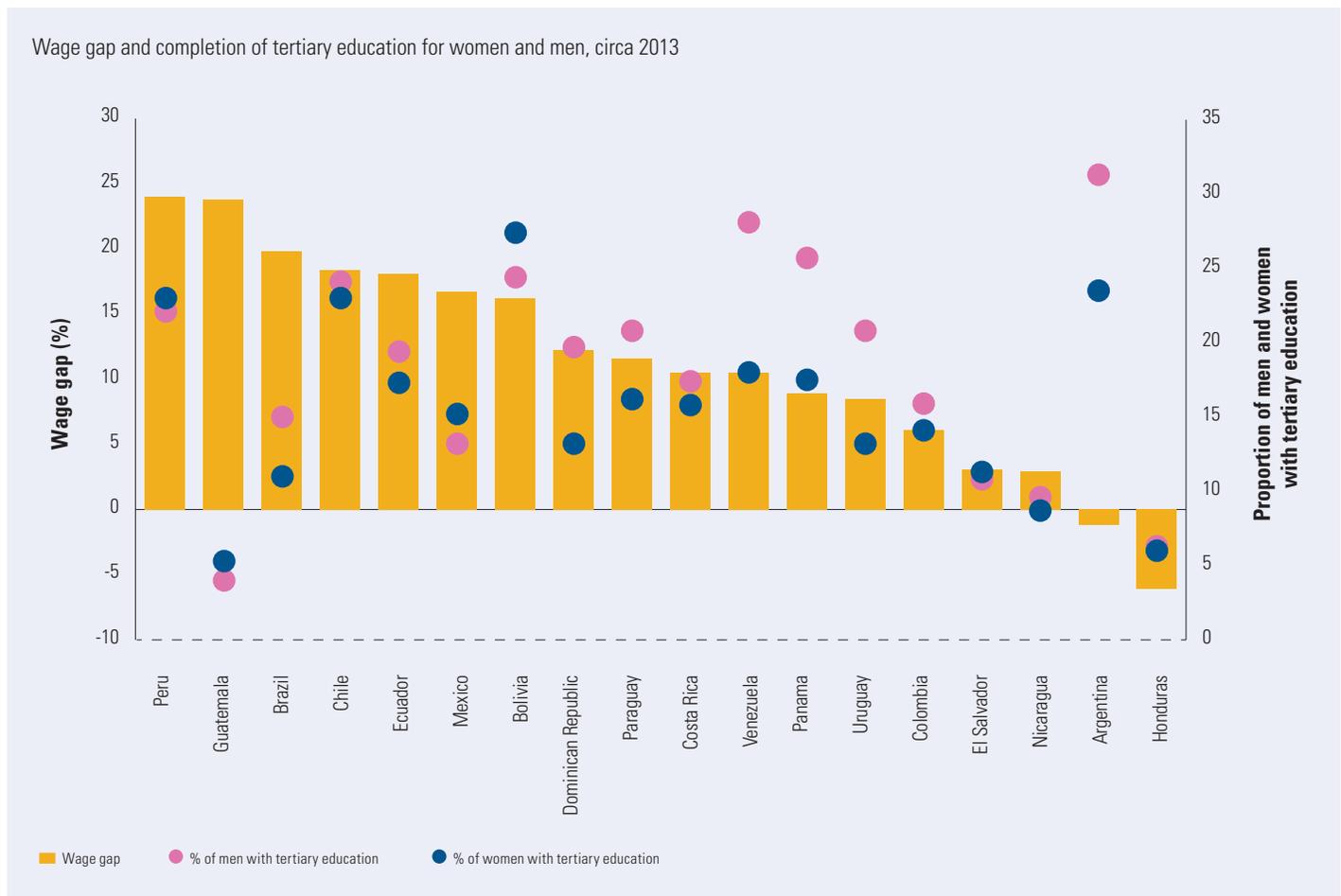
In terms of productive inclusion, even in the best case scenario and even when a majority of the adult population of working age is in formal employment, in every society there is a part of the population that, for various reasons, does not meet the conditions for generating income. This population group is not in a position to care for itself and therefore requires care that must be provided by others. This group includes people whose youth, old age, temporary or permanent illness, or disability results in their dependence,

both economically and with respect to care. It also includes women who, on account of being responsible for the care of other people, have little or no possibility of entering the labour market.

The general trend shows a change in the composition of those who are dependent on care, characterized by a fall in the proportion of the population aged 15 or under and a rise in the proportion of the population aged over 65 and even over 75. The proportion of the population aged over 65 will almost double from 6 to 10 percent in the period 2005-2025, reaching 20 percent by 2050 (see figure 4.11).

FIGURE 4.10

**Even though the proportion of adult women of working age with tertiary education is higher than the corresponding proportion of men, women receive an average hourly wage that is 16.4 percent lower than that of men**

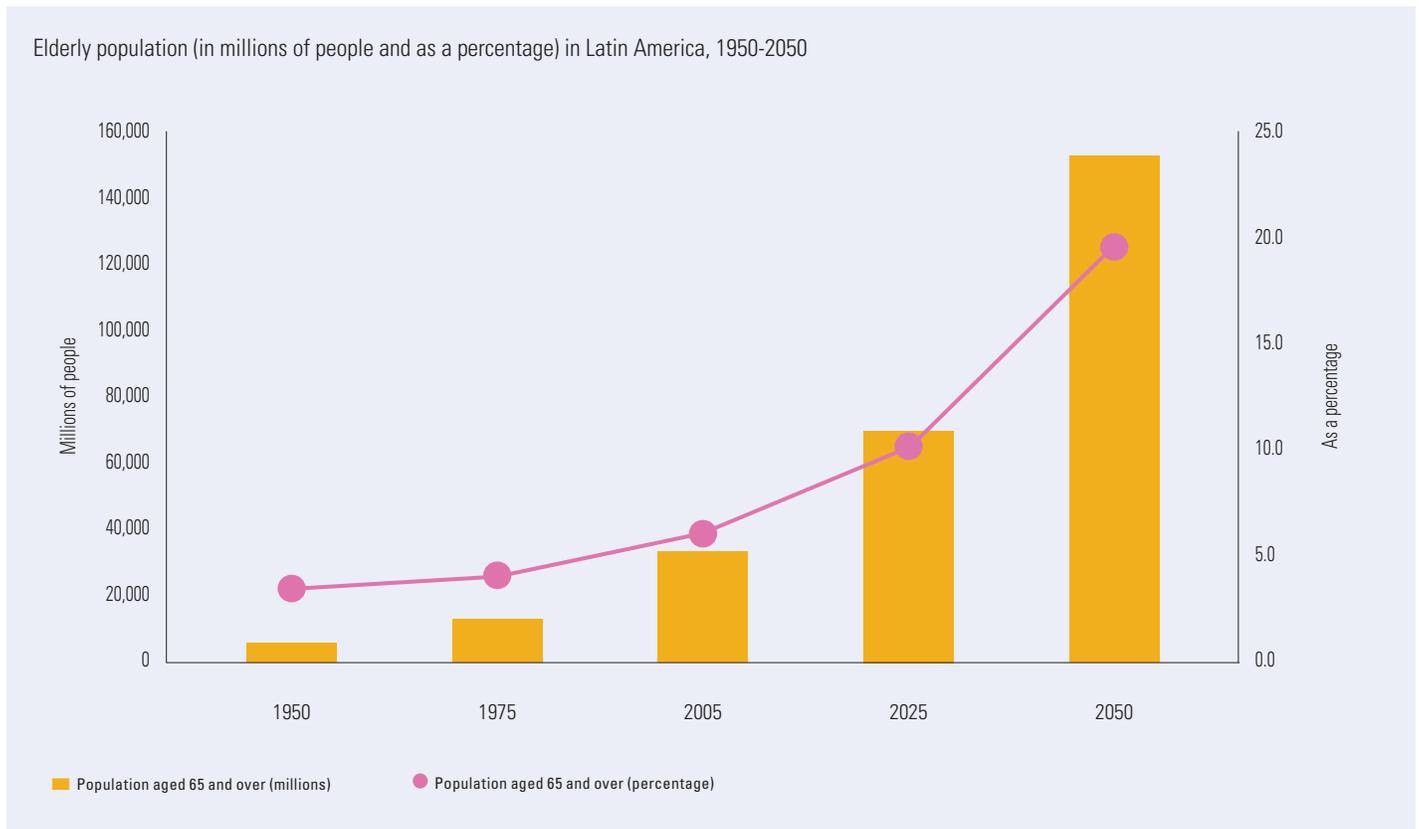


Source: Prepared by the authors based on CEDLAS estimates using information obtained from SEDLAC (CEDLAS and the World Bank).

Notes: Tertiary education constitutes more than 13 years of schooling. The data corresponds to the adult population aged between 25 and 55 years. The wage gap reflects the percentage difference in hourly earnings received by men in relation to those received by women. Figures correspond to the weighted averages for the following 18 countries for the years indicated in brackets: Argentina (2014), Bolivia (2013), Brazil (2013), Chile (2013), Colombia (2013), Costa Rica (2013), Ecuador (2014), El Salvador (2013), Guatemala (2011), Honduras (2013), Mexico (2012), Nicaragua (2009), Panama (2013), Paraguay (2013), Peru (2014), the Dominican Republic (2013), Uruguay (2014) and Venezuela (2011).

FIGURE 4.11

The region's rising elderly population will require comprehensive care systems over the coming years



Source: Latin American and Caribbean Demographic Centre (*Centro Latinoamericano y Caribeño de Demografía* - CELADE), ECLAC.

However, this process of change occurs in a highly unequal manner depending on people's income levels and socioeconomic position. Paradoxically, lower-income households — in which the integration of women into the labour market can make a bigger difference — exhibit a higher demand for care, particularly for children. Dependency ratios and the child population percentage are high; particularly, despite a downward trend over time, among the population with the lowest income, and especially among people living in extreme poverty. In the absence of suitable public policy interventions, higher child dependency ratios have a negative impact on the participation of women in the labour market and represent an increase in the number of hours dedicated to care activities in the home. This situation also has opportunity costs for children, with long-term effects:

not only the costs derived from school dropout rates as a result of the participation of children in precarious work, but also costs arising from children working in harmful environments (Rosales, 2013).

Current demographic trends and the absence of care mechanisms, together with the increased participation of women in the labour market, give rise to a care deficit (ILO and UNDP, 2009; ECLAC 2009, 2010). This deficit must be tackled by implementing multiple strategies for women and families — strategies that almost always have negative impacts on economic mobility and the development of households. In particular, this situation imposes short-term restrictions on increasing the integration of women into the labour market and the generation of income in these households, in addition to presenting shortcomings in child development, thus exposing children

to potential poverty traps. Taken together, the conflict between the requirement for women and families to have higher incomes, on the one hand, and time to provide care, on the other, causes tensions that violate the human rights of those who are affected in general terms and, more specifically, the rights of the most vulnerable.

Historically, in legislation in Latin American and the Caribbean, the issue of care was primarily addressed to guarantee the protection of maternity in employment. In this respect, the establishment of maternity leave for working mothers in formal employment has arguably been the most important measure to address the effects of care on the workforce dynamic. The objective was — and still is — to guarantee income before, during and after giving birth, as well as during the first months of a child's life. Since 2000, ILO has recommended at least 14 weeks of maternity leave (increased from the recommendation of 12 weeks issued in 1952). The good news for the region includes the fact that three countries currently provide 14 weeks of maternity leave, while five provide more than this threshold. However, the bad news is that three countries provide fewer than 12 weeks of maternity leave, while eight still only provide 12 weeks in line with the ILO recommendation prior to 2000. There are also differences across countries in eligibility for this benefit: in some cases maternity leave is only available to salaried female workers, while in others it applies to all female workers, including those in domestic, self-employed and temporary positions. In general, however, the reforms that have taken place since the 2000s have resulted in the incorporation of domestic, self-employed and temporary workers, which represents a fundamental step in addressing women's labour market integration (Blofield and Martínez Franzoni, 2015).

In terms of paternity leave, while considerably less progress has been made than for maternity leave, birth legislation in eight countries provides for short periods of paternity leave (between two and five days) to allow fathers to accompany mothers during birth and recovery. A further four countries provide more than five days of paternity

leave: Venezuela (14 days), Ecuador and Uruguay (10 days) and Colombia (8 days), while Chile and Uruguay have both established a period of leave that can be shared between men and women (up to one month in Chile and until the child is six months old in Uruguay). In all cases, leave is only available to salaried workers and is funded by employers in the majority of countries, which is one of the barriers to its expansion (Blofield and Martínez Franzoni, 2015).

Maternity and paternity leave is a fundamental tool to allow public policy to help guarantee the right to provide and receive care. However, insofar as the measure is exclusively associated with birth, it is not sufficient. During the previous decade, significant progress was made in developing a broader understanding of public intervention in terms of the care required throughout the life cycle. This gave rise to a more comprehensive approach, linking transfers with services and expanding the scope of interventions to include and go beyond the world of formal salaried work. Many of the recent changes have taken place as a result of an explicit effort to reorganize and redistribute care and conceive of it as something that should involve the state, its policies and, more specifically, its social security systems (Blofield and Martínez Franzoni, 2015). Furthermore, the provision of comprehensive care centres for early childhood was expanded and regulated based on the growing evidence of the importance of early education and its effects on development and adult life. Both Chile and Colombia's policies are significant in this respect, the latter of which has implemented the comprehensive early childhood care strategy *De Cero a Siempre* [From zero to always] (Berlinski and Schady, 2015).

However, care services currently remain fragmented, meaning that their quality varies depending on income levels. Most countries have private care services linked to formal employment or another type of private provision without sound regulation of quality standards. Public provision consists largely of programmes of limited scope with sectoral components that almost always target the low-income population, typified by the

community homes and gardens in various countries throughout the region. Coverage, although having increased over time, remains low, and the actions implemented in this area have largely consisted of the implementation of care solutions that do not form part of a policy that aims to guarantee the right to care (Berlinski and Schady, 2015). At present, integrated action to include the issue of care as a crosscutting component and a universal right in social security systems has only occurred in Costa Rica, which has established the National Network for Childcare and Development (*Red Nacional de Cuido y Desarrollo Infantil*), and Uruguay, which has established its National Care System (*Sistema Nacional de Cuidados*), with an emphasis on the life cycle.

Low pay and precarious conditions in the care sector are another sign of the limited value that societies attach to the issue (Razavi and Staab, 2012). These characteristics of paid care work in general and domestic work in particular feed a vicious circle of informal jobs and a lack of social protection for providers and recipients of care. According to the Human Development Report for 2015

(UNDP, 2015), domestic employment is one of the major problems of vulnerable work, which is not conducive to human development. Furthermore, Latin America has one of the highest percentages of this type of employment in developing regions.

In this context, there are significant challenges in terms of care and social protection, which require policies to be designed to regulate, fund and implement various types of measures. These include expanding the coverage of specialized child centres, providing support services for the highly dependent elderly population, and training specialized and certified human capital on the different levels and types of requirements for care and dependence. Nonetheless, the main challenge will consist of recognizing the care of children and the elderly as a right, both in terms of providing and receiving care. Achieving this requires a reorganization of responsibilities and all jobs involved in care, which must cease to be a largely private, family and female issue to become a collective, public and universal one involving both men and women (ILO and UNDP, 2009).

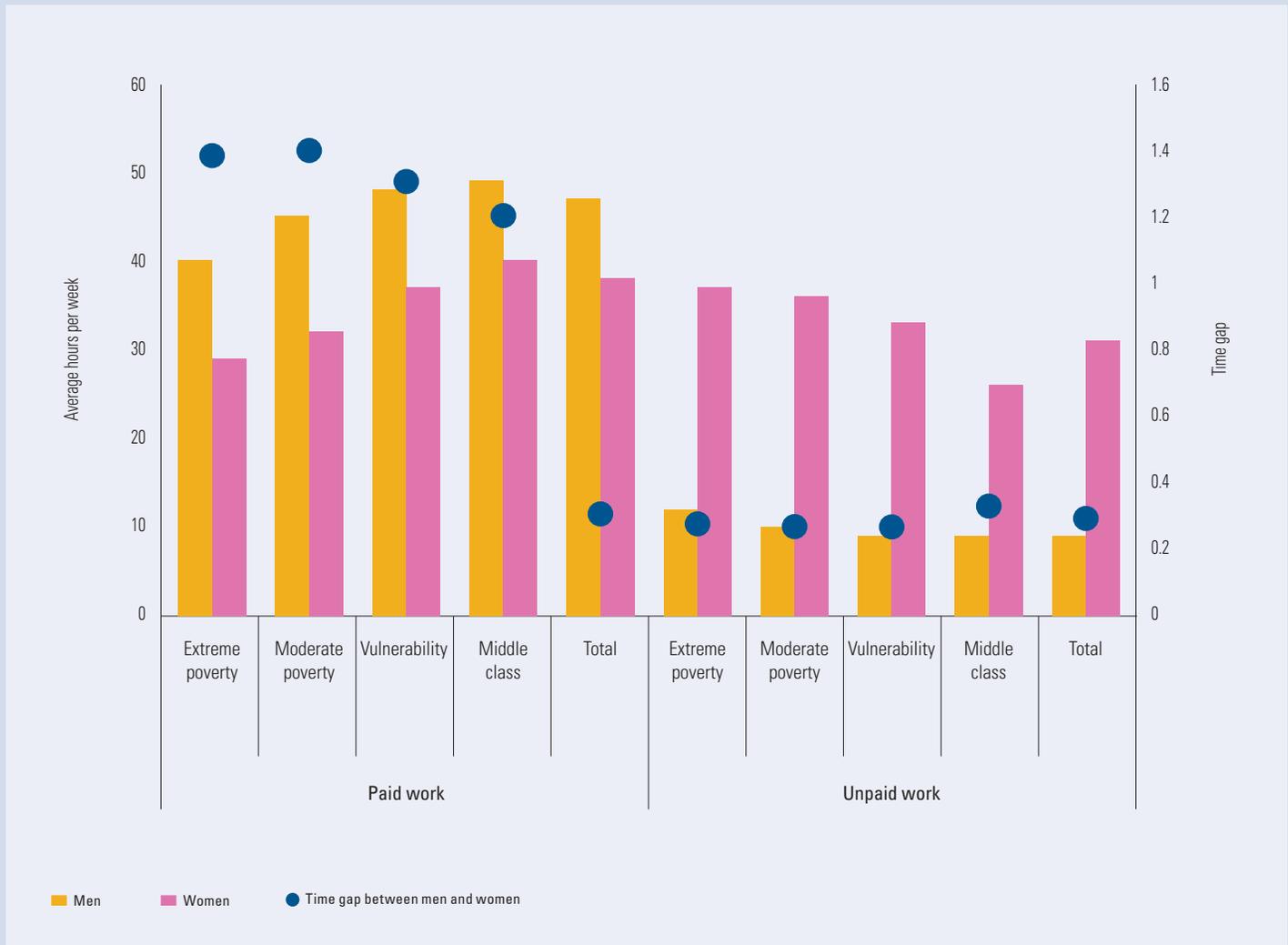
## BOX 4.1

**The discrepancy in time use between men and women: the case of Mexico**

The gaps between men and women are highly evident when analysing their participation in unpaid work, especially domestic work and caring for people in the home. In this respect, the module on time use from the National Survey of Income and Spending in Households (*Encuesta Nacional de Ingresos y Gastos de los Hogares*, ENIGH) in Mexico for 2012 shows that on average, compared to women, men spend around 25 percent more time per week on paid work (47.2 hours and 37.6 hours per week, respectively),

and less than a third of the time spent by women on unpaid work (9.1 hours and 31.1 hours per week, respectively). The graph in this box shows that these gaps are common to the different income groups. Even though the gap between the time spent by men and women on paid work appears to fall as income levels rise, the difference between the time each spends on unpaid work does not fall. Even among the middle class, the time spent by women on unpaid work is more than double that of men.

FIGURE 1

**Average time per week spent on paid and unpaid work by sex and income group (hours) and the time gap (percentage) for Latin America, 2012**

Source: Prepared by the authors based on information from the National Institute of Statistics and Geography (INEGI) ENIGH module on time use in Mexico for 2012.

In particular, Mexican men spend an average of 13.9 hours caring for people in the home, equivalent to 12.8 percent of their total weekly time, whereas women spend 26.6 hours, or 22.5 percent of their time: almost double. In both cases, the number of hours is relatively similar for all income groups and the proportions do not include the time required for personal physical maintenance, estimated at 81 hours per week (Vickery, 1977). This result, which can presumably be generalized to other countries in the region, such as Argentina, Chile, Colombia and Uruguay (Maier Blixen, 2015), highlights the importance of making care a pillar of the region's social protection systems.<sup>39</sup>

The figures for Mexico discussed above suggest the absence, at least partial, of this pillar. In other countries in the region, according to a recent study of integrated development in early childhood, the number of children aged under 3 years enrolled in a school or community centre for childcare services increased significantly in recent years. For example, in Brazil and Chile, the percentage of enrolled children practically

doubled, rising from under 11 percent in 2000 to over 21 percent in 2010, while in Ecuador the percentage increased from under 4 percent to 23 percent during the same period. However, while these increases in coverage are important, they have not necessarily been accompanied by improvements in the quality of the services provided (Berlinski and Schady, 2015).

A comprehensive care component in social protection systems should include new regulations (e.g. employment laws for people with family responsibilities), quality services (e.g. cognitive and emotional stimulation for children) and transfers (e.g. parental leave), and must certainly be accompanied by active mechanisms to promote the integration of women into the labour market, particularly those living in situations of income poverty and economic vulnerability, who spend — at least in the case of Mexico — up to one third of their week on unpaid work.

Source: Prepared by the authors based on data consulted in the time-use module of the National Household Income and Expenditure Survey (ENIGH) of the National Institute of Statistics and Geography (INEGI) of Mexico, 2012.

In this area and more recently, care has become a central issue when it comes to gender equality. In social protection and welfare policies, the notion of care has become key to gender-based analysis and research. The challenge consists of the social distribution of responsibilities related to care to prevent these falling exclusively on women, especially the most vulnerable, as has historically been the case. The concept of care as a citizens' right — widely promoted by ECLAC — represents a new approach, in which care for the youngest and oldest members of society joins the classic pillars of the welfare state (health, social protection and education). In this context, care is no longer seen as an exception to or compensation for the limitations of families, but rather as a new role of the welfare state. This means redefining the relationship between individuals, families and the state based on the social responsibility of caring for people (Dighiero, 2015). This universal right must also be considered from the dual circumstances of both providers and recipients of care, such that both the right to provide and the right to receive care must be considered.

The definition of care as a public issue and a pillar of social protection systems has the potential to contribute to their reorganization. In specific terms, when it comes to social protection systems, there is a need for interventions that can reallocate time, money and services throughout the life cycle. Interventions must focus on making it possible to alternate paid and unpaid work, in addition to transferring care outside families and providing employment regulations for providers of paid and unpaid care.<sup>40</sup> The relative importance of these measures varies throughout the life cycle: parental leave during the first year of their children's lives; childcare services before children have access to compulsory pre-school education; longer and better quality school days for children, which are more compatible with participation in the labour market during childhood and adolescence; support services for the elderly; and, in general, a review of public policies in terms of interventions targeting people with family responsibilities.

The goal is to make progress in the implementation of regulations, transfers and

services that allow the reorganization of the provision of the care required throughout the life cycle. Regulations include those establishing standard working hours and differentiated hours for workers with family responsibilities. Examples of transfers include transfers for childbirth and pensions for the elderly population with a non-contributory component, together with flexible ways of saving throughout the population's productive life. Services include those required by elderly people with high levels of dependence to satisfy their basic needs, such as preparing food, administering medicine or providing transport to health centres and places of leisure, with childcare networks being another example. There is also a need for active policies that target the labour market to make it possible to coordinate attempts to reorganize care and deliver more and improved integration of women into the labour market.

Of all the actions that have been discussed, three stand out as being the most strategic. The first consists of partially moving care outside the family and the realm of unpaid female work by promoting joint social responsibility between the state and the market. Services for children aged 0 to 3 years are crucial, since coverage is currently extremely scarce and these services are of poor quality (Berlinski and Schady, 2015). The public provision of these services has the potential to promote more equal access, improve the long-term development of children, as discussed in the previous section, and promote the integration of women into formal employment (ILO and UNDP, 2009). By reducing the demand for unpaid work among women and facilitating their access to formal employment with longer working days, public services increase the opportunities available to women to generate income and reduce their conditions of poverty and inequality (Verbist, Förster and Vaalvuo, 2012).

The second action involves ensuring the provision of transfers at key moments in people's lives, both at the beginning and end of the life cycle. These transfers may take the form of parental leave, family allowances, disability transfers or pensions

for old age, depending on the point in the life cycle and the underlying cause of the need for social protection. The most important point is that the transfers guarantee the right to care. Recent innovations, such as the universal basic pension implemented in Argentina and the non-contributory pensions established in Bolivia, have had positive impacts on reducing poverty and inequality (OECD, World Bank and IDB, 2015).

Finally, the third action involves regulating paid care. On the one hand, in terms of the labour market, it is necessary to increase the visibility of, formalize and, in general, improve the conditions of employment of those who provide care. On the other, it is necessary to provide the care services sector with a clear place in strategies for creating and improving employment in both the public and private sector. The paid component of care must be considered as an extremely broad spectrum of occupations, ranging from the most qualified (e.g. those performed by nurses that provide support to elderly people with high levels of dependency) through to the least qualified in educational and formal terms (e.g. paid domestic workers). Furthermore, supporting the family responsibilities of paid domestic workers is crucial due to their large number: they represent 15 percent of the urban population of economically active women in the region (ECLAC, 2009 and 2012). In the absence of alternatives, it is ultimately these women who adjust their time to accommodate the lack of other formal and institutional mechanisms to guarantee the work-life balance.

In terms of the institutional framework, the idea is not to create benefits *per se*, but to guarantee the right to provide and receive care through new and pre-existing provisions in the social protection system. This requires the incorporation of care as a pillar of the system based on at least three basic principles. First, this incorporation must be *progressively universal*, allowing the redistribution of care and the levelling of access to and the benefits of the formal social protection systems by eliminating the divisions that are still present in the region.

To achieve this, it is necessary to ensure that factors such as occupation (formal or informal), residence (urban or rural) and the working day (full or part-time) do not determine the types and levels of social protection. It should also be noted that programmes targeting the broadest social groups have more resources and, as such, benefit vulnerable and poor people more than programmes that exclusively target this population group (Korpi y Palmer, 1998). Furthermore, in terms of care, redistribution means building collective responsibility around care; moving away from its conception as a solely private matter to its consideration as a collective responsibility and, as such, ensuring that access to care becomes a citizens' right.

The inclusion of care as a pillar of the social protection system must favour *joint responsibility among men and women* as an explicit guiding principle of social programmes for both children and the rest of the population. The establishment of shared parental leave, which has been introduced in Chile and Uruguay, represents a step forward in this respect. During this measure's first year of implementation, men used this benefit for just 0.25 percent of births in Chile (Blofield and Martínez Franzoni, 2015) and in Uruguay paternity leave was used in half the cases in which maternity leave was used, while the parental leave (requested in 38 percent of births) was used in 98 percent of cases by women and 2 percent by men (Batthyány, Genta and Perrota, 2015). In spite of the fact that these measures undoubtedly constitute progress, they continue to pertain to paid work in the formal sector. They are benefits that are generally linked to salaried employment and, as such, their relevance and applicability to the area of impact in the informal sector are limited.

One of the main challenges to incorporating men into care lies in increasing their capacity for self-care, particularly for the large amount of domestic work required for the reproduction of life (e.g. food preparation, household cleaning and laundry). This is a necessary step to simultaneously promoting men as carers of other people, both during

childhood and in old age, and of people who are dependent as a result of temporary or permanent disabilities.

Finally, the incorporation of care as a pillar of the social protection system must be based on the establishment of measures that *cut across* the principal and traditional components of social protection (health, pensions and social support), and other public policies that are fundamental to promoting a better work-life balance, such as transport and mobility policies linked to people travelling between family and work environments. For example, the reduction in commuting times by staggering the working day is essential, particularly for urban populations. The status of care as a crosscutting pillar means that the issue must be considered every time actions related to the different sectors of social policy are considered, in general, and social protection systems in particular.

## 4.5 Conclusions

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This chapter has described some of the public policy challenges to ensure the sustainability of social progress in the region. These challenges are related to the scale of vulnerabilities facing Latin America and the Caribbean and incomplete transformations during the recent commodities boom. Promoting productivity, delivering universal social protection and implementing education and quality care systems are currently vital tasks to achieving the multidimensional progress to which the societies of Latin America aspire. The past decade was accompanied by a sense of progress that must now be consolidated by decisive efforts to deliver improvements in these dimensions, such as efforts in recent years that have had outstanding results in terms of macroeconomic stabilization and the creation of an active social policy.

To sustain progress and promote further social gains, the role of public policy must go beyond implementing targeted anti-poverty policies to complement them with integrated and universal social policies. In this sense, strengthening the measures required to

prevent people at risk of falling into poverty from doing so and to improve the welfare of those who live below the poverty line depends largely on the consolidation of policies that aim to: i) increase the access of women to the labour market, based on the equitable redistribution of time use in households and the existence of care systems; ii) improve

skills and conditions in order to integrate men and women into the labour market; iii) improve productive inclusion and access to credit markets; iv) establish a social protection system that provides coordinated support for the life cycle of men and women; and v) undertake a progressive redesign of tax systems.

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# Policies to confront hard exclusions: affirmative action, the recognition of rights and citizen empowerment





# Policies to confront hard exclusions: affirmative action, the recognition of rights and citizen empowerment

The social and economic transformations that took place between 2003 and 2013 did not benefit all population groups equally. Some types of exclusion transcend income level and are associated with unfair treatment, discrimination, violence or stigma based on ethnicity or race, skin colour, sexual identity, gender, religion, migration status, nationality or physical or mental disability. Eradicating such exclusion requires more than just closing material gaps. It requires *levelling the floor for citizenship rights* by means of affirmative action, protection policies, citizen empowerment, and the recognition of individual and collective rights.

## Introduction

The previous chapter set out the essential policies required to avoid losing social and economic gains, including actions concerning labour policy, care systems and social protection. These policies will help populations in the region of Latin America and the Caribbean to escape — and avoid falling into poverty. Nevertheless, for millions of citizens these policies are insufficient. Some types of exclusion classified in this chapter as “hard exclusions” transcend income levels: they are associated with unfair treatment, discrimination, violence or stigma based on ethnic origin or race, skin colour, sexual identity, gender, religion, migration status, nationality or physical or mental disability. Eradicating these types of exclusion requires more than just closing material gaps. They require *levelling the floor for citizenship rights* by means of affirmative action, protection policies, citizen empowerment, and the recognition of individual and collective rights.

This chapter analyses the situation of three population groups that suffer hard exclusions in the region. Specifically, it explores the discrimination and inequality faced by **Afro-descendant and indigenous populations in the region**, who face infringement of their individual and collective rights; **women who suffer violence at the hands of their intimate partner**; and **rural populations, with an emphasis on the exclusion suffered by rural women in general and those who live in a situation of extreme poverty in particular**. This chapter also analyses the challenges faced in formulating public policy to combat these forms of discrimination and inequality which require a more complex and multidimensional approach. To this end an

emphasis must be placed on strengthening capacities and challenging the socially accepted standards and values that validate certain hierarchies that should not exist, with a view to achieving the effective exercise of the individual and collective rights for these population groups, rights that are enshrined in these countries.

Doing more-of-the-same will not enable the expansion of achievements for millions of people who have not benefited from the social and economic transformations that took place in the region between 2003 and 2013. Where should we begin in order to do things differently? This chapter starts by highlighting situations of exclusion that cannot be resolved by just closing the material gaps in well-being. In certain cases, rights must firstly be recognized and their exercise guaranteed before progress can be made in this respect. The capabilities approach adopted throughout this Report privileges progress not only in terms of “beings” and “doings” but also in terms of the individual and collective capacity to define these “beings” and “doings” for ourselves.

## 5.1 Latin America: an ethnically and racially diverse region

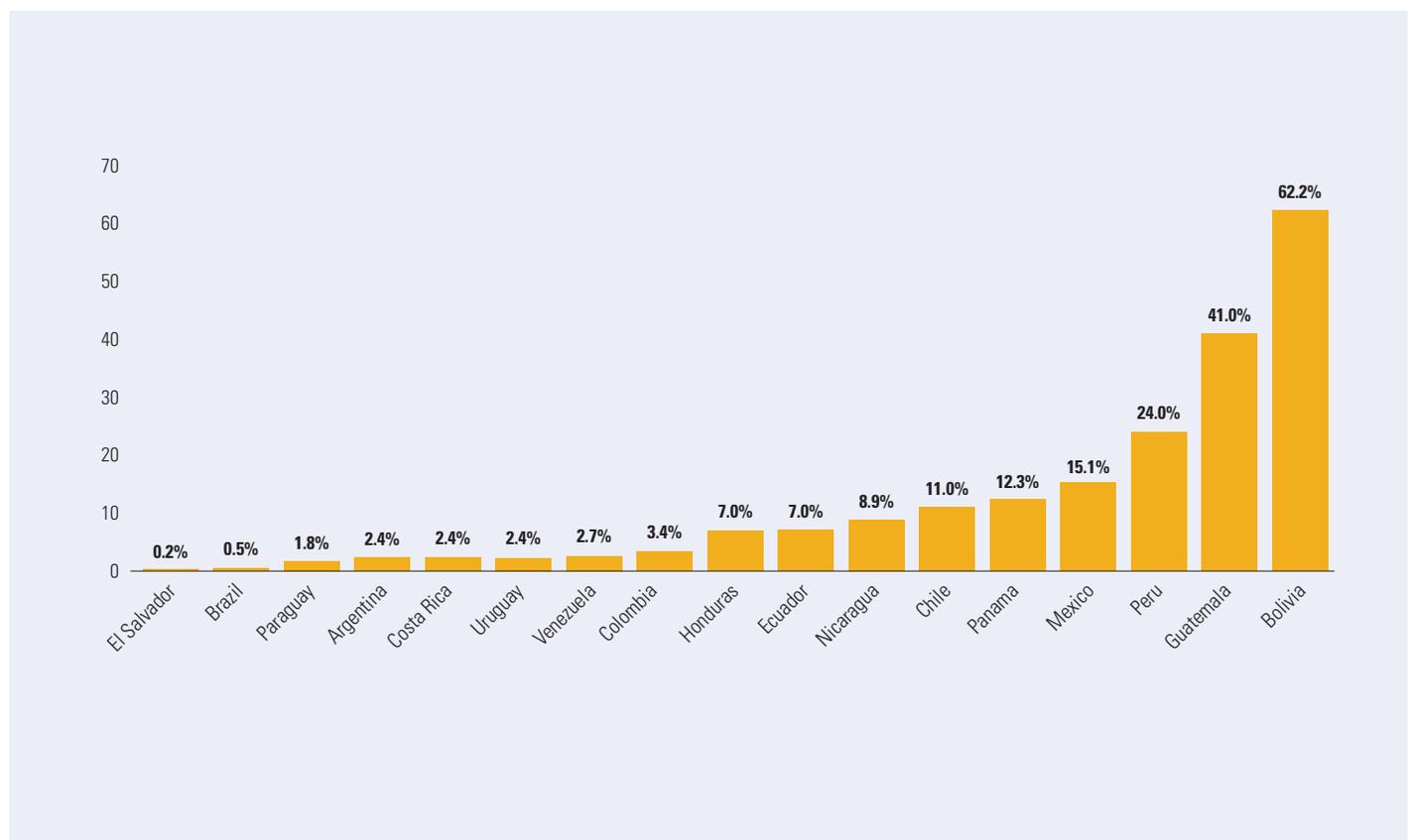
Indigenous and Afro-descendant populations have not benefited from the social and economic progress made in the region of Latin America and the Caribbean in recent decades to the same extent as the rest of the population. Indeed, questions have been raised as to the very notion of progress itself. The concepts of living well and good living, solidarity and community refer not only to ideas and aspirations but also to collective well-being projects that are, in some cases,

constructed through practices of indigenous self-government, the management of land and territories, and the exercise of customary justice. It is estimated that in 2010 the indigenous population in the region (17 countries) accounted for at least 44.8 million inhabitants (ECLAC, 2014). According to estimates by the United Nations, the Afro-descendant population accounts for at least 150 million of the region's inhabitants.<sup>41</sup> Behind this huge demographic lie significant differences in well-being and in concepts of well-being within the populations and communities living on the continent (see figures 5.1 and 5.2).

Historically, indigenous and Afro-descendant populations have experienced exclusion and discrimination in accessing education and justice systems, as well as spaces for political participation and decision-making, which have been culturally and linguistically appropriated. As a result of racial discrimination, xenophobia, and the different forms of intolerance suffered by these populations, in various countries in the region the Afro-descendant and indigenous populations are mainly found in locations where state social protection and development policies have low coverage. Moreover, some indigenous populations

FIGURE 5.1

**Indigenous population (as a percentage of the total population) in Latin America, circa 2011**

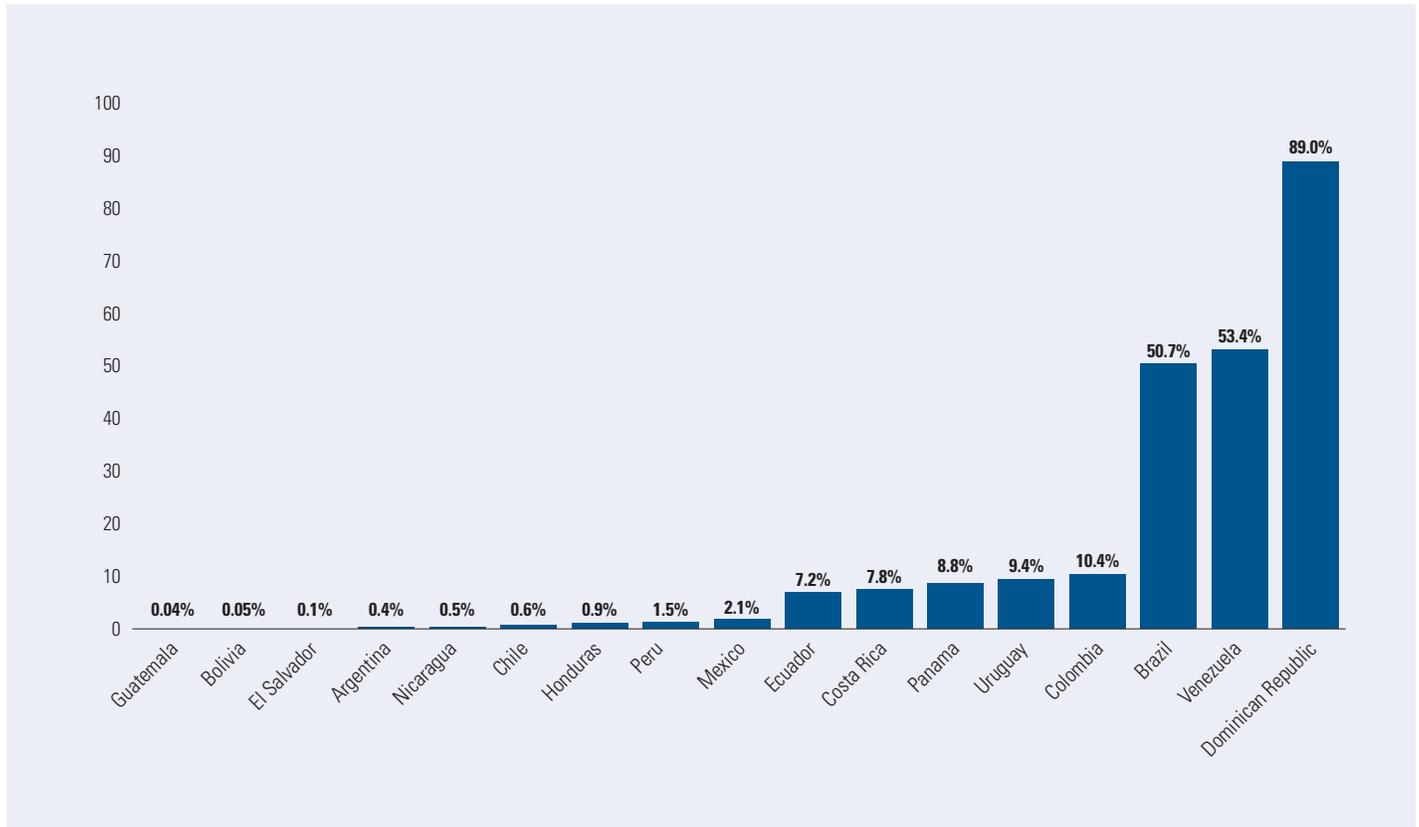


Source: Prepared by the authors based on information consulted in ECLAC (2014).

Note: The years under analysis for each country are indicated in parentheses: Argentina (2010), Bolivia (2010), Brazil (2010), Chile (2012), Colombia (2010), Costa Rica (2011), Ecuador (2010), El Salvador (2010), Guatemala (2010), Honduras (2010), Mexico (2010), Nicaragua (2010), Panama (2010), Paraguay (2012), Peru (2010), Uruguay (2011) and Venezuela (2011). Due to a lack of available up-to-date figures in the case of El Salvador, Colombia, Honduras, Nicaragua, Peru, Guatemala and Bolivia, population numbers for the indigenous population in these countries was obtained from the last available census. These percentages were applied to the estimated total population given by the Latin American and Caribbean Demographic Centre (Centro Latinoamericano y Caribeño de Demografía, CELADE) and the Population Division of ECLAC. In the case of the 2007 census for Peru, interviewees were only asked about their maternal language, and the indigenous population was estimated based on the following criteria: when the head of household or their spouse responded that their maternal language was indigenous, all the members of that household were classified as indigenous. In the case of Chile, while the figures given come from the 2012 census, the Government does not consider these figures to be official due to quality issues. In the case of Mexico, the question on ethnic group was only applied to the population aged three years or over; in the case of children aged under three years, they were classified as members of the indigenous population when the head of household or their spouse self-identified as indigenous. In the case of Paraguay, data is from the preliminary results of the indigenous census.

FIGURE 5.2

**Afro-descendant population (as a percentage of the total population) in Latin America, various years**



Source: Prepared by the authors based on information consulted in UNDP (2012).

Note: The figures correspond to the last year for which data is available. The years under analysis for each country are indicated in parentheses: Argentina (2010), Bolivia (2000), Brazil (2010), Chile (2010), Colombia (2005), Costa Rica (2011), Dominican Republic (2010), Ecuador (2010), El Salvador (2007), Guatemala (2002), Honduras (2001), Mexico (2010), Nicaragua (2005), Panama (2010), Peru (2010), Uruguay (2010) and Venezuela (2011). The data for Argentina is taken from the National Population, Household and Housing Census (Censo Nacional de Población, Hogares y Viviendas), 2010. The data for Bolivia comes from the Household Survey carried out as part of the Programme to Improve Surveys and the Measurement of Living Conditions in Latin America and the Caribbean (Encuesta de Hogares del Programa para el Mejoramiento de las Encuestas y la Medición de las Condiciones de Vida en América Latina y el Caribe, EH-MECOV), 2000. The data for Brazil is taken from the Demographic Census (Censo Demográfico) 2010. The data for Colombia comes from the General Census (Censo General) 2005. The data for Costa Rica is taken from the 10<sup>th</sup> National Population Census (X Censo Nacional de Población) and 6<sup>th</sup> Housing Census 2011 (VI Censo de Vivienda 2011). The figures reported are obtained by adding up the results of the categories black, Afro-descendant and mulatto. The data for Ecuador comes from the 7<sup>th</sup> Population Census (VII Censo de Población) and 6<sup>th</sup> Housing Census (VI Censo de Vivienda) 2010. The data for El Salvador comes from the 6<sup>th</sup> Population Census (VI Censo de Población) and 5<sup>th</sup> Housing Census (V Censo de Vivienda) 2007. The data for Guatemala comes from the 11<sup>th</sup> National Population Census (XI Censo Nacional de Población) and 6<sup>th</sup> Housing Census (VI Censo de Habitación) 2002. The data for Honduras comes from the 16<sup>th</sup> Population Census (XVI Censo de Población) and 5<sup>th</sup> Housing Census (V Censo de Vivienda) 2001. The data for Nicaragua comes from the 8<sup>th</sup> Population Census (VIII Censo de Población) and 4<sup>th</sup> Housing Census (IV Censo de Vivienda) 2005. The data for Panama comes from the 11<sup>th</sup> National Population Census (XI Censo Nacional de Población) and 7<sup>th</sup> Housing Census (VII Censo de Vivienda) 2010. The data for Peru comes from the National Household Census on Living Conditions and Poverty (Encuesta Nacional de Hogares sobre Condiciones de Vida y Pobreza, ENAHO) 2010. The data for Uruguay comes from the Ongoing Household Survey (Encuesta Continua de Hogares, ECH), 2010. The data for Venezuela comes from the 14<sup>th</sup> National Population and Housing Census (XIV Censo Nacional de Población y Vivienda) 2011, while the percentage given for the Afro-descendant population includes people who self-identified as black, mulatto, Afro-Venezuelan and dark skinned. Since the figure only takes into account those people who self-identified as black, mulatto and Afro-Venezuelan, this percentage drops from 53.4 percent to 3.5 percent. Data for Chile, Mexico and the Dominican Republic comes from the Latin American and Public Opinion Project (Proyecto de Opinión Pública de América Latina, LAPOP), 2010. In the case of the Dominican Republic, the percentage given for the Afro-descendant population includes people identified as black, mulatto, Afro-Dominican or Indian. Since the figure only takes into account people identified as black, mulatto and Afro-Dominican, this percentage drops from 89 percent to 24 percent.

in the region have been dispossessed of their lands and natural resources without their consent. For indigenous populations, territory is a fundamental condition for exercising the right to life, meaning that the invasion of their land and indigenous territories places them in a position of vulnerability, disrupts the harmony of the community and puts the very existence of these populations at risk.

**5.1.1 The recognition and expansion of rights: achievements and challenges**

The United Nations' Working Group on Indigenous Peoples has, since 1982, developed a broad process to promote the rights of indigenous peoples through the creation of the following instruments: i) the Permanent Forum on Indigenous Issues; ii) the appointment of a Special Rapporteur



on the rights of indigenous peoples; and iii) the Mechanism of Experts on the Rights of Indigenous Peoples. Moreover, the General Assembly declared two International Decades of the World's Indigenous People for the periods 1995-2004 and 2005-2014 which contributed to the strengthening of international cooperation to solve the problems faced by indigenous peoples in spheres such as human rights, the environment, development, education and health. The United Nations Declaration on the Rights of Indigenous Peoples (2007) (see box 5.2), the International Convention on the Elimination of All Forms of Racial Discrimination and the International Labour Organization (ILO) Indigenous and Tribal Peoples Convention, 1989 (No. 169) are the result of these efforts to ensure full recognition and exercise of the human rights of these populations. They provide countries with an explicit international normative framework concerning the guarantee of these rights.

The Afro-descendant population has also achieved progress on the expansion of their rights. In 1993, the United Nations Commission on Human Rights (UNCHR), the predecessor of the United Nations Human Rights Council (UNHRC), created the post of Special Rapporteur on contemporary forms of racism, racial discrimination, xenophobia and related intolerance, and in 2006 it also established the Working Group of Experts on People of African Descent. The United Nations declared that 2011 would be the International Year for People of African Descent, while the period 2015-2024 was proclaimed as the International Decade for People of African Descent. The aim was to promote efficient measures for implementing an agenda to fight racial discrimination with a view to promoting the recognition of rights, justice and development.

Following the Third World Conference against Racism, Racial Discrimination, Xenophobia and Related Intolerance, various countries in the region have created a set of public policies and significant legislation in this area, and government institutions have brought themselves into line with the international treaties on human rights that they have ratified. For example, mechanisms, institutions

or national appointments have been created to ensure compliance with the recommendations handed down by the Committee on the Elimination of Racial Discrimination (CERD). We can highlight the creation of the posts of Commissioner of the Presidency of the Republic for Matters Related to the Afro-Costa Rican Community in Costa Rica in 2015, the Commissioner of the Presidency to Combat Discrimination and Racism Against Indigenous Peoples in Guatemala in 2004, and the National Commission to Combat Racial Discrimination, Racism, Xenophobia and Related Intolerance (Comisión Nacional contra la Discriminación Racial, el Racismo, la Xenofobia y las Formas Conexas de Intolerancia) in Honduras in 2004. At the regional level, bodies have also been created to coordinate specific policies promoting progress for Afro-descendant communities, such as the Black Parliament (Parlamento Negro) constituted in 2005 and the Central American Black Organization (Organización Negra Centroamericana) founded in 1995.

Moreover, significant work has been done to ensure the effective exercise of the right of indigenous peoples to prior consultation and consent before the adoption of public policies or projects that affect their development and territories; a right that has been legally recognized in the majority of states in the region that have ratified ILO Convention No. 169. Some advances have been made regarding the implementation of this right, such as the legislation approved in Peru that establishes mechanisms governing consultation processes; however, in general terms the specific activities implemented in the region are still a long way from complying with the principles that have been legally taken on board. Establishing clear implementation processes, with the allocation of responsibilities and powers to the range of public actors and society (including enterprises) is a necessary but not sufficient condition. Rather, it is also essential to build capacities among both state agencies and indigenous peoples and local communities, in order to ensure respect for the collective rights of indigenous peoples. This is especially important given that these rights are essential to preserving the use of their territories and guaranteeing their participation in decisions

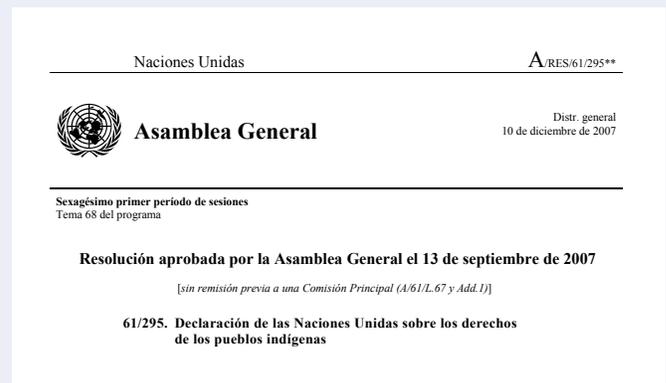
## BOX 5.2

**Indigenous peoples and their rights according to the 2007 United Nations General Assembly Declaration**

The United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP), approved by the United Nations General Assembly in December 2007, recognizes the equality of all peoples and sets out the individual and collective rights of indigenous peoples, including their right to be respected as such, and the right to redress for the injustices resulting from the colonization and dispossession of their lands, territories and resources, which has prevented them from developing in line with their own needs and interests (United Nations, 2007). The Declaration sets out the minimum parameters for the human rights of indigenous people and populations. The rights recognized in the Declaration cover territorial, political, cultural, economic and social rights, in particular the following: i) the right to own their territories; ii) the right to control their natural resources; and iii) the right to self-government and self-determination.

It also recognizes the need to respect and preserve the traditions of indigenous peoples, as well as their right to consultation and free, prior and informed consent: "States shall consult and cooperate in good faith with the indigenous peoples concerned through their own representative institutions in order to obtain their free, prior and informed consent before adopting and implementing legislative or administrative measures that may affect them" (United Nations, 2007, art. 19); and "prior to the approval of any project affecting their lands or territories and other resources, particularly in connection with the development, utilization or exploitation of mineral, water or other resources" (United Nations, 2007, art. 32.2). The right to self-determination is also set out in the Declaration; that is, the legal recognition of and respect for the ancestral forms of self-government of indigenous peoples and their

freedom to pursue their economic, social, political and cultural development in accordance with their worldview and ancestral practices (United Nations, 2007, art. 3). With respect to their self-determination, indigenous peoples have the right to "autonomy or self-government in matters relating to their internal and local affairs, as well as ways and means for financing their autonomous functions" (United Nations, 2007, art. 4) and to "maintain and strengthen their distinct political, legal, economic, social and cultural institutions, while retaining their right to participate fully, if they so choose, in the political, economic, social and cultural life of the State" (United Nations, 2007, art. 5). All of these rights have been endorsed by the Member States in the resolution adopted at the General Assembly, which sets out the final document produced by the World Conference on Indigenous Peoples held in September 2014 (United Nations, 2014).



Source: Prepared by the authors based on information consulted in United Nations (2007 and 2014).

that affect them and impact on the sustainable development of countries in the region.

The efforts made both on a global and regional level to promote the recognition and expansion of the rights of indigenous and Afro-descendant peoples continue to be weak, in some cases, when it comes to the form, contents, and level of application of the legal standards and the extent to which these rights are institutionalized. There is also a lack of regulation of the legal framework, as well as an absence of effective mechanisms to protect rights and poor implementation of public policies or adequate positive action. Meanwhile, few states have managed to create participatory spaces in which they are able to

put into practice their rights and demand that these are promoted and guaranteed.

### 5.1.2 Political participation and citizenship

In recent decades, the exercise of citizenship, empowerment and the political organization of indigenous and Afro-descendant peoples has increased considerably thanks to initiatives such as the establishment of constituencies in which indigenous peoples make up the majority, the option of participating as a political movement (as in the case of Ecuador), and the recognition of political quotas for indigenous

representatives where indigenous populations do not make up the majority of a constituency (as in the case of Colombia and Venezuela). In some countries, progress has been made at the subnational level by means of the recognition of traditional indigenous authorities and the establishment of institutional mechanisms offering a higher level of self-determination, such as the Indigenous Regions created in Panama, or the recognition of the traditions and customs of indigenous peoples in Oaxaca, Mexico. Also at the national level, special districts have been established for the purposes of legislative representation, as has been the case in Colombia and Venezuela, and the activity of electoral authorities to promote the representation of indigenous peoples in parliament in areas with a majority indigenous population has been promoted in countries including Mexico. To consolidate the positive impact of the actions mentioned above, it is necessary to continue building new processes and mechanisms to promote greater representation of the indigenous and Afro-descendant populations within the region, both at the national and subnational level. This is especially pertinent given that in some countries in the region indigenous and Afro-descendant movements and organizations struggle to articulate their needs and fail to benefit from the shared links that would allow them to mobilize the indigenous and Afro-descendant population as a whole. The representation of population groups is a complex issue, and the broad range of ethnicities and the diversity of their needs militates against an approach that would foster the participatory development of a joint agenda with governments.

### 5.1.3 Affirmative action to close gaps

Affirmative action consists of creating specific policies that grant preferential treatment to a certain population group that suffers from disadvantages. An example of this is the Social Quota Law enacted in Brazil in 2012, which establishes that half of all vacancies in all public education institutions offering standard and advanced technical education must be reserved for students from state

schools. Of the total spaces reserved, half must be allocated to students from families with a gross per capita income equal to or less than 1.5 times the minimum wage. Meanwhile, these reserved places must be occupied by students that identify themselves as being black, dark skinned or indigenous in a percentage equivalent to each of these ethnic/racial categories as a proportion of the total population for each state (Presidency of the Republic, 2012a and 2012b). According to information from the Brazilian Government, in 2014 some 20 percent of all new vacant places offered by federal universities were filled by students that self-identified as black, dark skinned or indigenous (percentage equivalent to 49.6 per percent of the spaces reserved in line with the Social Quota Law). In the case of federal schools, some 23 percent of all new vacant places offered were filled by students that self-identified as black, dark skinned or indigenous (percentage equivalent to 49.7 per percent of the spaces reserved in line with the Social Quota Law). This law is accompanied by schemes providing financial support so that the beneficiary population can continue with their education, as well as various programmes targeted at promoting racial equality in other spheres of education (Secretariat for Policies to Promote Racial Equality, 2015).

Despite the progress made on equalizing rights, increasing participation from politicians and citizens, and the affirmative action policies implemented in the region, it is still necessary to design more inclusive policies that place an emphasis on equal opportunities, targeted at guaranteeing that the population as a whole, regardless of their ethnic origin, race or culture, can reach their maximum potential in life. In many cases, the situation of indigenous and Afro-descendant peoples and those who suffer discrimination based on their skin colour continue to be invisible. This requires actions targeted at eliminating all forms of discrimination suffered by these population groups in various spheres, including in access to public services and the labour market, the exercise of citizenship or administration of justice.

Just two decades ago, ethnicity and race were not considered to be a relevant category

to include in the breakdown of census information in the region. Recent censuses carried out during the period from 2000 to 2010 did include questions on the ethnic or racial identity of citizens. The transition from the concept of the cultural mix to the concepts of multiculturalism and plurinationality that has happened in a large part of the region has made it possible to stand up for the specific demands of indigenous and Afro-descendants people and communities, turning public attention to their demands and promoting an expanding process of data collection on their living standards.

Ethnic and racial discrimination affects people that suffer discrimination based on their skin colour as well as indigenous and Afro-descendant peoples. Discrimination based on skin colour is a reality in the region, and the inclusion of this variable in national censuses and surveys makes more complete information available for the fight against inequality. As set out by Telles (2014), skin colour constitutes an essential

means of identifying inequalities linked to the race or ethnicity of people in the region. Questioning the use of pre-established ethnic and racial categories to identify hard exclusions is particularly important for preventing new forms of exclusion at a time when the concept of multiculturalism is useful in the fight to ensure the recognition of the collective rights of people that share ethnic and cultural characteristics and identify with each other, differentiating themselves from other groups (ECLAC, 2014). In contrast, Afro-descendant people in some countries have not typically had the chance to come together, and so their collective voice is not heard to the same extent as the members of other indigenous peoples (Yashar, 2015; Hooker, 2005). Over the long term, it will be important to avoid public policies concentrating solely on promoting the demands of the collective identities with the strongest voice in the political arena, ensuring that attention is also given to the fight against inequalities based on skin colour (see box 5.3).

### BOX 5.3

#### Discrimination based on skin colour and ethnic or racial identity in access to health and education

The research carried out as part of the Project on Ethnicity and Race in Latin America (PERLA) highlights the discrimination that people suffer in different countries of the region based on their skin colour when accessing basic services in at least two fundamental spheres: health and education.<sup>44</sup> In a sample comprising eight Latin American countries, Telles, Flores and Urrea-Giraldo (2015) observed that in the large majority of cases social class and skin colour played a crucial role in educational attainment. The results of the study carried out by those authors showed that in seven of the countries examined, people who had a lighter skin colour had the opportunity to complete 1.5 more years of schooling than people with darker skin. The results also showed that people with a darker skin colour completed primary and secondary education less frequently than people with lighter skin.<sup>45</sup> In general, the findings suggest that the effect of skin colour on school attainment is relatively high in Bolivia and Guatemala, and relatively low in Ecuador and Colombia.

Moreover, the analysis allowed the authors to observe that the findings related to the categories of self-identification typically used in some of these countries could be subject to significant modifications

when the influence of skin colour was taken into account, suggesting that it is necessary to reflect on the way in which these categories are defined.

In relation to health conditions, Perreira and Telles (2014), basing their work on a study of a global sample of the populations of Brazil, Colombia, Mexico and Peru (which represent almost two-thirds of the total population of Latin America and the Caribbean), found that people whose skin colour was relatively dark reported a worse state of health than those whose skin colour was relatively light. The findings hold true regardless of the ethnic or racial category (white, mestizo, indigenous, mulatto, black or other, depending on the case in question) used to identify people and whether the ethnic/racial category was self-identified or identified by the interviewer. Nevertheless, people who reported that either or both of their parents were indigenous indicated a poorer state of health than those whose parents were not indigenous. This suggests that some people who openly adopt their cultural heritage can experience limited development as a consequence (Yashar, 2005; Van Cott, 2005).

## 5.2 The violence committed by millions of men against their intimate partners

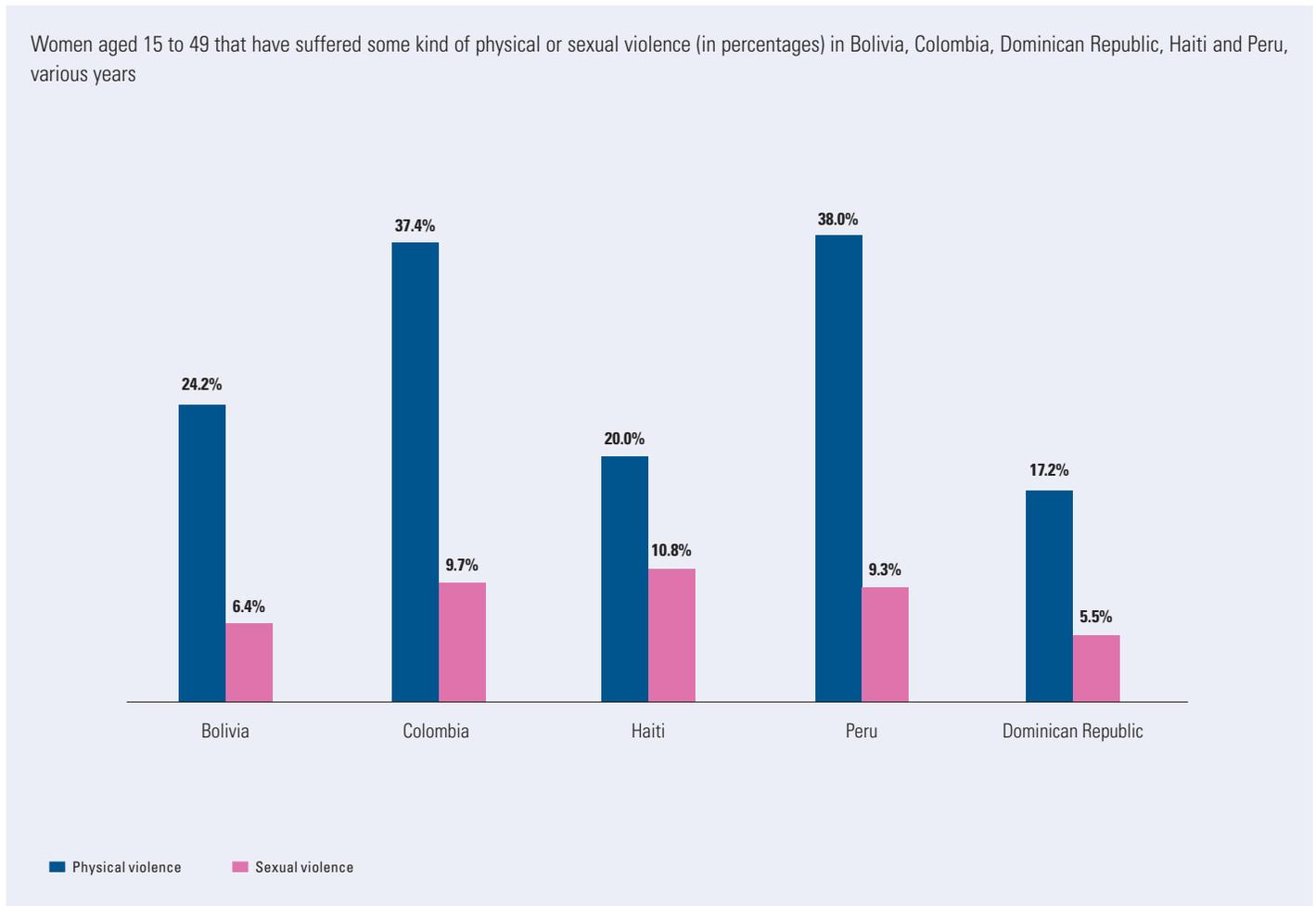
Intimate partner violence<sup>46</sup> is one of various forms of violence against women, and is defined as “physical, sexual, emotional, or economic abuse, including controlling behaviour committed by an intimate partner” (Stockl, Devries and Watts, 2015). Today, millions of men in the region of Latin America and the Caribbean perpetrate violence against their intimate partners on a daily basis, whether in the form of economic, emotional, sexual or physical violence. From the perspective

of human development, intimate partner violence also represents a form of exclusion that limits people’s capacity for decision and action because it undermines their potential to enjoy an autonomous, dignified existence. Although this type of violence is recognized as a public issue, in some countries of the region it is still considered to be a private matter, and in general the policies designed to combat intimate partner violence are as yet extremely limited.

Intimate partner violence is not solely committed by men or within heterosexual relationships (Oliffe et al., 2014; Jacobson et al., 2015). Unfortunately, the information

FIGURE 5.3

**An average of 27.3 percent of women in 5 countries in the region stated that they had suffered physical violence, while 8.3 percent stated that they had suffered sexual violence**



Source: Prepared by the authors based on data from CEPALSTAT (information revised to 20 June 2012).

Note: The figures correspond to the last year for which data is available. The years under analysis for each country are indicated in parentheses: Bolivia (2008), Colombia (2010), Dominican Republic (2007), Haiti (2005) and Peru (2011).

available on this problem is scarce, and the few analyses that have been carried out in the region do not distinguish non-heterosexual intimate relations, concentrating solely on the intimate partner violence suffered by women in heterosexual relationships.

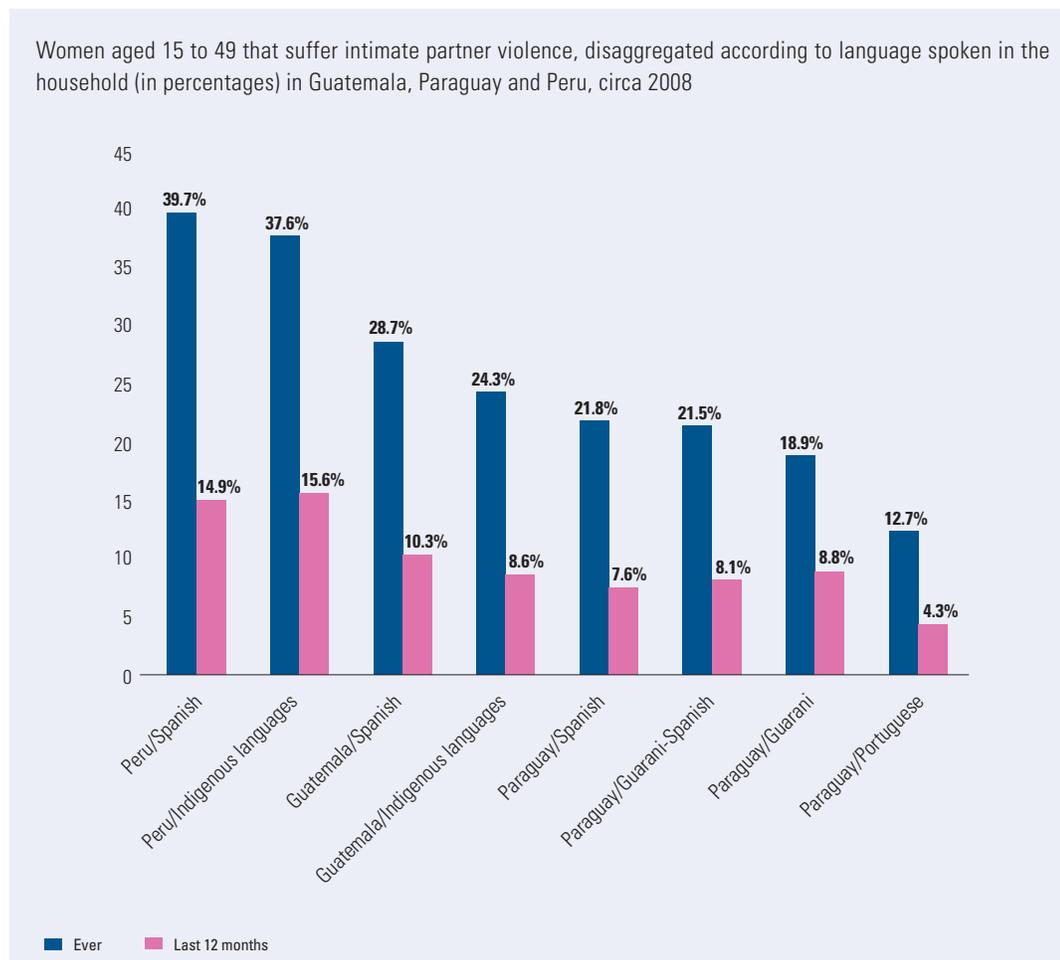
According to the information available on five countries in the region for different times throughout the period extending from the mid-2000s to the early 2010s, an average of 27.3 percent of women have suffered some kind of physical violence perpetrated by intimate partners, while an average of 8.3 percent of women have suffered sexual violence at some point.<sup>47</sup>

Contrary to what might be expected, intimate partner violence does not depend on the socio-economic status or ethnic/racial background of the men that perpetrate it or the women that suffer it. In Guatemala, Paraguay and Peru, for example, the percentage of women aged 15 to 49 who suffer intimate partner violence in households where an indigenous language is spoken is very similar to the percentage of women who suffer this kind of violence in households where no indigenous language is spoken.

The data in figures 5.3 and 5.4 highlight part of the problem, but the situation is much more serious than the figures indicate. If,

FIGURE 5.4

**The percentage of women aged 15 to 49 who suffer intimate partner violence in households where an indigenous language is spoken is very similar to the percentage of women who suffer this kind of violence in households where no indigenous language is spoken**



Source: Hernández-Monzoy (2015), based on CEPAL (2013).

Note: The information presented corresponds to 2008-2009 in the case of Guatemala, to 2008 in the case of Paraguay, and to 2007-2008 in the case of Peru.

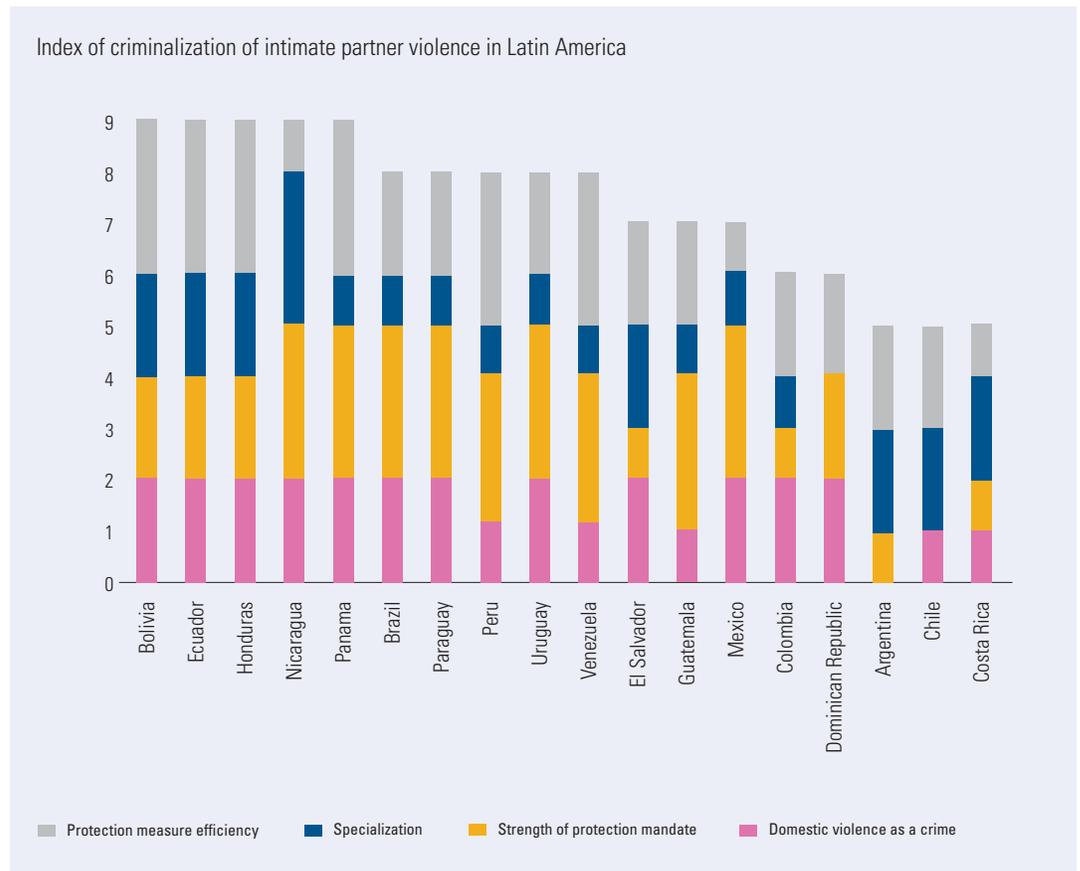
apart from reflecting physical violence and sexual violence the figures also took into account economic violence, emotional violence and controlling behaviour, the percentages would be much higher. The figures would increase further still if they reflected the cases of many women who do not report the abuse they suffer at the hands of their male intimate partners due to the shame and stigma attached to abuse, and this is another problem still pending resolution.

When women report that they have been subjected to intimate partner violence, they tend to feel stigmatized by the reaction of friends and family, physical and mental health service providers, police officers, lawyers and judges, among others (Crowe and Murray, 2015; McCleary-Sills et al., 2015). Consequently, millions of men continue to abuse an equal or greater number of women on a daily basis without anyone noticing.

The types of public policy designed to deal with this issue and in force in the countries of

FIGURE 5.5

**Countries such as Bolivia, Ecuador, Honduras, Nicaragua and Panama stand out for having criminalized intimate partner violence**



Source: Hernández-Monzoy (2015).

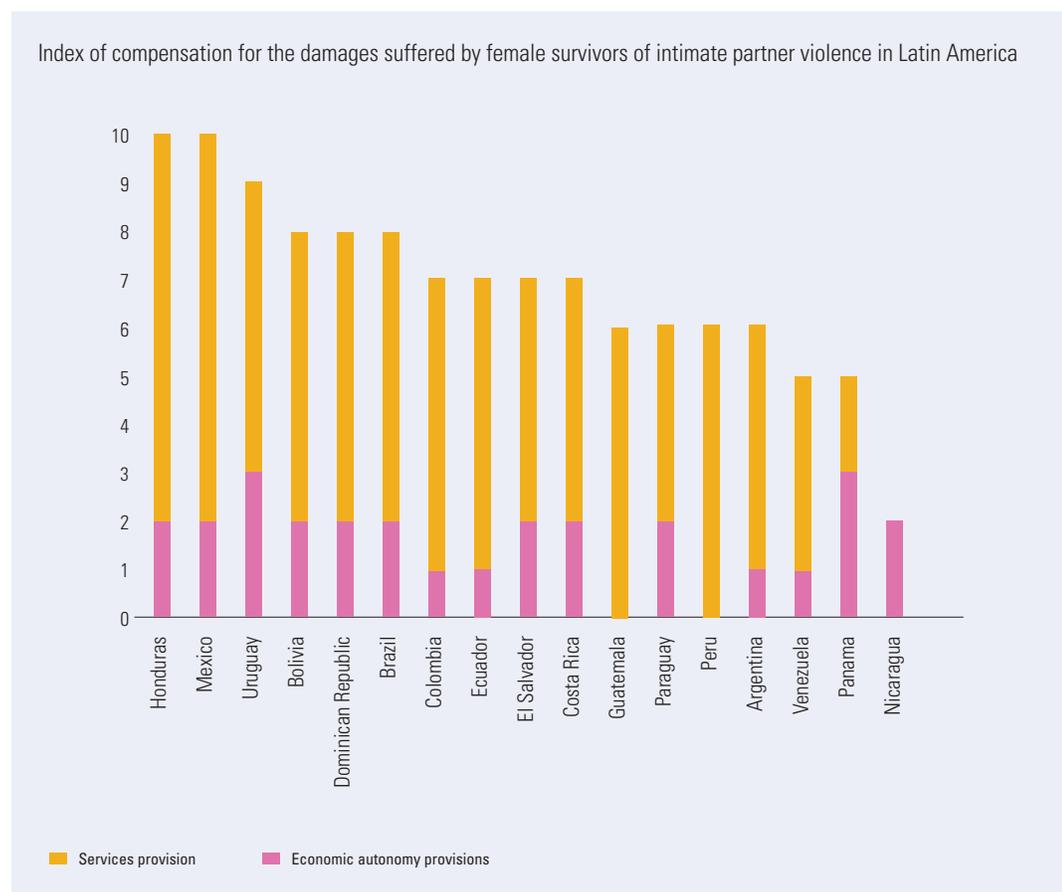
Note: The index takes values of 0 to 11, and is created using four variables whose value varies depending on the situation in each country. The variable of *domestic violence as a crime* has a minimum value of 0 and a maximum value of 2. If domestic violence is classified as a crime in its own right, the variable takes a value of 2; if it is classified as aggravating circumstances, it assumes a value of 1. Where it is neither considered a crime or aggravating circumstance, the variable takes a value of 0. The variable of *strength of protection mandate* takes a minimum value of 0 and maximum value of 3. If there is the legal mandate to open an investigation in domestic violence cases, the variable takes a value of 3. If conciliation or mediation mechanisms are used in all cases then the variable takes a value of 2. If such mechanisms are prohibited with exceptions, then the variable takes a value of 1, and if the use of conciliation or mediation mechanisms is always permitted then the variable takes a value of 0. The variable of *specialization* takes a minimum value of 0 and maximum value of 3. The variable takes the value of 1 where there are specialized units dealing with this issue within the police, prosecution services or legal authorities; it takes a value of 0 where there are no specialized units; and it takes a value of 3 where there are specialized units in all three areas. The variable of *protection measure efficiency* takes a minimum value of 1 and maximum value of 3. The variable takes a value of 1 where protection measures are adopted when requested by the survivor; it takes a value of 2 if they are adopted *ex officio* but exclusively by a judge; and a value of 3 where such measures are adopted *ex officio* by the prosecution services or other authorities.

the region today fall into three broad areas: those that criminalize the actions of people that commit intimate partner violence; those that focus on survivor empowerment; and those targeted at men with the aim of preventing this type of violence. The following section sets out advances observed in these three types of public policy, according to the study produced by Hernández-Monzoy (2015), which details indicators on the policies to deal with this problem implemented in 18 countries of the region.<sup>48</sup>

In the sphere of the criminalization of intimate partner violence, countries such as Bolivia, Ecuador, Honduras, Nicaragua and Panama are among those that have shown the greatest progress. In these countries, intimate partner violence has been classified as a crime; laws have been created allowing *ex officio* investigations, as well as *de facto* legal action against perpetrators; there are specialized units dealing with this issue in at least two of the three institutions responsible for taking legal action; and the authorities responsible

FIGURE 5.6

**Countries such as Honduras, Mexico, Bolivia, Chile and the Dominican Republic are notable for having established legal obligation of awarding damages to female survivors of intimate partner violence**



Source: Hernández-Monzoy (2015).

Note: The index takes a value of 0 to 10, and is constructed based on two variables whose value varies depending on situation in each country. The variable of *services provision* takes a maximum value of 6 if a full range of public services is made available to survivors (including support and shelter, for example). The value of this variable increases by two points if the services are provided by a single office, and increases by one point if they are provided by an integrated office. The variable of *economic autonomy provisions* take a value of 2 if compensation for the damages suffered by survivors is mandatory; it takes a value of 1 if such compensation remains at the discretion of judges or has to be requested by victims; and a value of 0 if it is not mentioned. The value of this variable increases by 1 point if protection measures are included in support measures to promote the economic self-sufficiency of victims (for example, by means of actions to help survivors move home or access social benefits).

for taking legal action have been given the power to grant protection orders in favour of victims.

With respect to policies designed to empower the survivors of intimate partner violence, in the majority of countries public resources have been set aside for implementing services such as helplines, legal support, psychological support and temporary shelters, but much remains to be done in order to provide adequate care in the case of survivors on low incomes, in rural areas, members of the LGBTI community and those with different ethnic/racial backgrounds. Countries such as Honduras, Mexico, Bolivia, Chile and the Dominican Republic are notable for having established the legal obligation of compensation for damages being awarded to survivors.

Finally, with regards policies designed to promote changes in the attitude of men who perpetrate this kind of violence, it is clear that this is the area in which least progress has been made. In the majority of countries in the region analysed by Hernández-Monzoy (2015), there is the legal mandate to establish rehabilitation programmes for men that have perpetrated violence against their intimate partner, although in the majority of cases the men's attendance is not obligatory and the decision to make attendance of such programmes a requirement is left to the discretion of the judge. Moreover, public programmes to rehabilitate the perpetrators of intimate partner violence have only received a favourable appraisal in certain countries, such as Chile and Costa Rica. In the case of Ecuador, the Integrated Organic Criminal Code (Código Orgánico Integral Penal) establishes a social rehabilitation scheme based on four phases: i) information and diagnosis of the person deprived of their liberty (PDL); ii) comprehensive and personalized development; iii) social inclusion; and iv) support for PDLs following their release. The last phase of the scheme facilitates the reintegration into society and the family sphere of people who are reintegrated into society following a period in a penitentiary institution. All PDLs sentenced for the crime of femicide must comply with these four phases of the rehabilitation scheme.

From this perspective, the state of play of public policy on this issue is clear. In terms of criminalization, the area in which most progress has been made, some countries still need to classify intimate partner violence as a crime, establish ex officio investigations and eliminate conciliation mechanisms as an alternative to legal action.

In the sphere of the empowerment of survivors, less progress has been made. In this area, steady state funding is required for the provision of services for survivors, along with the establishment of the legal obligation of awarding damages compensation, and the provision of support so that survivors can change their place of residence, and have a sufficient income to be able to live independently and at a sufficient distance from their aggressor. It is also necessary to implement programmes to promote the inclusion and ongoing employment of women that have survived gender-based violence, as well as guarantee economic redress and psychological and social support for children and adolescents that have survived the femicide of their mothers.

Finally, although these three policy areas are indispensable and must be developed simultaneously, policies concentrating on the men that commit intimate partner violence must also be strengthened. It is not enough for the law to set out the possibility of requiring the men that have committed violence to join rehabilitation programmes; rather, it is necessary for judges to have the power to ensure that they do in fact attend such programmes. In order to make this possible, public funds must first be allocated to the creation of such programmes. Moreover, the work carried out by rehabilitation groups involving men and youth that have perpetrated violence but have not necessarily been ordered to join such programmes by a judge is indispensable. Strategies to ensure national coverage, such as those implemented in the case of Chile, would promote consistency in this type of intervention, and assist in the monitoring and the evaluation of results. Meanwhile, the participation of male children, teenagers and men in general in the prevention of violence against women should

be a central part of public policy aimed at eradicating this scourge.

The evidence set out in studies on masculinity indicate that violence against women is more frequent when men themselves have lived with high levels of interpersonal violence (Jewkes, Flood y Lang, 2015), as is the case of some countries in the region such as Guatemala, Honduras and El Salvador. The majority of actions targeted at preventing violence against women have the aim of changing social standards of masculinity and femininity by means of behavioural change in individuals (Ellsberg et al., 2015). Nevertheless, the recognition that social standards are “incorporated in and from historical, social, political and economic dynamics” (SAS, 2014, p. 13) is not widely present in the planning of prevention activities, which tend to consist of initiatives rolled out at the micro level and targeted at training and awareness raising, with the social, economic, urban and institutional context taken as a given.

Last but not least, it is worth mentioning the articulation of specific public policies targeted at eradicating violence against women and other policies concerning aspects such as health, HIV/AIDS, education, housing, citizen security and economic empowerment, among others; articulation that is essential to dealing with the problem in an integrated way. One example of this is the Law on the National Citizen Security System in Bolivia (Ley del Sistema Nacional de Seguridad Ciudadana del Estado Plurinacional de Bolivia), which allocates a percentage of the resources set aside for citizen security to the country’s Autonomous Departmental Governments for the construction and equipping of shelters and temporary refuges for women experiencing a situation of violence

(30 percent in the first year and 10 percent as of the second year) as well as a percentage of the funding required for the infrastructure, equipping, maintenance and care provided by Integrated Municipal Legal Services (Servicios Legales Integrales Municipales), which ranges from 25 to 30 percent depending on the number of inhabitants.

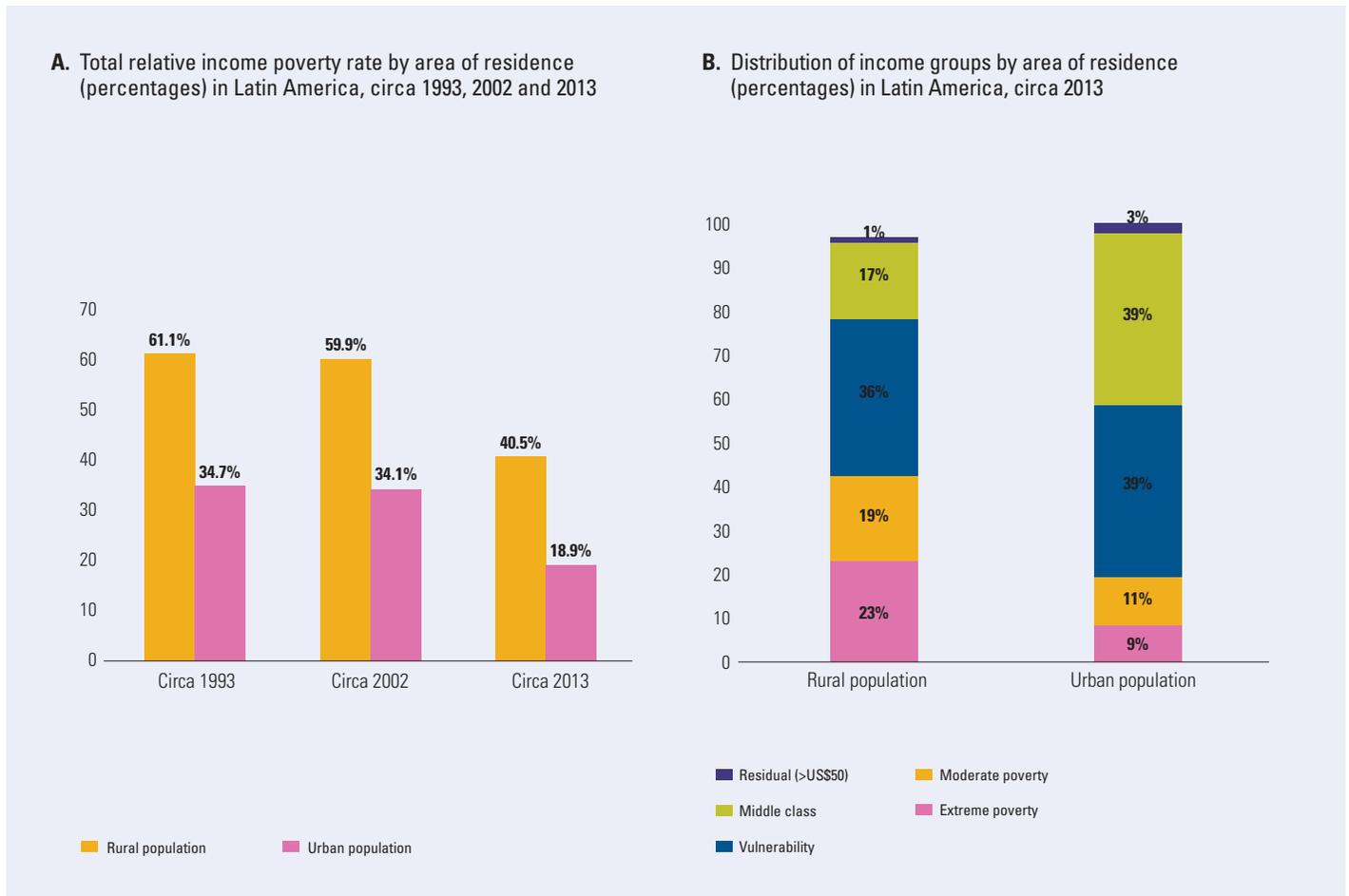
### **5.3 The lag in well-being in rural areas and the inequalities faced by rural women living in income poverty**

Owing to a lack of infrastructure, scarce employment opportunities, the informality of the labour market and gaps in available resources and State interventions, among other disadvantages in comparison with the urban population, the region’s rural population has not benefitted from the progress experienced in recent years to the same degree as the urban population. Between 2003-2013, 78 percent of the rural population lived in chronic income poverty — i.e. during these years this population remained in income poverty — while in urban areas this proportion was 42 percent (Stampini et al., 2015).

Despite actions aimed at reducing the gaps between the urban and rural population in the region, in 2013 just over 40 percent of the region’s total rural population was living in income poverty, and if this percentage is added to that of the rural population living in an economically vulnerable situation, this proportion increases to almost 80 percent, in comparison to percentages in urban areas of approximately 20 percent and 59 percent respectively (see figure 5.7).

FIGURE 5.7

In 2013, the percentage of people living in income poverty in rural areas was almost double that in urban areas, a proportion which has remained steady over the past two decades. Furthermore, almost 80 percent of the total rural population lived in poverty or vulnerability in 2013

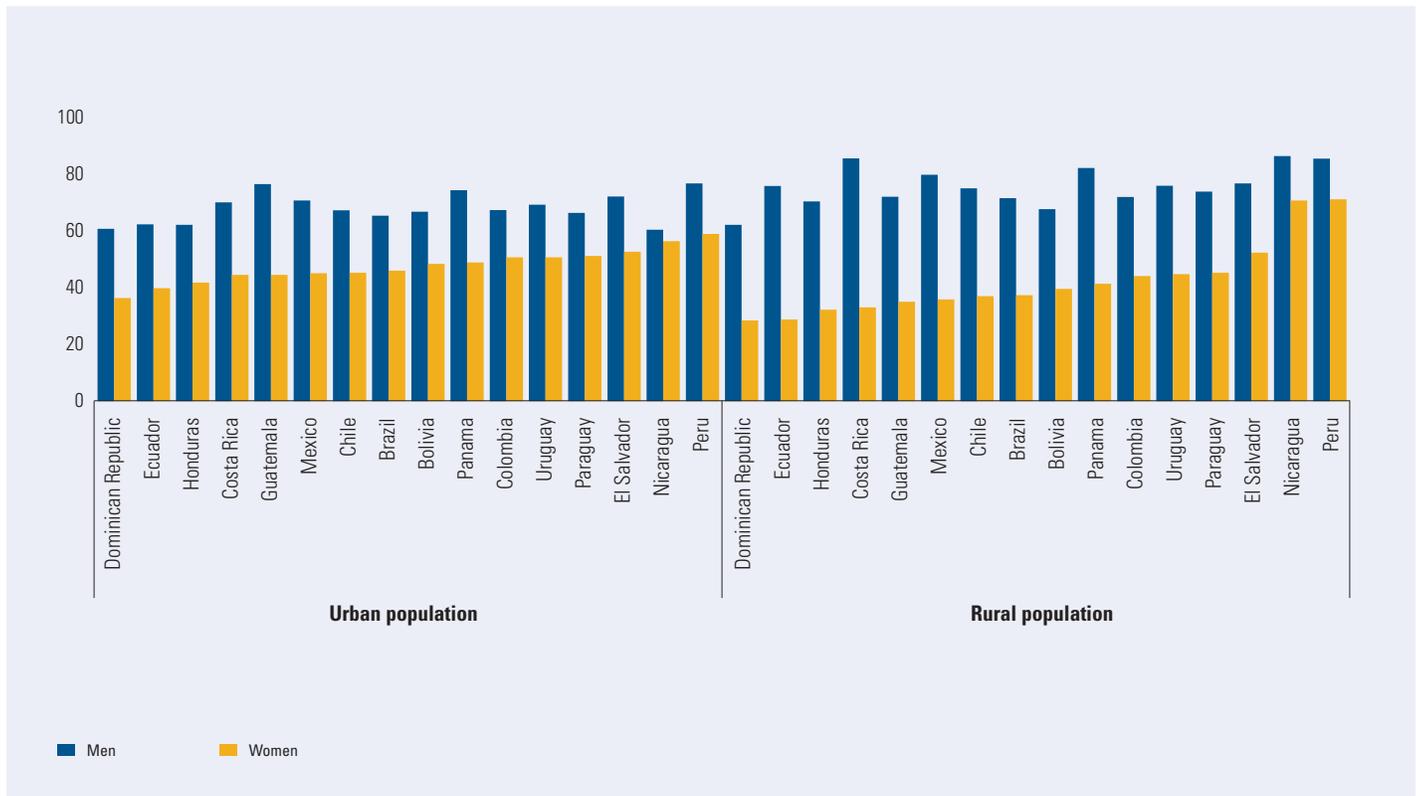


Source: Prepared by the authors based on Center for Distributive, Labor and Social Studies (CEDLAS) estimates using information obtained from *SEDLAC* (CEDLAS and the World Bank).  
 Note: The figures presented in figure A are composed of the weighted averages of the percentages of poverty when the threshold is set at US\$4 per day for the 18 countries listed below, for the years indicated in parentheses: Argentina (1992, 1998 and 2014), Bolivia (1997, 2002 and 2013), Brazil (1993, 2003 and 2013), Chile (1992, 2000 and 2013), Colombia (1996, 2003 and 2013), Costa Rica (1992, 2002 and 2013), Dominican Republic (1996, 2003 and 2014), Ecuador (1994, 2003 and 2014), El Salvador (1991, 1998 and 2013), Guatemala (2000 and 2011), Honduras (1992, 2003 and 2013), Mexico (1992, 2000 and 2012), Nicaragua (1993, 2001 and 2014), Panama (1991, 2001 and 2013), Paraguay (1995, 2004 and 2013), Peru (1997, 2004 and 2014), Uruguay (1992, 2004 and 2014) and Venezuela (1992, 2001 and 2011). The figures presented in figure B are composed of the weighted average distribution of income groups in each of the countries listed above (with the exception of Venezuela) in the last year listed in parentheses for each.

The disadvantages affecting the rural population are more pronounced when data on this population is disaggregated by gender and income level, with rural women living in poverty suffering profound discrimination and disadvantages. In the region 43.3 percent of the total rural population is composed of women living in income poverty,<sup>49</sup> whose principle economic activity is usually agricultural work. This sector is characterized by lower productivity and competitiveness than other sectors of the economy.

Towards the end of the 2000s, 44 percent of rural women, in comparison with a third of urban women, did not have an income because their main activities comprised of domestic duties, housework and care activities (CEPAL, 2010). The employment rate of women in the region has increased, but not at the rate expected, and geographical and gender gaps remain. In 2013, 47.7 percent of women in urban areas and 42.4 percent of women in rural areas were employed, while employment rates for men reached 68.2

FIGURE 5.8

**Employment rate by gender and area of residence (percentages) in Latin America, 2013**

Source: Prepared by the authors based on information from the International Labour Organization (ILO).

percent in urban areas and 76.0 percent in rural areas.<sup>50</sup> The data presented in figure 5.8, representing the employment rates of 16 countries in the region, disaggregated by gender and area of residence, show that rural women have the lowest employment rate in almost every country.

The data presented in figure 5.8 also show that women's employment rate is lower than men's regardless of whether they live in urban or rural areas. As regards the formality of employment, the percentage of rural women and men in informal employment is higher than that of urban women and men. Consequently, rural households are usually more exposed than urban households to precarious and unstable employment characterized by the absence of social benefits, which in turn increases the vulnerability of the rural population. These gaps in labour market participation and formality affecting rural men and women continue throughout

their life cycle and are greater in the case of women living in income poverty.

The Dominican Republic, Honduras, Costa Rica, Guatemala and Colombia recorded the lowest employment rates for rural women in the region. However, although these countries recorded lags in comparison with the situation in countries such as the Plurinational State of Bolivia and Peru — where the employment rates of rural women are higher than 70 percent — they have recently taken action in the form of creating legislation and public policies to address the issue.

In 1999, the Dominican Republic created the Ministry of Women's Affairs, which has provided institutional support for the development of projects and programmes aimed at addressing issues affecting Dominican women with high political priority. It also formulated Act No. 55-97, which granted

rural women legal rights in relation to land tenure.

In Honduras, the creation of the National Institute of Women (INAM), which functions as a state department, and the implementation of a series of public policies which benefit rural women in the country stand out: the Gender Equality in Agriculture in Honduras policy, which extends opportunities for women in the countryside; II Gender Equality and Equity Plan; the Food and Nutritional Security in Honduras policy and specific sectoral mechanisms from the Ministry of Agriculture and Livestock. Similarly, in 2015 the country's Congress passed the Law on the National Solidarity Credit Programme for Rural Women.

In Costa Rica the State Policy for the Agrifood Sector and Rural Development in Costa Rica 2010-2021 is currently in force. This policy proposes different strategies aimed at rural women in relation to key themes such as food security, access to financing and support to develop productive projects. The existence of INAM should also be mentioned, as should the post of Minister for Women's Affairs.

Guatemala has developed a series of public policy instruments, such as the National Policy for the Advancement and Integral Development of Women and the Equal Opportunities Plan 2008-2023, which propose strategies to promote the economic and productive development of women, and to facilitate their access to land and natural resources. Furthermore, there are political bodies in this country such as the Presidential Secretary for Women, created in 2000, which advises on and coordinates decisions affecting Guatemalan women.

Colombia passed Act No. 731 on rural women in 2002. This Act legislated in favour of non-discrimination in plans, policies, projects and programmes relating to the rural sector, and increased women's opportunities in relation to their education, access to resources and land tenure, among other issues. In particular, this Act created the Rural Women's Development Fund which ring fences resources to support all types of projects that benefit this population group. In the context of the

armed conflict faced by Colombia, which has been concentrated in the country's rural areas, Act No. 1448 of 2011 on victims and land restitution is another important step towards safeguarding the rights of rural women in Colombia. Likewise, the Ministry of Labour's Comprehensive Routes to Rural and Urban Employment for Victims of the Armed Conflict, which focuses on equity, has promoted job creation for rural women across the country.

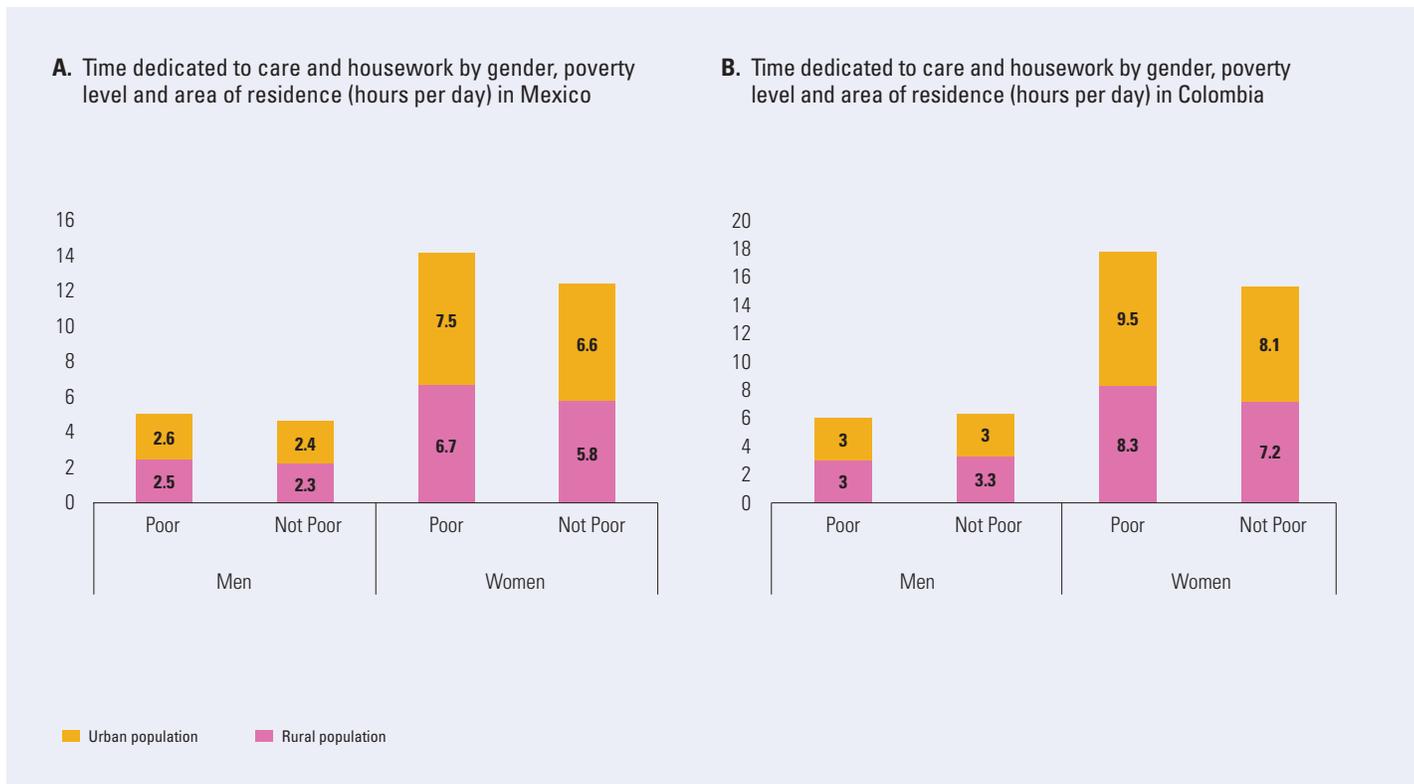
Worldwide, the majority of the 73 percent of the global population without social protection are based in rural areas (FAO, 2012). In the region, 47 percent of the rural population has no social protection, while in urban areas this proportion is 36 percent. Of those that do have social protection, 50 percent have contributory social protection in urban areas, yet only 27 percent have this type of protection in rural areas (Rossel, 2012).

The data available for some countries in the region show women perform three times more unpaid work than men.<sup>51</sup> Neither poverty nor rurality affect the time dedicated to care by men, which remains fundamentally the same. In contrast, rurality and poverty are factors which strongly shape women's time management, and therefore, their lives. According to the data available for countries in the region, rural women dedicate, on average, 10 more hours per week than urban women to housework. Women in rural areas, whose income is in the first quintile, dedicate 20.5 more hours per week to housework than rural women in the fifth quintile.<sup>52</sup> In Peru, for example, rural women dedicate 20 hours per week more to unpaid work than urban women, and in general women dedicate on average almost 5 hours less than men to leisure time (Freyre Valladolid and López Mendoza, 2011).

As shown in figure 5.9, in Mexico and Colombia, regardless of their geographic area of residence or level of poverty, women dedicate more hours each day to care and housework than men. Moreover, women as a whole living in rural areas and who are living in income poverty dedicate the most hours to these tasks, on average 7.5 hours per day in the case of Mexico and 9.5 hours per day in the case of Colombia. In both

FIGURE 5.9

**In the case of the rural population living in income poverty, the total number of hours that women in this group spend on care and housework is three times more than the total hours that men in the same group dedicate to these tasks**



Source: The data from Colombia were consulted in Martínez-Restrepo (2015), based on data from the National Quality of Life Survey 2013. The data from Mexico were based on data from the National Use of Time Survey 2014.

Note: In the case of Colombia, those people considered to be living in poverty are those with Identification System for Potential Beneficiaries of Social Programmes (Sistema de Identificación de Potenciales Beneficiarios de Programas Sociales, SISBÉN). In the case of Mexico, poverty is calculated based on the international threshold of US\$4 per person per day, adjusted for purchasing power parity.

countries, the hours that rural women living in income poverty dedicate to care and housework are three times the number of hours dedicated to these activities by poor rural men.

In rural areas, in comparison with urban areas, the lack of infrastructure and access to basic services, such as water and electricity in the home, means that hours must be dedicated to transporting water or firewood every day; these two activities fall to women much more often than to men. Likewise, the amount of time dedicated to daily chores such as cooking and doing the laundry is greater the less domestic appliances — such as microwaves or washing machines — can be relied upon for these activities. Their use is not common among rural women with low incomes. The

results of various studies demonstrate that the need to spend more hours on care and housework, and, in the case of the rural population, transporting firewood and water, as well as the time dedicated to growing the household's food (Ortega Ponce, 2012) restricts women's economic participation in the labour market (Chioda, 2011; ILO and UNDP, 2009). The longer journey times and higher transport costs faced by women in rural areas due to the low level of infrastructure availability are additional barriers (Hausmann, 2013).

In the previous chapter we analysed the policies required to promote the extension and reorganization of care systems throughout the life cycle by establishing regulations, providing transfers and extending services with a view to narrowing the gap

between men and women. However, the region's rural population, and specifically rural women, face a series of additional challenges and barriers, which can only be overcome through specific and focused interventions.

Firstly, it is fundamental that this population have access to **basic social infrastructure**, including drinking water in their homes, sanitation systems, electricity and public transport systems, among other services. This basic social infrastructure enables the rural population to enjoy a higher quality of life and considerably reduces the time this population spends on care and housework. This is a key prerequisite for reducing the gaps affecting rural women, both girls and adult women.

Secondly, it is essential that the **quality and equity of public services be expanded** in areas such as health and education. For example, in the rural sphere it is essential that access, quality and equity be guaranteed not just in terms of primary education but also in terms of secondary education (baccalaureate or equivalent). It is also essential that access to technical training and job skills training adapted to the formal labour market demand can be created in rural areas. This requires better regional coordination in the creation of public policies in order to respond to the geographic heterogeneity of each country, a dimension which will be discussed in detail in chapter 6.

Thirdly, increasing **access to sources of income** is fundamental. For this, it is essential, on the one hand, to safeguard paid work in rural areas, which would involve legal protections and social security to narrow the gender gap in terms of income and labour participation. On the other hand, it is also necessary to guarantee income generation opportunities by implementing policies aimed at reducing the geographic and gender gap in order to, for example, increase women's access to programmes promoting land productivity, agricultural credit and microcredit programmes, and land tenure (Martínez-Restrepo, 2015).

### 5.3.1 Towards substantive equality for women: stereotypes, social stigmas, inequality of power and discriminatory cultural practices

In order for these policies to achieve their intended results, the stereotypes, stigmas and inequalities of power faced by women in the region, particularly those living in rural areas, must be addressed. The first step consists of **effectively equalizing their rights** before the law, as well as creating mechanisms which safeguard the effective fulfilment of these rights. Significant legal advances have been made in the region, such as the adoption of legislation establishing equality as regards the minimum age of marriage, the recognition of the equality of men and women in national constitutions, the creation of laws against domestic violence and the adoption of labour market regulations, analysed in the previous chapter. However, these legal achievements are restricted by the limited capacity of the State to reach every corner of the territory with effective mechanisms to guarantee the application of these regulations which are often put in place to counteract the social norms and values of a given community. Although it is necessary to continue to establish new laws and regulations, it is even more important to ensure the application and practical applicability of these laws, which are often affected by deep rooted values, profoundly ingrained inequalities, discriminatory social norms and harmful customary practices, which can hinder the application of regulations and undermine their positive impact (UN Women, 2015).

Therefore, in addition to equalizing rights before the law, specific strategies aimed at redistributing roles and powers between men and women are required. One way of achieving this redistribution is to **safeguard women's economic autonomy**. In general, "women still feel less safe, less listened to and less important than men" (UNDP, 2016) and this situation is worsened by their more limited access to their own material and symbolic resources. For example, in 2000, in at least six countries in the region (Brazil, Chile, Ecuador, Mexico, Nicaragua and

Peru), inheritance was the main mechanism through which rural women accessed land (Deere and León, 2003). There is a lack of empirical evidence to suggest that there has been a drastic change in this situation. Such a change would enable access to credit, for example, combined with technical advice, capacity building and producers associations to displace the intergenerational transfer of property (CEPAL, 2010; Ortega Ponce, 2012). It is essential to encourage a process of occupational disaggregation to enable women to access jobs traditionally considered masculine (generally linked to production) and not only those traditionally considered feminine (generally linked to market sales). In both cases, regardless of the current level of occupational segregation, the creation of formal and stable employment must be linked to the creation of social infrastructure, in general, and care services in particular. These actions would not only create jobs, but they would also facilitate a move towards joint social responsibility for care, a precondition for enabling women to access the jobs created (CEPAL, 2010).

To bring about the cultural change required to break down stigmas and stereotypes surrounding women's roles, society must change. States should drive this change via **active strategies which encourage the inequality faced by rural women to be recognized and overcome**. One possible strategy could involve, for example, highlighting women as economic agents and promoting their activity as such. They are currently seen and act as part of the care economy, and in the case of the majority of rural women, as part of the subsistence economy (Ortega Ponce, 2012). Their actions are invisible, undervalued and usually unpaid.

The persistence of traditional values and social norms which grant women an inferior status to men and socially legitimize the physical and emotional coercion of women by men prevents household tasks from being reorganized and women from being able to *choose* a life project which is not necessarily based on domestic work and care, or on production solely on the family plot. Changes must be woven into the

social fabric, in particular in cooperation with organizations, associations and other types of civil society initiatives which, in each locality, promote measures aimed at **empowering women**, economically, socially and politically. This includes guaranteeing access to information and education about methods of contraception, which would allow cultural and religious beliefs to be questioned.

## 5.4 Conclusions

This chapter has illustrated three types of hard exclusions which transcend income level: the disadvantages and discrimination faced by part of the population due to their ethnic or racial background or the colour of their skin; intimate partner violence suffered by millions of women in the region and perpetrated by men; and the inequalities which affect the region's rural population, which are more pronounced in the case of women living in income poverty. These exclusions allow us to outline future challenges, which are not limited to eradicating income poverty or inequality.

From the perspective of multidimensional progress, these are problems which restrict the freedom of a significant proportion of the region's population "beings" and "doings" what, in reasonable terms, each person considers good for their own life (Sen, 1999). They prevent the exercise of rights established in social, civil and human spheres, and in some cases they demonstrate the need to recognize new rights. Public policy has, in turn, the obligation to propose strategies to break down these hard exclusions. The policies aimed at closing social and economic gaps are insufficient. Bringing together the realization of individual and collective rights, citizen empowerment and protection against all forms of violence requires actions to be taken in judicial spheres, in relation to social well-being in each household and community. Overcoming the hard exclusions analysed in this chapter requires profound changes in social behaviour, in the form of safeguarding the exercise of rights and creating

mechanisms to ensure access to protection from violence and stigmatization, as well as establishing antidiscrimination or positive discrimination policies. These are citizenship deficits – arising from longstanding and enduring patterns of exclusion from the past.

The way in which these hard exclusions have been addressed in the region over the past two decades has advanced a great deal. Innovations in the spheres of public policy, legislation and intersectoral action demonstrate how success can be achieved in this area in the future.

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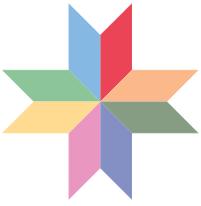
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# A new policy framework for pending transitions





# A new policy framework for pending transitions

## Introduction

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The public policy interventions described in chapters 4 and 5 aim to reduce the risk of falling back into poverty and to eradicate hard exclusions that linger in the region over and above the poverty line. These interventions propose responses to structural problems that cannot be resolved through more economic growth. This chapter describes the policy framework required to implement these interventions, which is already emerging in many countries in the region. It consists of four main elements: i) greater intersectoral (horizontal) coordination between the ministries responsible for the areas of education, health, social development, urban development and housing, and town planning; ii) greater territorial (vertical) coordination between the different levels of Government to respond to the geographical diversity of each country; iii) the implementation of social protection policies across the life cycle to avoid interventions becoming fragmented; and iv) greater citizen participation in the formulation, development and evaluation of public policies. As these elements depend on the political system, this chapter concludes by reflecting on the political sphere and the role of new imaginaries in redefining public problems in the current context. The *politics of policies* is key to implementing this new framework.

## 6.1 The agenda for pending transitions

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Despite the significant progress achieved over the 2003-2013 period, two structural transitions are still ongoing in the region. The first transition concerns the dynamics

of poverty eradication in middle-income countries. As discussed in chapter 4, it is not enough to reduce poverty and income inequality levels. Multidimensional well-being must be promoted above and below the poverty line — involving a broader welfare basket encompassing work (including unpaid, part-time and informal work), care systems, social protection floors, and financial inclusion, studied in detail in chapter 4. Achieving resilient households and communities requires social welfare to be linked to work, as well as changes in how resilience is conceived. The biggest challenge involves vulnerable populations exposed to fluctuations in the economic cycle and at risk of falling back into poverty.

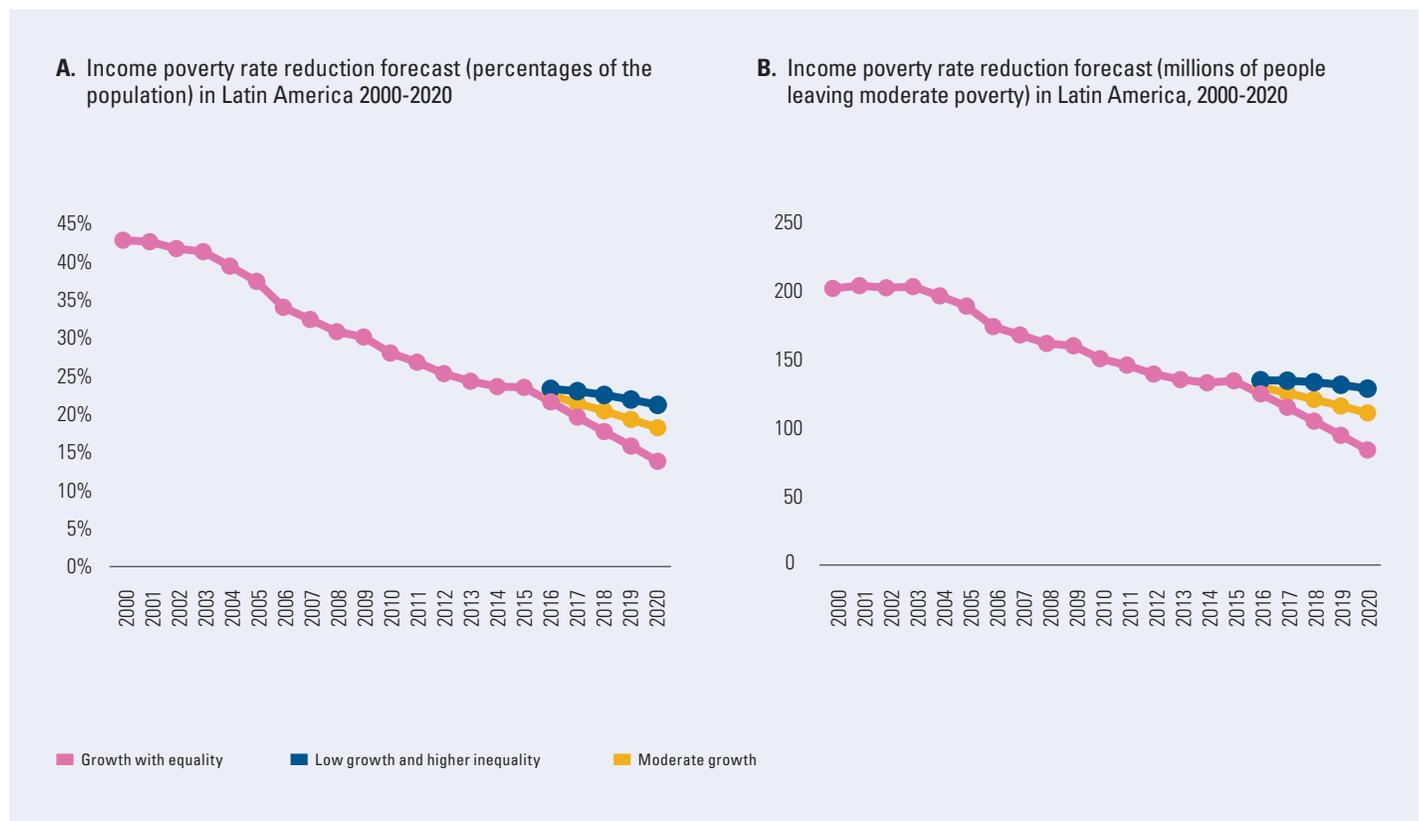
The second transition concerns citizenship, which develops beyond gaps in social and economic achievements. As discussed in chapter 5, it is necessary to work on the hardest exclusions that prevent multidimensional progress (discrimination on the basis of factors including ethnic or racial background, gender or sexual identity) and which affect populations living both above and below poverty lines. Long-standing historical legacies underlie these exclusions and overcoming them requires changes in the power relationships between social and State actors to build citizenship and develop a response that is more local, more multicultural and more sensitive to tangible and intangible forms of discrimination. Anti-discrimination legislation, recognition of multicultural and international rights, and policies for affirmative action, which 20 years ago did not form part of the development agenda, are now integrated into the everyday repertoire of political and institutional good practices in the region.

The third outstanding transition concerns extractivist patterns in the use of natural resources, which affect the environment, cause biodiversity damage and loss and jeopardize the accumulation and redistribution of assets (social, environmental, physical, financial) in the long term. As chapter 3 noted, the environment is a major dimension that is missing from the region's progress. It is also major component of the 2030 Agenda for Sustainable Development. In the future, the quality of employment and the capacity for economic inclusion will depend on exposing and critically analysing the impacts of the extractivist pattern of development, which should drive a fundamental change in the region's productive matrix.

The structural transformation process is cumulative. It involves preserving the achievements of the 2003-2013 period and avoiding relapses into poverty and inequality over the coming decade. Figure 6.1 shows poverty reduction forecasts in absolute (millions of people) and relative (percentages) terms for 18 countries in the region. The forecasts for the *growth with equality* scenario are based on annual average GDP growth of 4.3 percent for 2016-2020, equivalent to the average growth rate for the 18 countries during the 2003-2013 period. The forecasts for the *low growth and higher inequality* scenario are based on GDP growth of 0 percent in 2016, 0.3 percent in 2017, 0.6 percent in 2018, 0.9 percent in 2019 and 1.2 percent

FIGURE 6.1

**Growth forecasts show the limits of doing *more of the same***



Source: Prepared by the authors based on information obtained from the Socio-Economic Database for Latin America and the Caribbean - SEDLAC (CEDLAS and the World Bank) (November 2015 update) and the World Bank's World Development Indicators (WDI) (November 2015 update), and on information from the International Monetary Fund (IMF) World Economic Outlook (October 2015 update).

Note: The forecasts use information on changes in social spending, population levels, economic growth and inequality. The forecasts for 2015 are based on the growth rate of -0.3 percent forecast by the IMF and the Economic Commission for Latin America and the Caribbean (ECLAC). The values for the 2016-2020 period are composed of forecasts for all scenarios. The figures correspond to averages of the data for the following 18 countries: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay and Venezuela.

in 2020, with a constant annual increase in the Gini coefficient of 1.1 percent for 2016-2020. The forecasts for the *moderate growth* scenario are based on annual average GDP growth of 2.2 percent for the 2016-2020 period, equivalent to half the average growth rate of the 18 countries during the 2003-2013 period.

These forecasts show the limits of doing *more-of-the-same*. To overcome the *status quo* in terms of social and economic progress in the region, a leap must be made in terms of the quality of growth and the resilience of households lifted out of poverty. As suggested in chapter 3 of this Report, the region's current challenge is to consider new dimensions, beyond income, critical to human progress. These dimensions pose challenges that require a new set of policies in the region, aimed at, for example, universalizing care systems for children and older adults, promoting qualifications to help access better-paid jobs, promoting access to physical and financial assets, and developing social security systems to support people throughout their life cycle. In order to successfully implement these new baskets of resilience against vulnerability, increasing transfers or achieving higher economic growth will not be enough; a new public policy framework will need to be implemented that responds to the requirements of multidimensional well-being in a middle-income region.

## 6.2 A new public policy framework

The new policy architecture seeks to respond to three requirements. Firstly, uncoordinated policy measures that have been adopted must be prevented from cancelling each other out. For example, the progressive impact of social transfers can be cancelled out by the regressive nature of indirect taxation, dishonesty and regulatory and programmatic loopholes, or by problems regarding focusing — factors that limit the effectiveness of policies.<sup>53</sup> It is essential that the region move beyond resorting to social transfers and transition away from

fragmentary responses and towards structural challenges. Secondly, the need for intersectoral and interterritorial approaches must be addressed to achieve lasting impacts. This not only means developing a comprehensive social security system, but also involves sectoral policies (economic, employment, education, environmental, health and security) and policies for social progress (economic inclusion, employment intermediation, etc.). These measures foster quality services, coverage and specificity in response to the structural challenges of poverty and vulnerability. It is also necessary to address the specific needs of individuals, families and communities and to promote their capacity to exercise their own agency. Thirdly, citizen participation must be strengthened as a driver of changes in social, economic and environmental well-being. Systemic and structural changes require shifts in power relations, in the quality of institutions and in the extractivist pattern of economic production. Here the voice of citizens is fundamental. Likewise, for these changes to take place, public policy systems must become more citizen-centric, a process that has already begun in some countries in the region.

This new public policy architecture aims to go beyond the “multi-window” model and respond to complex political and social problems and demands, each with characteristics dependent on a range of variables relating to culture, space, the environment, population, gender and the life cycle. Traditional administrative structures encounter serious difficulties when addressing this complexity because they continue to function under a paradigm of technical specialization, vertical organization, strong hierarchy and continuous competition for superiority over programmatic areas and budgetary resources. As indicated in the introduction to this chapter, the four key elements of this new architecture are:

- i) **Horizontal intersectoral coordination**, which creates synergies, prevents policies from having unwanted effects on other policies, and facilitates planning, design,

implementation, joint budgeting and the evaluation of their intersecting impact.

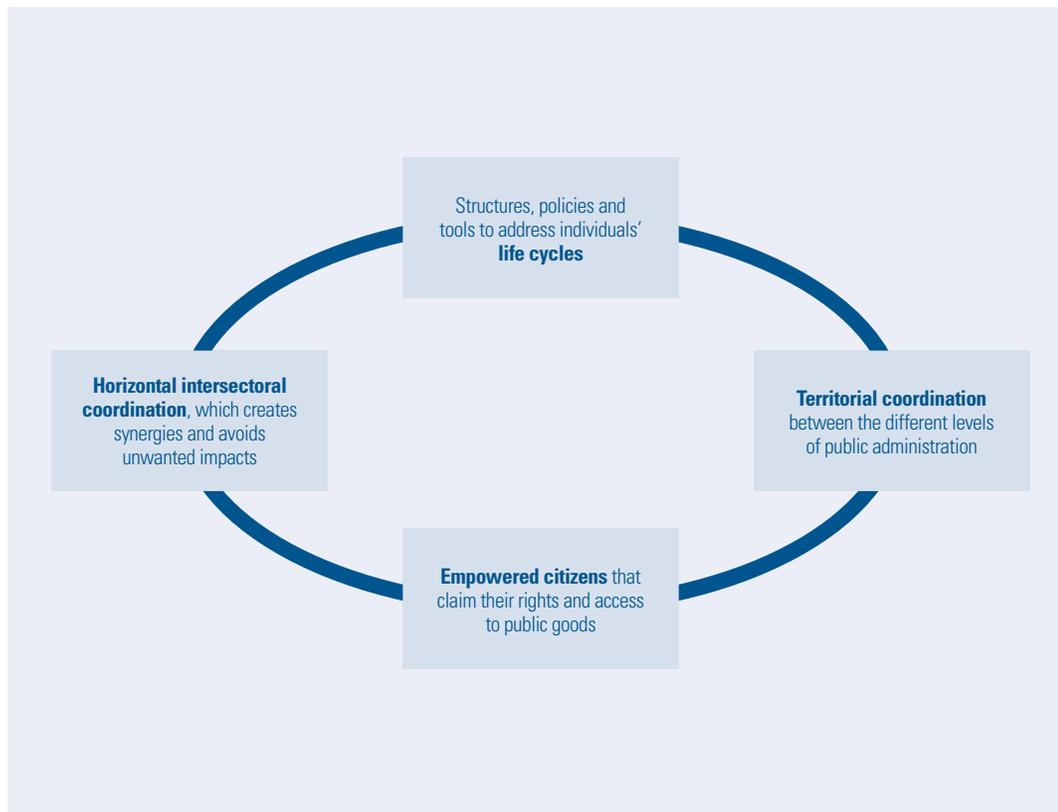
- ii) **Vertical territorial coordination** between different levels of public administration (national, intermediate, local) while applying the principle of subsidiarity. This requires subnational levels to take the lead once again in creating solutions that are adapted to the territory and to specific populations, in addition to increasing their technical and budgetary capacities so that they may address developmental challenges, particularly those linked to eradicating hard exclusions.
- iii) Furthermore, structures, policies and tools are needed that can address — with the necessary coverage, quality and specificity — the priorities and needs imposed by the

**life cycle** of people and families. This will guarantee their protection, care and human development at every stage (infancy, childhood, adolescence, youth, pregnancy and old age) and in every context in which they live.

- iv) In order to promote comprehensive policies to drive multidimensional progress in the region, a fourth concept relating to **citizen participation** will be fundamentally important. In the context of diverse heterogeneous and unequal societies, empowering citizens to reclaim their rights and access to public services is a fundamental driver of change. The concept of State-citizen interaction is therefore key when implementing a new public policy architecture.

#### DIAGRAM 6.1

##### The four elements of the new public policy architecture



Source: Prepared by the authors.

### 6.2.1 Framework for horizontal intersectoral coordination

Over recent decades, actions have been implemented to increase efficiency and coordination between different agencies and levels of Government. These include the creation of intersectoral coordination bodies or superministries, as well as specific structures for the management of conditional cash transfer programmes or specific social investment funds. However, there are still barriers that limit how effectively sectors cooperate with each other and how the synergies resulting from coordinating these actions are employed.

Among the elements of institutional culture that complicate intersectoral government action aimed at improving individual progress, the following factors stand out: i) the simplicity of sectoral analyses and the use of limited variables as the basis of interventions relating to multidimensional problems that develop in complex contexts; ii) the simplicity of structures, protocols, budgets and programming based on vertical control; and iii) the convenience of decision-making processes that do not require negotiation, agreement or coordination with other sectors, actors or qualified bodies. Furthermore, the persistence of power struggles and fragmented power within public authorities in practice manifests in the defence of exclusive power over competence frameworks, in the unilateral and hierarchical management of budgets and technical teams, in a lack of transparency (with or without corrupt practices) and in the search for political (electoral), professional or sectoral superiority. In many cases, these factors dilute the ability of public authorities and of the policies they implement to address the needs of the most vulnerable groups in a suitable and intersectoral manner.

Changing these limitations requires significant effort to be made to transform institutional cultures and drive them towards more complex, collaborative, supportive and inclusive ways of working. Intersectoral work is subject to continuous adjustments and consensus-building to consolidate reciprocal relationships and trust in order that work

may be coordinated (Martínez Nogueira, 2007).

Some operational frameworks within the public sector, such as Managing for Development Results,<sup>54</sup> rely on aspects that align institutions and systems, take the public sector into account in a comprehensive and integrated manner and refer to the management cycle and the interaction between the different elements contributing to the creation of public value. This system avoids isolationist and biased approaches, and seeks coordination and complementarity between the conceptual frameworks, processes and instruments used by the system, particularly those relating to planning, budgeting, monitoring and evaluation. In this regard, it should be stressed that this framework provides tools, such as bodies to evaluate the fragmentation, duplication and overlapping of publicly-funded programmes to improve the provision of goods and services, to make intersectoral action more efficient and to increase consistency in the application of policies and programmes between institutions (Kaufmann, Sanginés and García Moreno, 2015).

In order to implement the baskets of policy interventions aimed at achieving multidimensional progress in the region, as set out in the previous chapters, it will be necessary to roll out a complex architecture of intersections and synergies. These will support all of the required sectors and actors to interact and coordinate sufficiently with each other. To achieve this, the paradigm must change significantly in terms of how public policy is designed and implemented. This change should be adopted from the initial phase of dialogue, information exchange, study and joint discussion of the problems to be addressed. Furthermore, it should promote the collective definition of the bridges, platforms and resources that will have to be generated and mobilized to offer an integrated range of solutions, implementation mechanisms, processes and interventions that respond to citizens' needs.

This paradigm change should take place across the relevant public sector bodies to achieve coordinated and joint action: firstly, in high-level policy coordination bodies,

responsible for determining and defining priorities; secondly, in ministerial structures or other bodies responsible for poverty reduction operations; and, thirdly, in intraministerial implementing bodies, i.e. in the operational management and coordination mechanisms for the related programmes and plans (ECLAC, 2015). Furthermore, this model of intersectoral work and intervention coordination should be replicated in subnational bodies to ensure the adequate provision of public goods and services to all citizens.

This challenge also involves implementing processes to review and improve the institutional factors that are key to promoting intersectoral work from a broad perspective. This will enable a normative framework to be integrated that guarantees rights, organizational structures, technical and operational processes and the fiscal space required to ensure the viability of intersectoral work. The main challenges of achieving effective sectoral coordination are summarized below (ECLAC, 2015).

With regard to the **regulatory framework**, although many constitutions establish social, political, cultural and economic rights, these rights are not always effectively realized or recognized.

Promoting these rights could become a crucial point of reference for developing the relevant institutionalism and planning. This has happened in some countries where the courts have ordered the provision of public goods or services to make the rights laid down in constitutions effective,<sup>55</sup> thus closing the gap between the formal, *de jure* declaration of rights and their *de facto* recognition by public authorities. However, the constitutional framework faces enduring challenges with regard to the formalization of some rights (such as protection at work or the right to social security and housing), as well as challenges related to the development of specific national regulations on these rights.

As regards **organizational structures**, the majority of countries in the region have developed administrative bodies (ministries or secretariats) responsible for coordinating poverty reduction efforts or

inter-institutional bodies, such as social cabinets, tasked with coordinating efforts and creating synergies. Nevertheless, there are outstanding challenges related to avoiding the overlapping roles and budgetary imbalances that limit these bodies' capacity for coordination. Challenges also persist in achieving more in-depth coordination,<sup>56</sup> for example, between non-contributory social protection and contributory social security, the regulation of the labour market, inclusive economic policy and measures safeguarding rights and well-being, both at the national and subnational levels of Government. Such coordination is needed to address multidimensional progress appropriately.

As regards **management tools and technical and operational processes**, a third of countries in the region lack strategic plans and strong monitoring and evaluation systems (both in relation to policy impact and costs). This reduces the effectiveness and sustainability of policies addressing poverty and vulnerability. A similar proportion lack management tools, including **research and analysis systems** (studies and statistics), as well as the **registers and censuses** to identify the groups that actions should target. Designing, developing and using these management tools collaboratively is crucial for developing an appropriate response to the specific needs of individuals and families, as well as for guaranteeing the development of an integrated and complex range of public goods and services, adapted to each territory's specific needs. Despite this, it is interesting to observe the role assumed by some conditional cash transfer programmes in coordinating a range of social services and establishing a type of "one-stop-shop", which together have created comprehensive models for supporting households throughout both the territory and the life cycle. The lack of legislation and defined protocols on implementing social policies, as well as the lack of access to public information on their operations, leads to inefficiency, discretionary practices and political use of social programmes. This is in a context where only some countries have internal accountability or social oversight processes involving sectoral consultation forums or mechanisms

## Experiences of intersectoral integration: poverty and the environment

The complexity of the two-way relationship between poverty and the environment represents a challenge for the different levels of Government. In an effort to guide new approaches to integrate these elements appropriately, and as an example of support for the development of new pathways for innovation in intersectoral coordination, over the past 15 years the Poverty-Environment Initiative (UNPEI), a joint United Nations Development Programme (UNDP) and United Nations Environment Programme (UNEP) project, has successfully supported the inclusion and implementation of sustainable environmental goals benefiting people living in income poverty through national, subnational and sectoral policies, plans and budgets to help alleviate poverty and develop a green and inclusive economy. This process has allowed environmental goals to be integrated through direct coordination with the ministries of planning and the economy, and the governmental bodies that determine public spending and fiscal incentives for private investment. To that end, a flexible, rights-based, gender-sensitive programmatic approach has been defined in accordance with theory of change models. This approach comprises three elements:



*Empowered lives.  
Resilient nations.*

i) *Identification of access points:* In order to identify access points, a range of key elements in complex and intersectoral interventions must be considered: understanding the political economy of integration, which includes mapping the various stakeholders; carrying

out preliminary evaluations; identifying and understanding poverty contexts; understanding governmental, institutional and political contexts; preparing impact, vulnerability and adaptation assessments; evaluating and strengthening capacity for integration; improving co-ordination mechanisms for permanent integration; and creating and raising awareness about associations.

ii) *Integration in national planning and budgeting processes:* This process requires government planning processes to be identified and understood. These include policy development, implementation and monitoring phases, timetabling, and establishing the institutions and actors involved. It is also necessary to evaluate how effectively these processes are linked to national, sectoral and subnational priorities. The links between planning and budgeting should also be determined, given that plans are only effective if they influence spending decisions. In order to measure the efficiency of integration at the national and subnational levels, the way in which central planning systems serve as a basis for subnational plans and budgets, and vice versa, should be analysed.

iii) *Integration between planning and budgeting, monitoring and private investment at the sectoral and subnational levels:* Annual plans and budgets at the sectoral and subnational levels must include the same objectives with regards to poverty and the environment. This is to ensure that environment and climate-related measures that benefit the poor and that form part of national development plans and budgets are indeed implemented and bring about meaningful change. Local structures — i.e. both local government and community organizations — have made progress in integrating adaptation and resilience to climate change into subnational plans and budgets, but it is fundamental that they have a greater influence on budgetary allocations and investment plans (UNDP and UNEP, 2009).

Source: Prepared by the authors based on information from UNDP and UNEP (2009).

that allow beneficiaries to participate in programme management.

Finally, with regards to funding, the strength and stability of the resources allocated to poverty and vulnerability reduction policies is a key element for maintaining the progress achieved and avoiding the setbacks and relapses into poverty observed in

some countries in the region. In this sense, there is a significant gap in the region, both absolute and relative, between levels of taxation — almost 21.7 percent of GDP in 2014 (ECLAC, 2016) — and levels of social investment — almost 19.5 percent of GDP in 2013-2014 (ECLAC, 2016). Those with the greatest need are those with less service

coverage, fewer resources per capita and lower fiscal priority. Given the economic downturn, the composition of social and labour policy funding is significant: it must be less dependent on fluctuations in the economic cycle so that the effects of a contraction may be faced head on.

### 6.2.2 Framework for vertical territorial coordination

In addition to the intersectorality discussed in the previous section, a fundamental component of the architecture required to achieve multidimensional progress is vertical coordination between the different levels of public authorities and other social and economic actors. This particularly applies to large countries in the region, with a high proportion of people living in rural areas and with different levels of public authorities in their territorial organization.

In the last 30 years, political, administrative, fiscal and economic decentralization has increased throughout Latin America and the Caribbean (Pinilla, Jiménez and Montero, 2015; ECLAC, 2016). However, in the sphere of sectoral public policies, the decision-making, planning and implementation process has often been developed directly by central government administrations that are distanced from the specific characteristics and problems of each region, department or municipality. This results in badly adapted policies that are far removed from the reality and context experienced by citizens. In addition, despite decentralization efforts, problems relating to coverage and access for citizens persist, with public policy interventions focusing on the metropolitan areas of each country's largest cities.

Subnational bodies play a key role in involving local stakeholders in territorial development. They are in a privileged position when it comes to understanding, analysing and acting on citizens' problems, interests, gaps, living conditions, relationships and specific aspirations. An essential part of the State, they also provide a network of services that are nearby and immediately accessible and offer a suitable setting in which to

organize community life, detect and address various social problems, use natural resources responsibly and facilitate cooperation between the various local actors, including private and civil society organizations.

In several countries in the region, local spaces have become a source of new political figures and innovative citizen participation experiences (UNDP and OAS, 2010). This proximity and direct contact with citizens imposes a great deal of additional responsibility on subnational governments in terms of transparency, accountability and the prevention of corruption (UNDP, 2014). As such, building trust in the State and in the democratic system is a crucial aspect of multidimensional progress dynamics.

However, multilevel responses in the region often face a variety of obstacles: shortfalls with regards to technical capacity; insufficient coordination between the different levels and with national development plans; unequal decentralization; imprecise competence frameworks; deficient funding models; and imbalances in the coverage and quality of public services between and within different territories. In some cases, this is accompanied by other local governance problems linked to corruption or the absence of transparent processes.

Of course, the distribution of these obstacles is unequal. Latin America is the most urbanized region in the world, with rates of over 80 percent (UN-Habitat, 2012), marked by a continuing, rapid exodus from the countryside to cities. This creates new challenges for the public authorities responsible for attending to the various needs of the populations across the territory. Significant inequality of coverage and large segregated areas still exist within large cities. Twenty-four percent of the region's urban population live in slums and one in five people are poor.<sup>57</sup> The authorities in metropolitan areas, large cities and some secondary cities often have greater technical and financial capacity to address the basic challenges of local governance in comparison to local and intermediate governments, which oversee a smaller population and are farther removed from the main population centres.

Owing to the difficulties that traditionally centralized States face in reaching the entire territory, the region is currently experiencing strong renewed interest in territorial policies that bring public goods and services closer to the people. The territory is not only a physical space, but also, and above all, it is the platform where development occurs. For this reason, it should take on an integrationist character that addresses and stimulates all dimensions of human development (environmental, political, economic, social and cultural) and all territorial actors (public bodies, civil society and the private sector). Subnational governments should not be mere service providers; rather, they should be active agents and coordinators of local development, education, health, social relationships and networks, resources and the environment, and this process should unite both national and territorial policies. Ultimately, local development improves governance at all levels, essentially because it places the Government and power within the reach of the people (Gallicchio, 2010).

Multidimensional progress requires a multilevel system of governance that spans the whole territory and reaches the whole population. It must have the necessary safeguards in place to ensure that management is democratic, transparent and accountable to the citizenry.<sup>58</sup> This multilevel governance should, in turn, establish mechanisms and spaces for interaction, coordination and dialogue that facilitate joint decision-making and timely and effective territorial management (Gallicchio and Portieles, 2013).

In order for territorial governance to adopt a supportive and efficient model, it is essential that its operations be based on two key elements. On the one hand, the competences of each level must be clearly defined in accordance with clear territorial legislation and on the basis of the universal principle of subsidiarity, which guides the appropriate distribution of responsibilities. On the other hand, sufficient technical, operational and budgetary resources must be available for these competences to be developed. The multilevel governance system is marked by its participants' mutual dependence. In order for its operations to

be coordinated and efficient, the different levels of Government should coordinate on national planning exercises, including all of their intersectoral dimensions. These joint exercises should be coordinated or aligned with territorial development plans. Furthermore, they should generate subnational public agendas that go beyond institutional and parochial perspectives and aim to establish a common agenda of priorities for local development. This double horizontal and vertical coordination should also occur in budget negotiations and distribution (as well as fiscal planning in countries where subnational bodies have the authority to levy taxes). Access to their own sources of income (taxes and other duties) and effective fiscal decentralization expand the capacity of subnational bodies to manage their own resources. State transfers are a vital element of funding for subnational bodies and should be distributed regularly, transparently and objectively, according to their respective competences and functions. The use of budgetary mechanisms providing support to territories (funds or tax transfers that are vertical, from central Government, and horizontal, from other subnational bodies) is also important. By allowing for affirmative action in budgetary distribution, they address lags relating to poverty and inequality in the most disadvantaged territories.

Moreover, it is important that spaces are available for territorial coordination linked to the aforementioned planning exercises or to the management of certain policies in which different levels of Government have complementary or shared competences, at both the political level and the middle management level of the administration. When these interterritorial bodies work regularly and effectively, they become key to the appropriate development of interventions throughout the national territory, under the principles of alignment and appropriation.<sup>59</sup> It is recommended that other actors from civil society, academia and the productive sector participate actively in these spaces. These interterritorial bodies — for example municipal associations<sup>60</sup> — may be created to connect some of the country's territories

to coordinate on specific themes and jointly address shared issues or the service management and provision challenges faced by several territories.

The existence of forums, federations and national associations of territorial bodies and policymakers (federations of municipalities, provinces and regions, forums for governors, mayors and regional presidents) is also important. These mechanisms can promote political advocacy initiatives to improve territorial processes and the technical and operational capacities of subnational bodies.

The region has now reached a juncture in relation to poverty and vulnerability. This requires capacities and resources to be bolstered in subnational settings where their presence is weak, as well as in national government bodies responsible for rolling out public policy to the territories. Political and legal frameworks must be created at the national level so that local institutional and budgetary capacities align with the development challenges in each community and territory.

Finally, public policy interventions must be sufficiently specific and have adequate capacity to adapt to the different local settings and cultures, and to the issues of the specific individuals, communities and groups at which they are aimed. Furthermore, they should respond to the range of complexities in each context in order to meet each individual's needs, throughout their life cycle. Interventions should abandon charitable or technical social intervention models, or those focusing exclusively on employment. Rather, they should concentrate on strengthening citizenship and the rights of individuals, with a universalizing mission and the aim of reaching all individuals to comprehensively address their specific needs (UNDG, 2014, p.15).

#### 6.2.2.1 Connected public policies for sustainable local development

The sustainability of public policy actions in local settings, and particularly of actions aimed at poverty reduction, requires these

actions to be sufficiently coordinated with the dynamics of local or territorial economic development<sup>61</sup> that facilitate sustainable development pathways for all citizens. Subnational bodies have gradually assumed tasks related to planning and promoting local economic development. In some cases, this has been a result of crises or a lack of suitable and adapted responses from central government bodies. In other cases, subnational bodies have taken on these tasks in response to decentralization and central government reform. This has all taken place in the context of the direct election of senior figures in subnational authorities, which has obliged them to consider citizens' demands for productive development and employment in each territory (Albuquerque, 2004).

The heterogeneous nature of decentralization and capacity-building processes at the subnational level has set the stage for these processes across Latin America and the Caribbean. Many subnational bodies have found it difficult to adopt processes to stimulate inclusive and sustainable local economic development that combines social policies promoting greater opportunities and equity with measures designed to achieve inclusive and sustainable local economic development. This includes those measures aimed at democratizing access to production assets for individuals and families with limited resources. Nevertheless, there is renewed interest in the region in creating and strengthening local economic development processes with a view to transitioning towards a new, more territorialized model. This model would mobilize locally generated capital and promote a new role not only for local public authorities, but also for central Government and the productive system.

Local economic systems are increasingly interconnected and integrated at the global level; they should therefore be able to manage crosscutting, multidimensional and complex dynamics, and promote sustainable models that allow them to "do more with less". Local economic development models based on individuals and the territory are enormously relevant in responding to global challenges and trends, such as increasing

inequality, the growth in unemployment and the increased pressure on natural resources (World Forum on Local Economic Development, 2015).

Combined with an appropriate range of public goods and services, particularly those aiming to reduce poverty and vulnerability and those promoting environmental sustainability, **the dynamics of local economic development play an essential role in increasing capacity for inclusive multidimensional progress.** They also promote the development of powerful market tools for the economic inclusion of vulnerable individuals.

Furthermore, given that local development is not a devolved process, it should be viewed as a basic element of multilevel

governance which integrates aspects related to the dialogue between national development policies and plans, intersectoral coordination for a comprehensive overview of the territory, public-private partnerships, local economic development agencies, environmental sustainability and management of natural resources. In this sense, “the territorial approach to development, which identifies territories’ productive potential and the most sustainable and efficient production chains and systems, is one means of support and where the process will become reality, provided that territorial and national policies are united under a common strategic framework” (Latin American and Caribbean Forum on Territorial Economic Development, 2015).

## BOX 6.2

### The added value of the social and solidarity economy (SSE) within the framework of the multilevel architecture

The United Nations Inter-Agency Task Force on Social and Solidarity Economy was created in 2013, with the participation of 20 agencies and programmes from the United Nations system and other international partners. It understands the social and solidarity economy (SSE) as comprising the production of goods and services by a wide range of organizations and companies that have explicit social and, often, environmental objectives and that are guided by the principles and practices of cooperation, solidarity, ethics and democratic self-governance. The SSE panorama encompasses cooperatives and other types of social enterprise, community organizations and workers’ associations (United Nations, 2014, p. iv).

Within the framework of the post-2015 development agenda, the SSE represents a promising step towards achieving the economic, social and environmental objectives, and promoting the integrated approaches embedded in the concept of sustainable development.

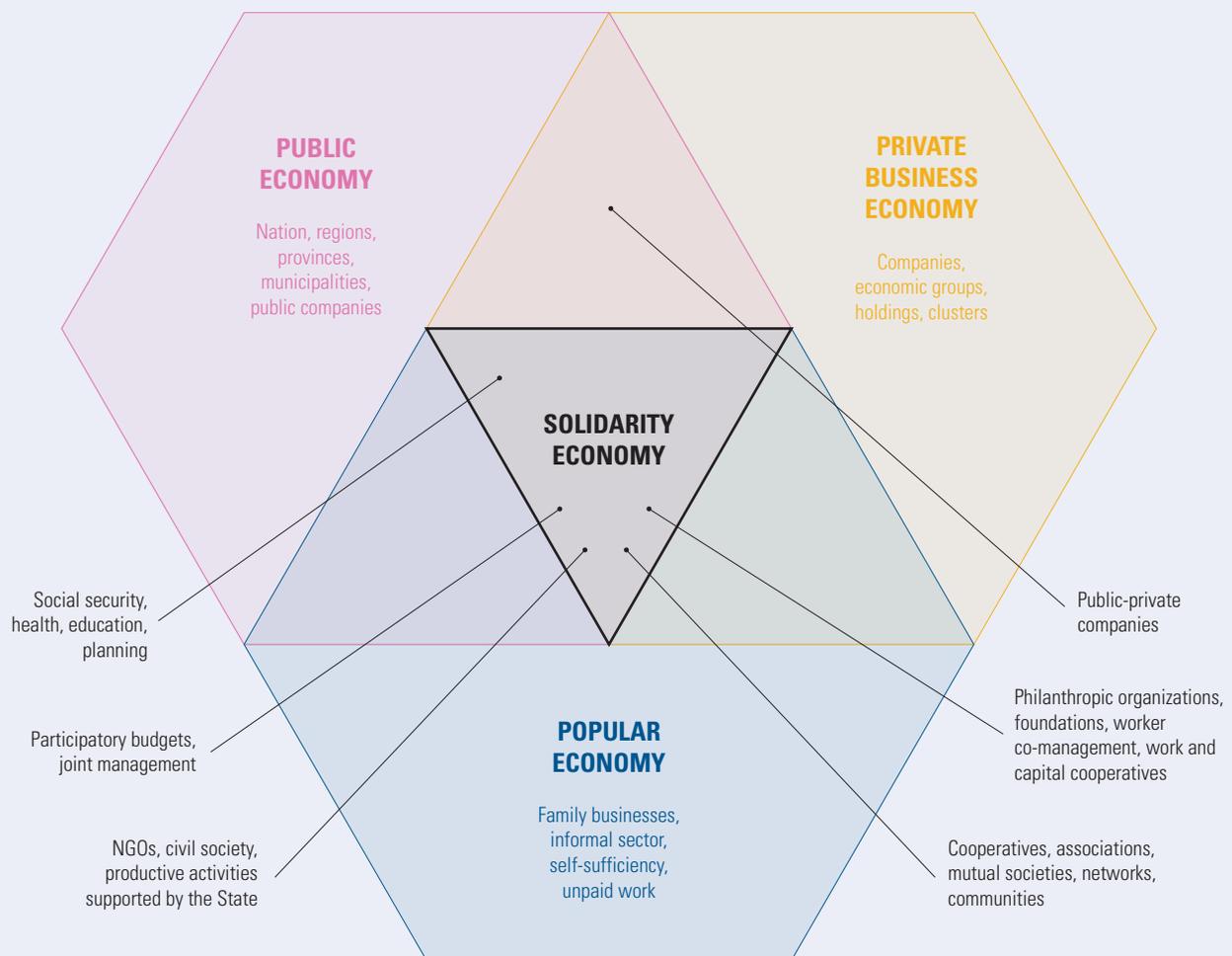
The United Nations Inter-Agency Task Force on Social and Solidarity Economy has identified eight main focus areas for sustainable development in which SSE bodies can have considerable impact:



- i) *The transition from the informal economy to decent work*, by providing measures to deal with precarious employment and promote the rights and social protection of workers and their families, while reducing power and information imbalances in labour and production markets.
- ii) *“Greening” the economy and society*, by promoting a green, fair and inclusive economic transition (UNRISD, 2012; United Nations, 2011).
- iii) *Local economic development*, by creating employment, mobilizing local resources, managing community risks and retaining and reinvesting surplus.
- iv) *Sustainable cities and human settlements*, by promoting social and environmental objectives, including proximity services and local culture, urban and peri-urban agriculture, community renewal, fair trade, access to affordable housing, renewable energy, waste management and recycling.
- v) *Women’s well-being and empowerment*, particularly in relation to improving the employment of poor women facing labour-market discrimination and work-family life conflict, and the creation of networks to defend their rights and facilitate their political empowerment.

DIAGRAM 1

### The solidarity economy in the mixed economy



Source: Coraggio (2014).

- vi) *Food security and sovereignty and the empowerment of smallholders*, by addressing market failures and incomplete responses from the State with regard to agriculture, as well as through the use of low-input, low-carbon production methods and facilitating sustainable agriculture.
- vii) *Universal health coverage*, through the provision of more accessible and affordable health services and insurance in areas such as ageing, disability, HIV/AIDS, reproductive rights, mental health, rehabilitation and prevention.
- viii) *Solidarity finance*, by promoting responsible investment and a more stable financial system.

The United Nations Inter-Agency Task Force on Social and Solidarity Economy therefore recommends that Governments “recognize not only the potential of SSE, but also that the organizations and initiatives involved in it often operate in a disabling policy and legal environment and on an unlevel playing field vis-à-vis private enterprise” (United Nations, 2014). The trends associated with solidarity and cooperation among SSE organizations must be accompanied by solidarity and redistribution on the part of the State through policies including social, fiscal, credit, investment, public procurement, industrial and training policies, at the different levels of Government. In recent years, national and subnational governments in some of the region’s countries (such as Argentina, Brazil, Colombia, Ecuador and Venezuela) have adopted legal, political and institutional reforms and facilitated significant programmatic and budget lines to foster the growth of the SSE.

Source: Prepared by the authors based on information from the United Nations (2011 and 2014) and UNRISD (2012).

### 6.2.3 Framework for the life cycle

Marked decreases in fertility rates and increased life expectancy point to a more rapidly aging population in the coming decades. It is estimated that the proportion of the population aged over 60 will have doubled between 2005 and 2025, from comprising approximately 8 percent of the total population in 2005 to making up almost 15 percent in 2025, and it will reach 25 percent by 2050.<sup>62</sup> This could have a decisive influence on intergenerational resource flows, since the accumulation of resources and savings are generated during working age. Consequently, for children and young people, the investment made by those of working age in their health, education and development is significant. Similarly, the well-being of older adults is determined to a large extent by the support of the active population as reflected in social programmes, together with factors such as family support and their own savings.

Among the current options for rebalancing the active and dependent population, those that appear more viable and desirable aim, firstly, to improve the productivity and wages of the active population. These can

be enhanced by public investment measures to equalize opportunities at the beginning of life (education and health), freeing families from such costs, and secondly, to increase the active population through care systems — which facilitate women’s entry into the labour market — and actions aimed at maintaining fertility rates (Cecchini et al., 2015).

#### 6.2.3.1 Growing complexity of policies due to a variety of needs and risks

Since the needs and risks to which each person is exposed vary according to their stage of life, the responses to these risks and needs must be sufficiently specific to align with each individual’s situation, with the type of family in which they live, with the composition of households, with the relationships between their members and with the evolution of these factors over time.

In the early stages, which are also characterized by a higher rate poverty and a higher level of family dependency, the core support services must focus on nutrition, health, education and care. Adolescents should create opportunities for their own independence,

especially through learning processes and at the start of their working lives — areas that are supported at this stage and throughout youth. At this stage, young people also face the challenges of their first steps into the productive and reproductive cycles. Over the course of their progressive entry into adulthood, the focus shifts towards measures to promote and protect income and to promote labour market participation, in order to facilitate each person's attainment of a high enough standard of living to enable them to exercise their rights. As older adults, vulnerabilities due to physical and emotional deterioration increase, thus needs related to care, health and income protection come to the fore again and are usually met through pensions, whether contributory or non-contributory.

Gender, area of residence, ethnicity or race, education level and income level profoundly shape people's journey through life; but above all this journey is predetermined by experiences and difficulties experienced in the past, mainly in the early stages of life. Decisive State action is required to promote the transformation of family and work trajectories, the accumulation of monetary and physical assets, and the connection of past limitations with present protections that enhance people's capacity to exercise their agency to be and do what they wish. Furthermore, a more complex approach should be taken by considering the requirements imposed by other dimensions that must be taken into account and which require policies to be adapted to the specific circumstances of each citizen. These circumstances can be determined by hard exclusions, by the accumulation of additional vulnerabilities or by situations, whether exceptional or not, involving higher risk.

It is equally important not to lose sight of sociological and cultural aspects that directly affect social roles and practices relating to the life cycle. For example, changes in the composition of families and in traditional roles have created new challenges and demands for services, because the typologies currently present in society have largely overcome the traditional family structure, comprising a working father as the head of

the household and primary provider, and a housewife mother who is in charge of child-care and housework. Age is one of the most important elements of social stratification and is relevant to the social distribution of well-being and power, to the role played by individuals within the framework of economic and social structures and to membership of cohorts that are differentiated and socialized under different legal systems, historical and accumulated experiences, and contexts.

All these factors thus highlight the urgency of using public interventions with sufficient coverage, quality and specificity to address the priorities, needs and risks imposed by the life cycles of individuals and families, in order to safeguard their protection, care and adequate human development at every stage.

#### 6.2.3.2 Comprehensiveness of supply and demand

A universal vision of social security, based on an approach centred on the rights, demands and needs of individuals and families, enables more appropriate systemic operations to address the complexity and multidimensionality of poverty and vulnerabilities. This is in comparison to earlier models, which were focused on a sectoral and fragmented approach to the modalities of protection (Cecchini et al., 2015). This comprehensiveness is based on an individual-centred logic, given that, throughout their life cycle, individuals face combined difficulties and opportunities, at a given time and place, for which they can use the various sectoral services in combination. Furthermore, this comprehensive vision of social protection enables the social, economic and environmental dimensions of human development to be integrated more effectively. Comprehensiveness is deployed along two axes: both in relation to the supply of policies, plans and programmes offered by the public sector; and in relation to the demand expressed by individuals, families and communities.

In relation to supply, the two axes correspond to the first two aspects of the architecture proposed in this chapter: a horizontal one based on intersectoral coordination processes; and a vertical one, based on multilevel territorial coordination. Both axes should be considered and included when it comes to coordinating, discussing, designing and implementing interventions.

In relation to demand, which requires the comprehensive consideration of the requirements arising from the needs of the whole population, there are also two axes: a horizontal axis, which reveals the specific perspectives required to address certain hard exclusions affecting particular population groups according to their specific characteristics (such as indigenous rural women); and a longitudinal axis, which enables challenges emerging throughout individuals' life cycles (childhood, adolescence, youth, reproductive age, working age and third age) to be addressed. The additional dimension of the life cycle, which adds a further level of complexity to the institutional architecture, has profound implications both for policy design (since objectives diverge depending on the specific nature of each age), and for the means of implementation, tools and methods applied, and the sectors and actors involved.

It is essential that this coordinating axis — the life cycle — be considered in the policy architecture to improve the relevance and effectiveness of interventions, through introducing time as an analysis factor when addressing structural elements of poverty. This requires an institutional approach that overcomes traditional sectoral barriers to become a driving force for the systemic and networked operation of policies aimed at poverty reduction.

#### 6.2.4 Citizen participation

The countries in the region have made significant progress in the creation of spaces, mechanisms and institutions for citizen participation. Many of the new challenges are related to the implications of formulating, implementing and evaluating policies

based on a participative approach. As reported in *Our Democracy* (UNDP and OAS, 2010) and previously in *Democracy in Latin America: Towards a Citizens' Democracy* (UNDP, 2004), gaps remain between the rights enshrined in the laws and constitutions of the countries and the capacity to access public goods and exercise these rights as part of people's everyday lives. The relationship between both aspects is founded on the representation and participation provided by democratic systems.

The first of these mechanisms, **representation**, is implemented through voting and the right to be elected. The positions of highest responsibility in States must be accessible to people from different sectors of the diverse societies of the countries in the region. Increasing representation, particularly efforts to include groups that have traditionally remained marginalized from power — such as women, young people, indigenous peoples, people of African descent and other minorities — aims to expand participation and citizens' involvement in the creation and implementation of public policy. The executive and legislative institutions of the State must increase the diversity of representation at the national, subnational and local levels.

In terms of **participation**, various participative processes have been promoted in the region to encourage citizens to play an increasingly active role in public decision-making. Here, two types of process can be identified: institutionalized and non-institutionalized. Examples of the former include multi-actor dialogues, consultative councils, participative budgeting, community assemblies, legislative consultations and open government initiatives. In terms of non-institutionalized processes, various collective activities are widely used by citizens in the region, such as demonstrations and marches. The challenge lies in effectively coordinating these various participatory channels with decision-making for public institutions throughout the full life cycle of policy development: design, implementation, monitoring and evaluation.

These dimensions are covered by sustainable development goal (SDG) 16 of the

## BOX 6.3

**The Chilean social security system: progressively constructing a coordinated and inclusive system**

In Chile, the social security system comprises a coordinated set of social interventions (services, benefits and welfare provided through programmes, projects and actions) that support individuals and families throughout their life cycle to face the risks to which they are exposed. To this end, the State offers the population a variety of preventive actions (to avoid the occurrence of risk), mitigating actions (to reduce the negative impact of risk) and actions for recovery (to correct the harm resulting from the materialization of risk). These actions are carried out by different State actors at different administrative levels (national, regional, provincial and community). As in other countries with this type of system, the construction of the social security system in Chile has been progressive.

Since 1990, major milestones have included: i) doubling the health and education budgets; ii) replacing unemployment benefits with unemployment insurance; iii) establishing 12 years of free compulsory schooling; and iv) reforming health care by establishing the Plan for Universal Access and Explicit Guarantees and the *Chile Solidario* (Chile in Solidarity) social security system, which focuses on the most vulnerable families. In addition, in the 2000s, the *Chile Crece Contigo* (Chile Grows with You) comprehensive child protection subsystem was implemented, followed by the Solidarity Pension System, as part of the pension reform. The Ethical Family Income was created within the framework of the *Chile Solidario* system — establishing a subsystem of assurances and opportunities — and the Intersectoral Social Protection System was also created — establishing a coordinated management model for the various social actions and services provided by different State bodies. The coordinating role was assigned to the former Ministry of

Planning and Cooperation, now the Ministry of Social Development. In this context, it is especially important to emphasize a number of criteria that are essential for such a system to work, optimizing the achievement of its objectives.

Firstly, justice requires there to be *appropriate instruments to identify who should receive social benefits and welfare*. This prerequisite gives full meaning to the process of modifying the Social Protection File and, more generally, of constructing a Support System for the Selection of Social Welfare Users.

Secondly, *the social security system should operate in an efficient and coordinated way*, both with respect to the flow of resources and as regards the institutional structure and technical capacities of implementing teams. This challenge is always present, which is why a continuous improvement policy must be implemented.

Thirdly, *the social security system should lead to greater equality*, by reducing the vulnerability of individuals and households, protecting them from risks and providing them with opportunities for progress and development. This last point should be highlighted, because it is a matter not only of protecting households from poverty and vulnerability, but also of providing them with the tools to develop their own capacity for development, access to employment and eventually entrepreneurship. The point is not to encourage dependence, but exactly the opposite.

Finally, *the social security system should be able to accompany people throughout their life cycle*,<sup>63</sup> protecting their first steps, ensuring access to opportunities for education and employment, covering the risks of sickness and unemployment, and helping to ensure a decent old age. Furthermore, it should be able to recognize the problems and particular situations of families requiring specific interventions.

Source: Prepared by the authors based on information consulted in Ministry of Social Development, Government of Chile. Available at: <http://www.ministeriodesarrollosocial.gob.cl/>.

## BOX 6.4

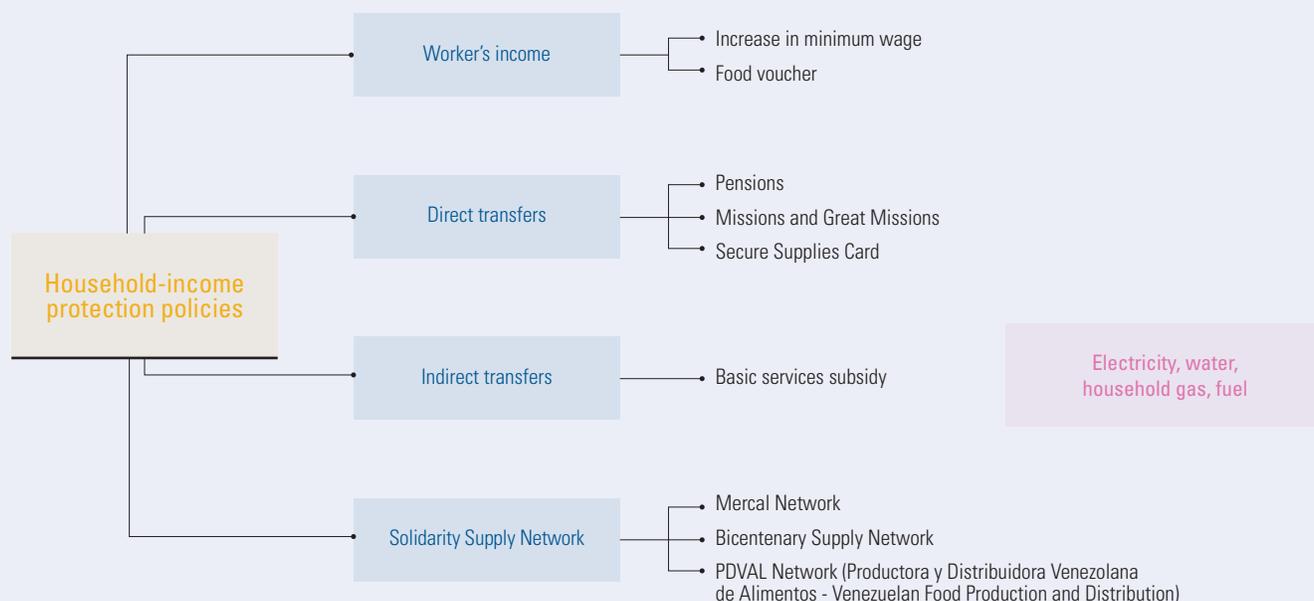
### The effects of public policies for household-income protection: the case of Venezuela

The Government of Venezuela has a strong family-income protection policy that works through the protection of workers' income, direct and indirect social transfers and supply networks based on the principle of solidarity that safeguard access to essential goods at subsidized prices.

The objective is to consolidate a new model for the Social State of Missions that will safeguard social protection and development against any threat or other eventuality.

#### DIAGRAM 1

#### Household-income protection policies in Venezuela



Source: UNDP Venezuela.

The *workers' income protection policy* has constitutional status in the Bolivarian Revolution, which establishes that no one can have an income lower than the cost of the basic food basket. As such, whatever the situation, access to basic needs is considered and guaranteed, whether directly or indirectly. Over the 17 years of Bolivarian Government of Venezuela (1999 to present), the minimum wage has increased 32 times, keeping its value above the cost of the legally established basic food basket. There have also been successive increases in the value of the Food Voucher as a means of income support. This has increased in value from 1.1 payments per household in 1999 to 2.1 payments per household in 2015.

In the field of *direct transfers*, a resource and welfare allocation policy aimed at families living in poverty has been developed. More than 30 Missions and Great Missions work in this field, most notably: the *Mission Barrio Adentro* and the *Mission Milagro* as regards mass access

to health care; the *Mission Robinson*, which eradicated illiteracy, together with the *Mission Ribas*, which focuses on secondary education, as regards the democratization of education; and the *Mission Sucre*, which enabled Venezuela to achieve the second highest level of university enrolment in the region. Furthermore, the *Mission Alimentación* reduced the level of malnutrition to such an extent that the United Nations Food and Agriculture Organization (FAO) recognized in 2014 that Venezuela had achieved the United Nation's goal of zero hunger.

Another important advance is related to the expansion of access to pensions (now almost universal). Coverage increased at an accelerated rate, from 21 percent in 1999 to almost 84 percent in 2015. This was possible thanks to the creation of a non-contributory programme which sought to cover the entire population that had reached the statutory pensionable age, regardless of whether or not they had contributed.

*Indirect transfers* are another important element of the household-income protection policy. They are based on the basic services subsidy, which covers services such as water, electricity, household gas and fuel. Significant efforts have been made in this area by the Great Venezuelan Housing Mission, which exceeded 1 million homes by the end 2015, and which aims to build 3 million more by 2019. This means that currently more than 14 percent of homes in Venezuela were built by the Great Venezuelan Housing Mission, while forecasts suggest that by 2019, 40 percent of households will live in homes built by this structural Mission.

Finally, the *solidarity supply network* seeks to meet the needs of both low and middle-income Venezuelan families in terms of basic goods. A good example of this is that the Mercal Network reached the greatest number of people in 2005, when 72 percent of families acquired its products. This programme is complemented by the *Tarjeta de Abastecimiento*

(Supplies Card), which is aimed at families living in extreme poverty. The card allows them to access only essential goods from the solidarity supply network, thus complementing these families' access to goods from the basic food basket.

All of this has been achieved through a significant increase in social spending, which grew from 12.5 percent of GDP in 1998 to 21.2 percent of GDP in 2013. The successful results of this comprehensive and multi-sectoral policy are reflected in lower poverty rates, both in terms of income poverty and multidimensional poverty. It should be highlighted that income poverty almost halved in the 2003-2013 period, from 49.5 percent to 29 percent (according to data from the Center for Distributive, Labor and Social Studies, CEDLAS). Meanwhile, unsatisfied basic needs poverty has fallen to less than 4.8 percent as a result of the implementation of these policies.

Source: Prepared by the authors based on information provided by UNDP Venezuela.

2030 Agenda for Sustainable Development, particularly targets 16.6 and 16.7, which involve the creation of effective, accountable and transparent institutions at all levels and “[ensuring] responsive, inclusive, participatory and representative decision-making at all levels” (United Nations, 2015).

Significant challenges remain in improving communication between citizens and the political elites. Improvements could be made by restructuring political participation and promoting processes to expand and renew elites. This would aim to increase diversity and provide representation that reflects increasingly complex and diverse contemporary societies. Such a “citizens’ democracy” requires the expansion, renewal and updating of rights in line with contextual requirements through interaction between citizens and political representatives. As part of this process, it is important to listen to the demands of empowered citizens and evaluate the way in which democratic institutions respond (UNDP, 2014).

In terms of representation, there is recognition that electoral democracy has made consistent progress in the region in recent decades (UNDP and OAS, 2010; UNDP, 2004). However, the correct operation of

electoral systems is a necessary but not sufficient condition for full citizen participation. Significant differences have been detected in exercising the basic political right to vote; most notably a low propensity to vote among the region’s young people and, in certain countries, among citizens who self-identify their ethnicities (indigenous and people of African descent). Furthermore, while there have been improvements in the levels of political representation of women, indigenous peoples, people of African descent and young people, their progress continues to be concentrated in a few countries, with the growth of representation — both at the national and subnational levels — too slow to guarantee significant results in the short and medium term.

There are clear inequalities related to gender, ethnicity and age group — which on many occasions are mutually reinforcing — in the distribution of the possibilities of successfully exercising the right to be elected. The bias in the distribution of power according to socio-economic level makes those with the fewest economic resources less likely to be able to channel their demands through the institutional mechanisms of representative democracy. As such, citizens

whose socio-economic characteristics largely exclude them from the political arena exhibit the highest propensity to participate in protests channelled through direct collective action.

In terms of expanding channels for participation, the full set of individual guarantees and rights that constitute democratic constitutionalism create a second structure of opportunities. These can materialize through different forms of political action with varying degrees of formality, such as participation in political parties, civil society organizations and social movements, or participation in large-scale mobilizations, strikes or roadblocks.

The increase in direct collective action is related to the public demand for the expansion of rights and is a response to institutional weaknesses. These forms of participation interact and are coordinated with conventional forms of practising politics linked to democratic representation. Social networks and digital media have also played a role in these processes, driving collective action and, in doing so, expanding the public space. However, it should be noted that while social networks contribute to providing feedback for these processes, they do not cause or justify them. Instead, they make a crucial contribution to amplifying their impacts.

In addition to the growth in citizen participation, the growing levels of direct collective action registered throughout the region show the need to expand the mechanisms to give a voice to citizens' demands. As such, the priority is to identify and implement mechanisms that allow virtuous circles to be created. This is to be achieved by promoting citizen participation in processes throughout the full development cycle of public policies, in the executive and legislative institutions at all levels of Government. In this respect, various consultations and interactions between citizens and public institutions have taken place at the level of executive institutions (e.g. the network of consultative councils and citizen conferences used at various levels of public policymaking in Brazil and citizen consultations by federal state institutions in Mexico)

and legislative institutions (e.g. experiences in Chile of interaction with the legislative institution as part of open Government). The region faces the challenge of redefining the forms of political representation and participation to strike an effective balance between citizen participation, the mechanisms for participative and representative democracy, and political institutionalization, with a view to developing a new architecture for integrated public policy.

## 6.3 The politics of policy: creating spaces for unfinished transformations

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### 6.3.1 Creating Political Space

A new architecture for public policy involves practical challenges. Not all structural transformations are on the public policy agenda of the region's countries. Some important changes happen cumulatively, gradually and quietly. Other transformations are fed by proactive policies with long, drawn-out effects. These lengthy processes — such as those regarding demographics, education and urbanization — arise from a combination of factors. These include deliberate actions in sexual and reproductive health, the feminization of the labour market and social protection that has occurred over recent decades, recognition of multicultural citizenship, the possibility of addressing ethnic and racial exclusion from a rights perspective, and many others.

The key question about the political space is as follows: how can coalitions be built that favour universality in middle-income countries? Literature on the subject describes various short-term policy sequences culminating in unfinished universal coverage processes. The first sequence is based on the fiscal and institutional limitations and policies of State-building countries over the course of the twentieth century (Filgueira, 2005). Many of the successes in providing universal access to education systems and the creation of social security systems in the middle of the century arose alongside State-building processes that

were directed more by a logic of consolidating the nation State than by “public policies” to alleviate poverty or inequality. Selective inclusion was the prevailing pattern until the late 1970s. The second sequence has to do with the emergence of the market; more precisely, with restrictions imposed by structural adjustment policies in the 1980s and part of the 1990s (Graham et al., 1999; Lora, 2001

and 2012). The State’s role was reduced to that of an agent ancillary to the achievements of a booming economy. Structural reforms of the period focused more on shrinking the State than on consolidating universal public policies.

The phase beginning in 2003 and lasting to the present day has seen the accumulation of social and economic achievements, as

### BOX 6.5

#### Enhancing resilience to vulnerability: policies for recovery after natural disasters in Granada

The losses reported as a result of disasters related to weather and climate in the Caribbean in recent decades reflect monetary estimates of unequally distributed assets. The estimates of annual losses have oscillated between a few million dollars in 1980 and over US\$1.5 billion in 2005 (adjusted to 2010 terms), with the highest annual loss reported in 2005. The inclusion of the risks of natural disasters in national and sectoral development plans allows

the adverse effects of these events to be more effectively managed.

Following hurricane Ivan in 2004 and hurricane Emily in 2005, the UNDP office in Barbados and the Organisation of Eastern Caribbean States (OECS) undertook a joint initiative to implement the principles of recovery for Granada. The total damage caused by hurricane Ivan is estimated at over 200 percent of the country’s GDP.

TABLE 1

#### Direct and indirect damage caused by hurricane Ivan (as a percentage of GDP) in Granada

Sector	Direct damage	Indirect damage	Total
Agriculture	5	5	10
Manufacturing	2		2
Wholesale & retail		1	1
Tourism	31	10	41
Electricity	7	2	9
Water/sewage	1		1
Telecom	8	6	14
Cable	1		1
Education	20		20
Transport	1		1
Housing	137	1	138
Health	1		1
<b>Total</b>	<b>213</b>	<b>26</b>	<b>239</b>

Source: UNDP and OECS (2007).

UNDP intervention in the immediate response for Granada entailed coordinating humanitarian aid and assessing damage, in addition to providing support for communications. Evaluation teams were sent to identify unmet needs, particularly in terms of public and environmental health, hospital infrastructure, children and gender inequalities. Monitoring and follow-up were implemented through OECS and the Economic Commission for Latin America and the Caribbean (ECLAC) to evaluate the socio-economic situation before and after the disaster, quantify direct and indirect damage and help plan for reconstruction and recovery.

To complement the immediate response, the Agency for Reconstruction and Development took responsibility for the recovery and reconstruction activities, and various concrete political initiatives were put in place:

i) *Building the capacity* of the authorities in terms of IT equipment and activities such as training and workshops on analysing poverty and management.

ii) *The reduction of risks* that contributed to the occurrence of the disaster, placing a particular emphasis on the two sectors that were most severely affected: housing and tourism. In terms of reducing risks for housing, new criteria were introduced for construction, standards were implemented to improve safety and resistance to hurricanes, awareness-raising campaigns were carried out to promote construction techniques, radio programmes were broadcast to provide advice on construction, and jobs were provided to young men and women in the expanding housing industry. For tourism, the response included initiatives to promote the development of small businesses and the construction of ships, and the provision of Internet and IT facilities.

Correctly addressing the effects on social well-being, quality of life, infrastructure and livelihoods, in addition to incorporating a multi-risk approach for planning a short-term response to disasters, helps equip countries with the process required to adapt to climate change in the long term.

Source: Prepared by the authors based on information consulted in UNDP (2016, forthcoming).

## BOX 6.6

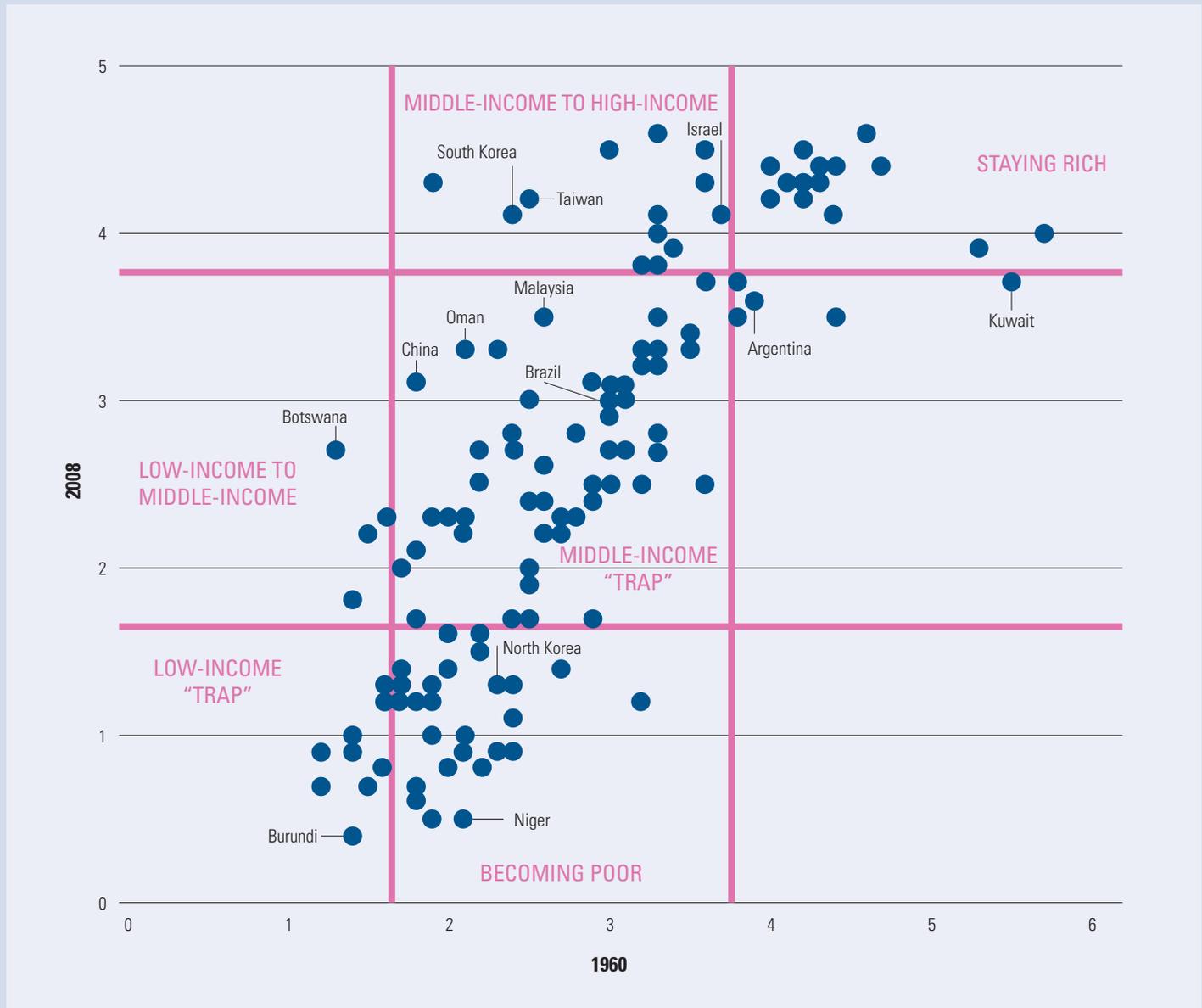
### The economic and political traps of being a middle-income country

The middle-income trap<sup>64</sup> describes those middle-income countries whose economies are held back due to rising wages and salaries which, while reducing poverty, gradually erode international competitiveness in labour-intensive market niches. Eventually, the vicious circle of falling competitiveness slows growth and new job creation. The literature notes some exceptions: firstly, countries that ramp up the productivity of their industrial sectors and develop highly-skilled services; secondly, countries that do

not experience a drop in growth because they are more dependent on extractive and/or natural resource industries than labour-intensive sectors. This is the Latin American exception. Incentives for economies dependent on the extractive industry revolve around early outsourcing of the labour market, rapid growth of public employment as a proportion of the economically active population, and an underlying fragility in the unskilled labour market (see Eva Paus 2014).

FIGURE 1

## The middle-income trap: per capita income compared with the United States (% log)



Source: *The Economist*, "The Middle-Income Trap" [online], 27 March 2012, based on World Bank data.

Economic downturns in middle-income countries are often accompanied by a parallel phenomenon that could be called the "middle-income trap". In times of economic slowdown, *less political capital is devoted to structural transformations* and more is given to immediate reforms to accelerate the pace and pattern of current economic growth. The incentives do not favour measures that help to increase productivity and improve systemic resilience; rather they promote the

fragmentation of political and social agendas, which took years or decades to coalesce. The countries that best deal with this two-edged trap apply fiscal pacts that transcend situations of economic up- and downturns. These are pacts that set aside surpluses in times of abundance and maintain gains in times of scarcity, thereby softening the effect of the middle-income trap.

Source: Prepared by the authors based on information consulted in Paus (2014) and *The Economist*.

analysed in chapter 2. Social policy innovations, such as conditional cash transfers and new institutional structures for social policy, have prompted a silent transformation that presents a challenge for the future: the emergence of population groups above the poverty line but below the safety level of the middle classes. In the current environment of decelerating and plateauing progress in reducing poverty and inequality, building a bridge between short- and long-term goals is critical for the development agenda going forward.

Martínez-Franzoni and Sánchez-Ancochea (2016) have been working on a novel hypothesis about why universal policies appear in some middle-income countries and not in others. They support their hypothesis with reference to the literature on binding constraints (Hausmann, Velasco and Rodrik, 2005) to analyse determinants for whether universal inclusion schemes are adopted, examining a wide selection of cases including Uruguay, Costa Rica, Chile and El Salvador. Policymakers know that there are many factors associated with successfully building universal coverage (including meritocratic bureaucracies, political will, intersectoral coordination, social demand and tax capacity) but they cannot be sure about the specific weight or precedence of each of these factors. Few policymakers are able to implement comprehensive reforms; conversely, fragmented progress is much more common. But where should we start?

Universal social policies can facilitate social cohesion and the building of coalitions that foster high-quality social services. Universal policies such as health care and education also lead to increased employment opportunities for qualified teachers, doctors and nurses. Martínez Franzoni and Sánchez-Ancochea (2016) have identified some of the pre-requisites for policy development processes. Firstly, techno-political agreements between technocrats and politicians are an important prerequisite for universal development. However, these agreements in themselves do not guarantee that universality will be achieved. The second prerequisite is social demand channelled by States that foster citizen participation. This requires

a certain level of institutionality that is receptive to organizations, social movements, and other expressions of civil society. The third condition, perhaps the most important for Governments that have already embarked upon universal policymaking, is the fiscal capacity to sustain not only a reform process, but a cumulative impact over several years and several administrations. For Governments with lower tax burdens, it is important not only to increase the number of taxpayers, but to achieve this as progressively as possible (Lustig et al 2015). For Governments with high to medium tax burdens, the most critical issues are efficiency and equity in spending, investment and the pension system.

### 6.3.2 Political space and social imaginaries

Social imaginaries<sup>65</sup> are the shared meanings that hold society together and through which people create and alter their environments to cover their needs, and map out their individual and social aspirations. Social imaginaries are closely linked to specific times and places, and describe who we are and what role we “must” play through a series of beliefs, values and norms of a secular or religious nature.<sup>66</sup> These have a powerful influence on the freedom of people to function in society, since they determine key and varied elements of our development (Sen, 1999) such as gender equality and women’s rights, childcare, fertility patterns and family structure, how we treat the environment, and the existence of corruption and degree of trust between individuals.

This “reality” is constructed, interpreted, and understood by each individual at a certain historical and social moment, and is an ongoing creative work by each subject within a society, and by the society as a whole. Defining how we perceive what happens in our surroundings influences how we define social practices for the behaviours, laws and social institutions<sup>67</sup> necessary to achieving homogeneity and historical continuity, as we build our individual and collective identity.

In recent decades, the region has been the subject of an effort to consolidate the process of transition from authoritarianism to democracy, from exclusion to participation, from violent confrontation to negotiation. However, as shown by the data in the previous chapters, poverty and vulnerability in the region has had, and continues to have, a fundamentally female face, affecting girls and older women, black and indigenous populations alike. These historical and persistent gaps in gender, age group, ethnicity or race, which are present in all poverty dimensions, continue to define daily life in Latin America and the Caribbean. Furthermore, they lead to a lack of visibility of, and a denial and failure to recognize, these vulnerable populations (Rojas Aravena, 2013).

Chapter 8 presents the population's aspirations collected in focus groups carried out across the region. These aspirations can be used to inform public policymaking. People's perceptions redefine public problems in the sense that they provide information that increases understanding of the setting, situation and culture in which a given problem occurs. For instance, as shown in diagrams 6.2 and 6.3, the qualitative study conducted for this Report found that people's perception of progress differs depending upon whether or not they live in income poverty. For those people living in income poverty, progress is (among other things) seen as synonymous with advancement, and work is perceived as essential for fostering household well-being and facilitating access to education. Therefore, from their point of view, progress involves having a level of education that allows them to access better jobs. Similarly, progress means having decent housing and basic infrastructure, happiness and economic resources. It also involves doing things differently, having good governance and promoting care for the environment (diagram 6.2).

The middle classes see work and its linkages with the level of education achieved as being key factors for progress. Having a home is another shared aspiration. However, people in the middle class refer to being a *homeowner*, while people living in income poverty speak of having *decent* housing. In

contrast to people living in income poverty, middle-class people feel that having material goods, physical health and their own means of transport, as well as the opportunity to enjoy holidays and travel, are all important component parts of progress (see diagram 6.3).

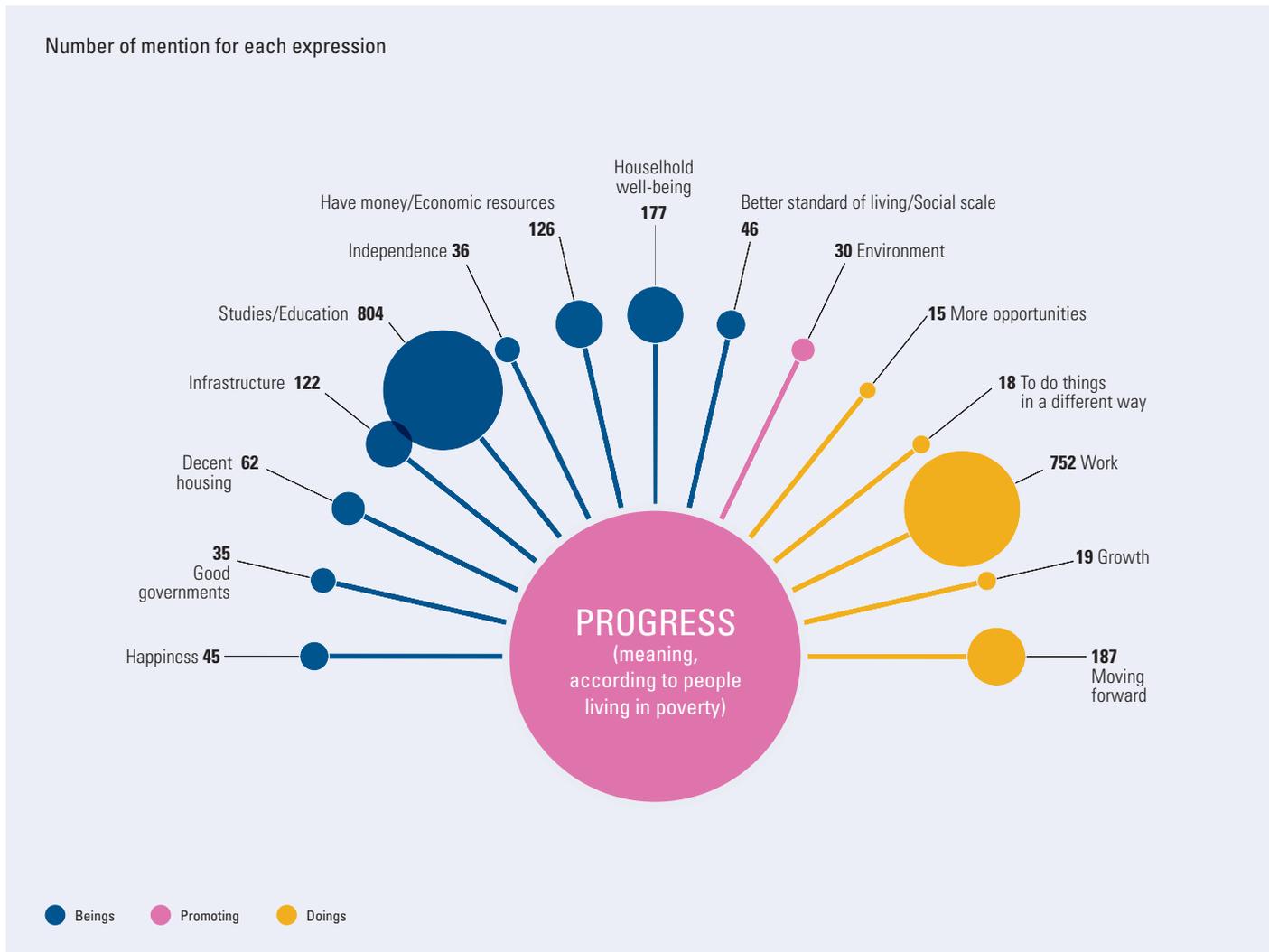
Knowledge of the imaginaries of the different social groups has important implications for public policymaking. In the first instance, it helps identify widespread issues, Gordian knots<sup>68</sup>, which cause tension or are unresolved issues. For instance, the education-work pairing is a constant in the minds of the middle classes, as well as those living in income poverty in the region. Despite progress made in improving access to education, questions still remain about how to foster social mobility in countries with dynamic labour markets and how the lack of these two dimensions affects people's ability to feel personally useful, productive and fulfilled.

Secondly, it allows us to learn about the different world views in a region, so that solutions to specific situations can be found. In other words, it helps to strengthen the process of designing, implementing and evaluating public policy. The analysis of perceptions of development issues provides a framework that helps guide institutional actions aligned with perceptions and expectations arising from life experiences and social dynamics.

A third aspect in which the construction of social imaginaries is useful is the identification of the various impacts that a public policy can have in a country. This can only be addressed by understanding the personal perceptions and constructs of those who benefit from the public policies and those who do not.

Finally, it is a way of distinguishing the unknown or unforeseen effects of public policy or aspects. When identified firsthand, these may be vitally important when redesigning public policy. It is interesting that the middle classes in many countries in the region feel a sense of stagnation rather than progress. They put this stagnation down to a lack of State support, which has an impact on social mobility, perceived by

Social imaginaries of progress of people living in income poverty



Source: Prepared by the authors based on the results of qualitative research commissioned for this Report.

this group as being low. This situation has led to a discourse in which some anger is directed at people living in poverty, since this group is the beneficiary of public policies. When designing public policies, it is important not only to understand processes in which identities are formed in their multiple dimensions, but also how these interact to shape and determine the positions that people hold in society.

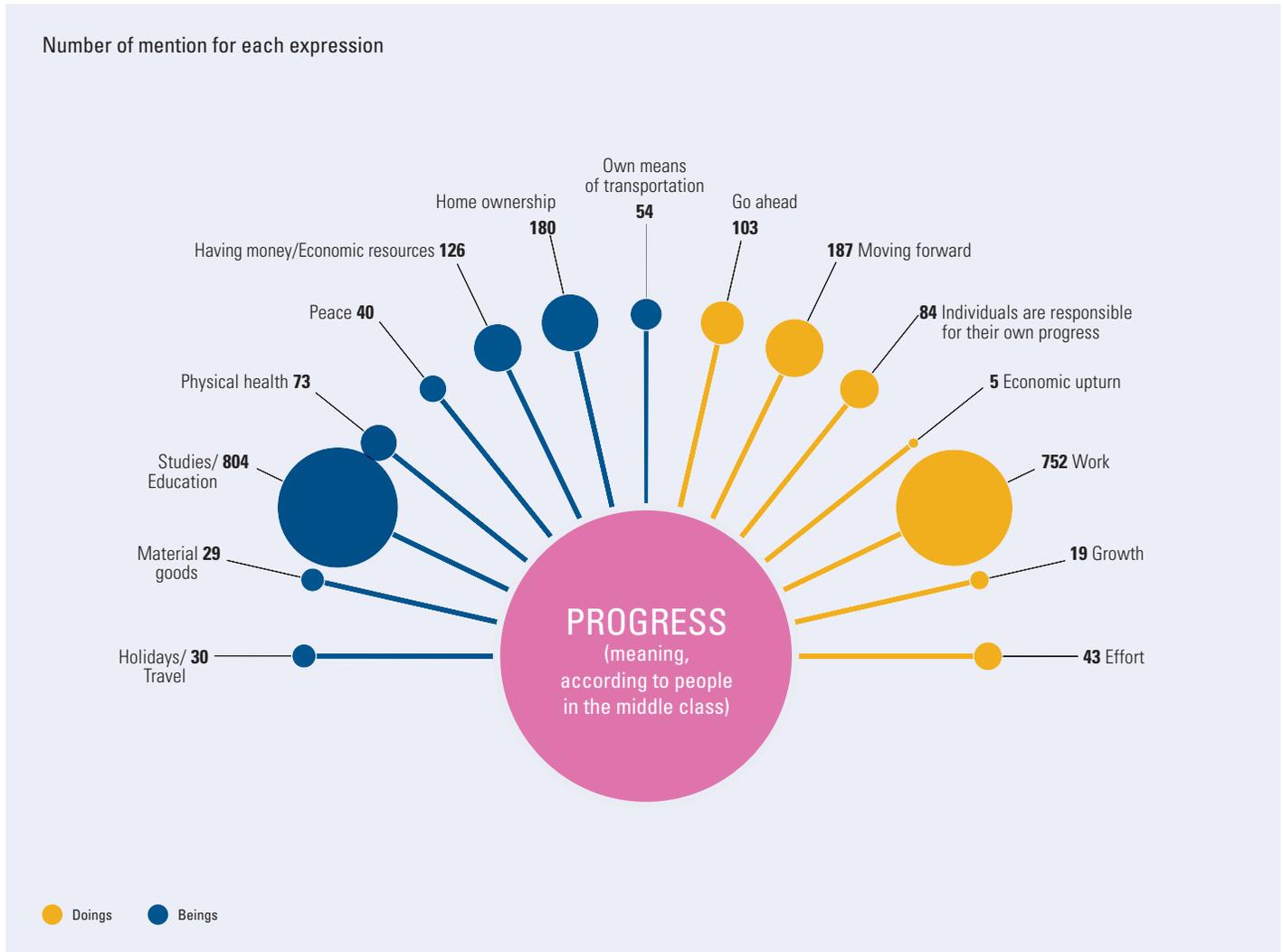
In short, public policy decisions need to take into account both the available objective statistics and how people feel about and assess their lives. Measurements of well-being

can yield important conclusions that are not apparent from analyses that are limited to economic indicators alone (Diener and Seligman, 2004). In this same vein, in 2009 the Stiglitz-Sen-Fitoussi Commission proposed the creation of a national system of well-being indicators that would oblige policymakers to take account of well-being determinants and the impact of State action on them.

Changes in the social imaginary can occur progressively, through several factors. Some are linked to changes to environmental circumstances, such as those resulting

DIAGRAM 6.3

## Social imaginaries of progress of people in the middle class



Source: Prepared by the authors based on the results of qualitative research commissioned for this Report.

from armed conflict, natural disasters, economic crises, political transitions and cycles, urbanization processes, the advent of new technologies or increased access to information. Others arise voluntarily through critical analysis processes consisting of identifying, describing and exposing these problems in order to convert them into a subject (ethical, scientific and political) for reflection and public debate, and subsequently into social action and public institution and policy priorities. The exposure of the problem must be accompanied by an in-depth examination that can lead to

social and institutional action to address the issues and create new social myths. It also offers evidence of the potential benefits and costs for society if the problem is ignored or addressed from different perspectives. This means creating processes that “accommodate the unexpected” and “prioritize questioning” beyond what is already known, by developing thought processes “at the edges of what is known”: uncomfortable, disruptive thinking that invents and innovates (Borakievic et al., 2015). In this respect, the role of active minorities, training “emotionally intelligent” leaders,

BOX 6.7

**Policies that reflect social imaginaries: crime and punishment**

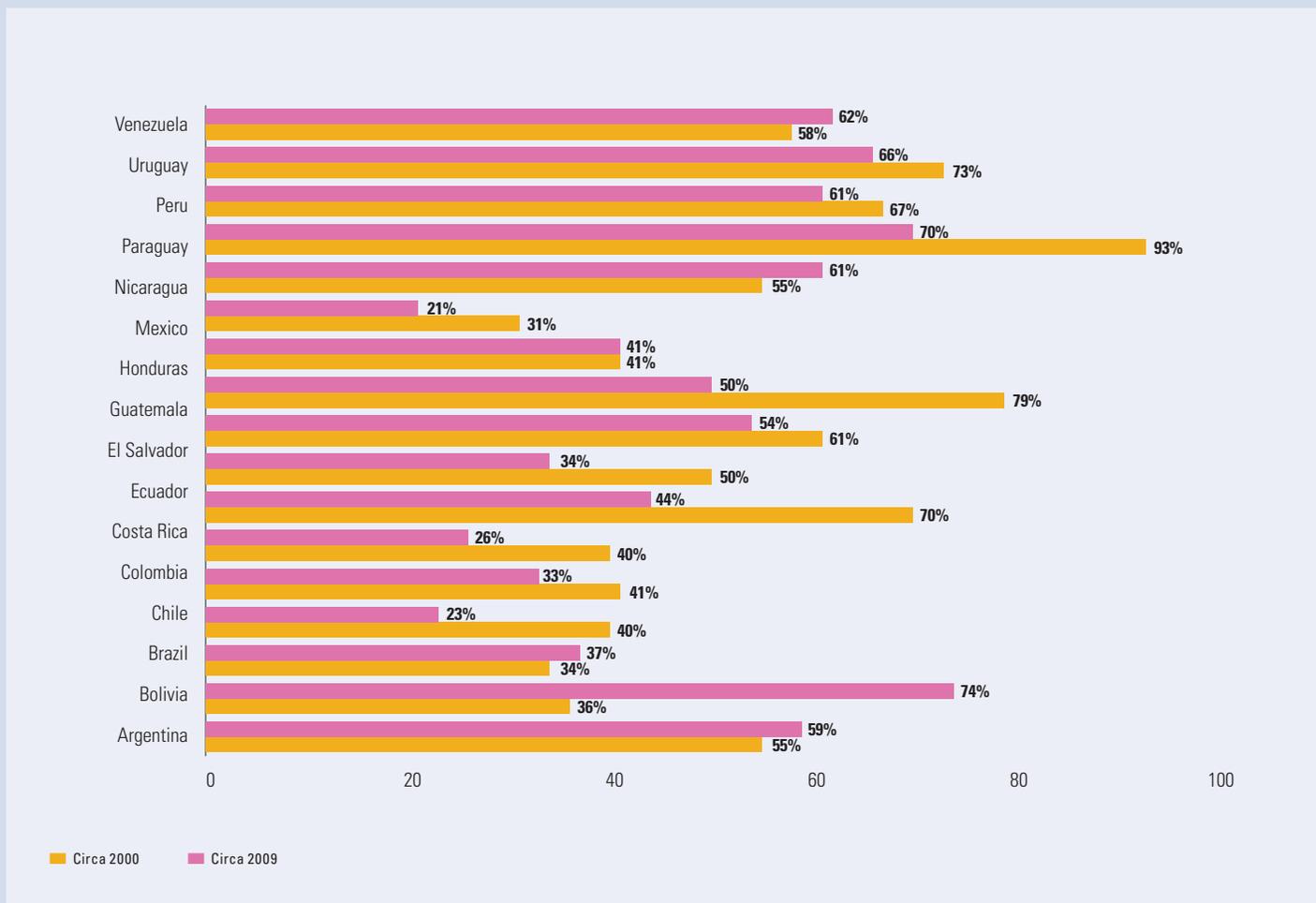
Prison conditions in a large swathe of the region’s countries are due to a social and institutional imaginary of rejection and exclusion of people who have committed a crime, with very marked attitudes in favour of punishment instead of rehabilitation. As the Regional Human Development Report 2013-2014 stated (UNDP, 2013), “rehabilitation has not been a priority in the contemporary Latin American penitentiary system. Violence, human rights abuses, criminal networks and high levels of recidivism commonly characterize prisons.”

The reform of the criminal justice and prison systems, designed to improve prison conditions, has not materialized. This is despite it being a phenomenon that has been raised and widely covered in the media, as well as in reports published by public national, international and civil society organizations working in the fields of security, development and human rights.

Nevertheless, the issue has not been placed with sufficient force among the region’s public policy priorities. For instance, we only need to take a look at changes to the imprisonment and prison overcrowding rates in the region, the number of people remanded in custody, and the lack of alternatives to imprisonment and the lack of social and job market re-inclusion programmes. If we also take into account the socio-economic conditions of detainees, it is clear that the criminal justice and prison policy applied in the region is based on punishing poverty and social control, linked to the enormous challenges faced by a large swathe of society when attempting to access formal employment, basic public goods and services and social security (Garzón, 2015).

FIGURE 1

**Detainees who have not been tried and sentenced (percentages) in Latin America, circa 2000 and 2009**



Source: UNDP (2013).

UNDP's recommendations, made as part of its work on citizen security in the region, favour abandoning the idea of prison and increased sentences as a means of addressing the region's security issues. In this respect, a number of promising schemes have emerged, such as the new prison management model in the Dominican Republic, based on respect for

human rights and developing routes to social reintegration. Its results show that 2 percent of those who took part in the new model reoffended, helping to change the social imaginary in the country, with this experience providing a benchmark for the reform of other systems in the region, such as the system in Honduras.

Source: Prepared by the authors based on information from UNDP (2013) and Garzón (2015).

## BOX 6.8

### **New social imaginaries of sexual freedom in Chile: tackling deep-rooted exclusion via anti-discrimination laws**

The critical analysis process can also be a societal response to move beyond impasses in injustices and inequalities, where there is indifference to the suffering of others or a lack of indignation about injustice and social exclusion (UNDP, El Salvador, 2014).

Paradigmatic cases such as the March 2012 murder of the gay youth Daniel Zamudio in Santiago de Chile by four young neo-Nazis, and the Inter-American Court of Human Rights<sup>69</sup> ruling against the Chilean Government for removing Karen Atala's custody of her three daughters for being gay reopened the public controversy and debate on the

inclusion of gay people with such force that it called into question the most conservative cornerstones of Chilean society, as well as exclusionary views towards gay people.

This created an enabling environment for the discussion and urgent adoption of Law 20609 (the Zamudio Law), which penalizes arbitrary segregation and discrimination based on race or ethnicity, nationality, socio-economic status, language, ideology or political opinion, religion or belief, membership or participation in unions, gender, sexual orientation, gender identity, marital status, age, affiliation, personal appearance and illness or disability.

Source: Prepared by the authors based on information from UNDP El Salvador (2014) and information from the Inter-American Court of Human Rights.

avant-garde movements, and the media and opinion leaders is crucial as the springboard for these critical analysis processes and for the transformative action designed to seek out new perspectives.

Conversely, correctly addressing the structural aspects of development issues is crucial in areas such as the environment, conflict, natural disasters, security and poverty, for which subsequent "development" of the issue can have even worse consequences and make

it extremely difficult to resolve, compared with prevention initiatives or earlier intervention. This encompasses a wide variety of issues including deforestation, pollution of protected areas, disaster prevention, and addressing the issue of youth gangs, which are clear examples of the urgent need to transform social imaginaries. A timely, more effective approach to these phenomena is needed, before it is too late and the problems become more complex.

## 6.4 Conclusions

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A more comprehensive framework for public policy is gradually being built in many countries in the region. The new framework addresses a need to consolidate the achievements made in terms of social transfers and institutional innovation, as well as the need to provide a response to new social and economic policy demands. Unfinished transitions, which are threatened by the unfavourable economic cycle, affect both the resilience policies designed to prevent people from falling into poverty and the inclusion policies that surpass income thresholds. This new architecture links up sectors and levels of Government and builds a bridge throughout the life cycle, connecting the State and citizens. None of this is taking place purely in the technocratic sphere. Political actors, social stakeholders and policymakers alike

generate imaginaries and physical spaces for future reform.

Social imaginaries not only inform policymakers about specific citizen aspirations; they also redefine public problems. In this iterative process, there is a need to highlight the component parts of social imaginaries that facilitate or prevent progress being made towards more ethical, inclusive and supportive ways of working. It is also important to find the means to generate enough political space to balance out the unequal map of power relations found in most of the region's countries by tackling the factors underpinning the most deep-rooted forms of exclusion. Institutions, imaginaries and power relations are part of the most structural frontiers of social and economic change. They are a vital part of the agenda of change in middle-income and upper middle-income countries.

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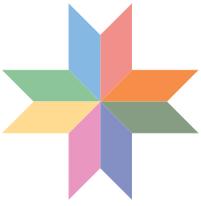
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# A Multidimensional Approach to the 2030 Agenda for Sustainable Development





# A Multidimensional Approach to the 2030 Agenda for Sustainable Development

## Introduction

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The new public policy framework described in the previous chapter of this Report will be put to the test with the implementation of the 2030 Agenda for Sustainable Development, the first universal and holistic global development agenda. This historic agreement, signed by 193 Member States in September 2015, provides a broad framework for social, economic and environmental development.<sup>70</sup> Founded on the definition of 17 Sustainable Development Goals (SDGs) comprising 169 targets, the agreement constitutes a concerted commitment to eradicating poverty and protecting the planet. The SDGs are the tangible embodiment of the challenge to move away from an approach based on economic growth and income towards a more comprehensive approach that encompasses the multiple dimensions influencing human progress.

Among key challenges currently facing policymakers are the need to sustain the holistic, multidimensional and interconnected nature of the 2030 Agenda, avoiding horizontal (sectoral) and vertical (territorial) divisions (Cooperación Española, 2015; SDG Fund, 2013),<sup>71</sup> and working to avoid compromising the sustainability of ecosystems. Given the ongoing challenges in the sphere of development, the focus must be on the interaction between prior achievements and systemic risks and weaknesses.

The following pages outline the application of a multidimensional approach to implement the SDGs. The first section of the chapter describes the crosscutting agenda proposed by the agencies, programmes and funds of the United Nations Development Group (UNDG), followed by a breakdown of the specific regional challenges facing the 2030

Agenda. The latter part of the chapter describes the three steps required to implement the 2030 Agenda in the region's countries, with a view to grouping the SDG targets together in line with the specific priorities of each country. This exercise to classify the SDG targets, creating clusters, involves defining a critical mass of interventions that increase resilience, tackle hard exclusions, and address the weaknesses that can be found in the region's countries.

## 7.1 The holistic nature of the 2030 Agenda

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The new Agenda is structured around three principles. The first is that of **universality**: identical goals and targets are proposed for all Governments and actors. Universality does not mean uniformity. Rather, it involves differentiating between countries based on the principle of common but differentiated responsibilities. Perhaps the clearest example of this can be found in climate change mitigation. Given that the Member States have contributed in different measure to greenhouse gas emissions, the level of responsibility placed on each should vary according to past emissions levels.<sup>72</sup> The second principle is that of **integration**, which refers to harmonizing social, economic and environmental dimensions throughout the Agenda. An integrated approach also involves weighing up the overall benefits resulting from the achievement of the range of goals, as well as maximizing synergies between them. The third principle is “**no one left behind**”. None of the goals can be achieved unless they are achieved for everyone. As we argue throughout this Report, and in particular in chapters dealing with public policy, multidimensional progress

DIAGRAM 7.1

The 17 Sustainable Development Goals offer an agenda that goes far beyond their predecessor, the Millennium Development Goals. The Sustainable Development Goals seek to eradicate poverty in all its forms, reduce inequality and combat the effects of climate change, while ensuring that this development leaves no one behind



Source: United Nations, available at: <http://www.un.org/sustainabledevelopment/news/communications-material/>.

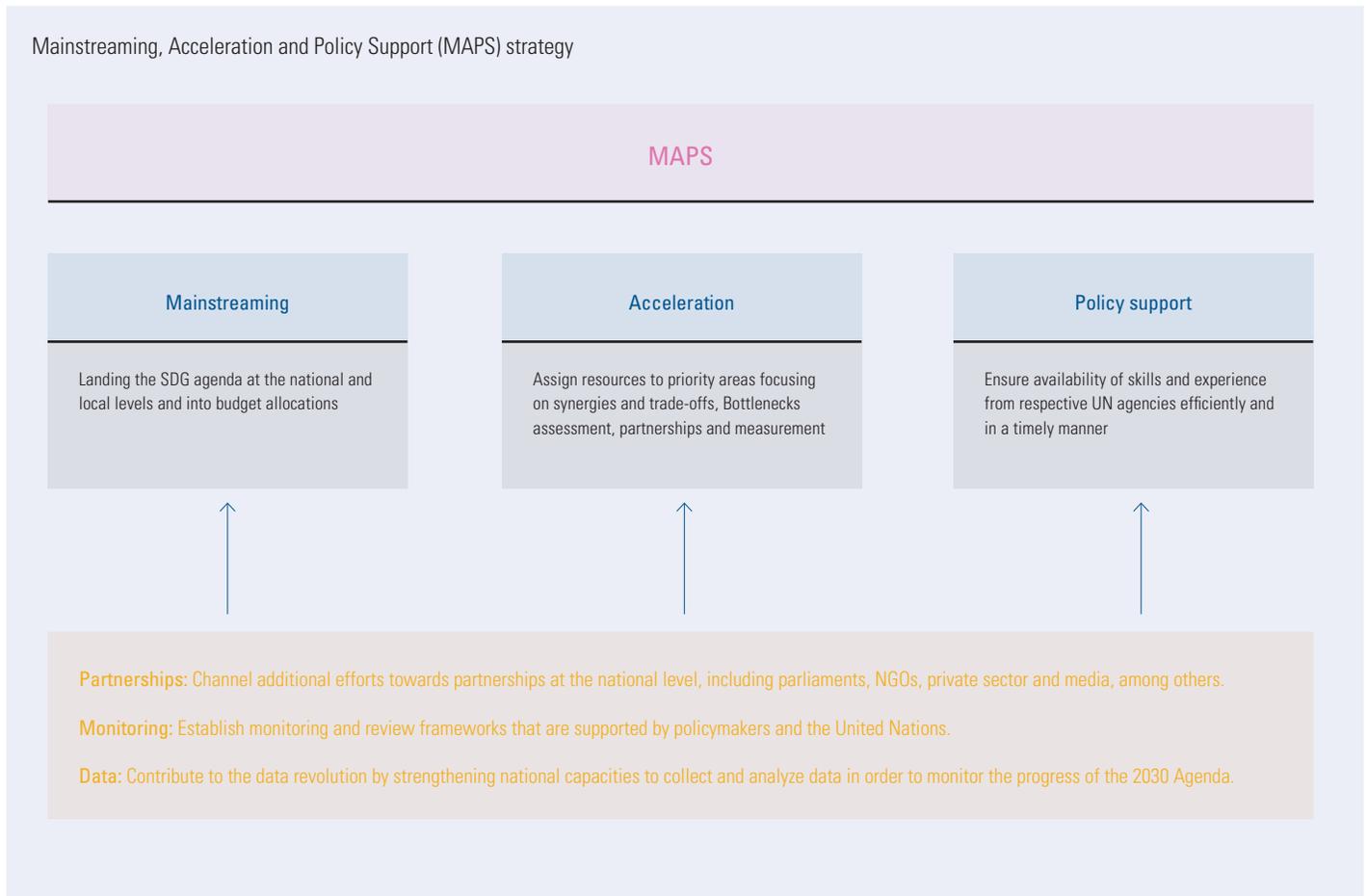
must take place regardless of income level or the presence of hard exclusions, which tend to be linked (albeit not exclusively) to factors including ethnicity or race, skin colour, sexual orientation and identity, gender, physical or mental disability, region of residence, nationality, and migration status.

The common framework of United Nations Development Programme (UNDP) agencies, programmes and funds for the 2030 Agenda takes the form of the three-pillared Mainstreaming, Acceleration and Policy Support (MAPS) strategy, which pays special attention to crosscutting factors related to data, monitoring and partnerships. The work of UNDP takes place within this management scheme.<sup>73</sup>

In relation to **mainstreaming**, the aim is to generate greater awareness and knowledge of the 2030 Agenda at all levels of Government, in the private sector and in civil society, and to strategically implement a gradual process to incorporate the goals and targets into national development plans, budgets and planning instruments. The mainstreaming of the 2030 Agenda also poses some important challenges in terms of statistics. In many cases, this will mean gathering new types of information to monitor and evaluate actions, using indicators to estimate the level of achievement of SDG targets: there are currently no data on certain targets for the majority of countries in the region.<sup>74</sup> Mainstreaming

## DIAGRAM 7.2

### The MAPS strategy provides a conceptual framework to help effectively integrate the 2030 Agenda in the region's countries



Source: Prepared by the authors based on UNDG (2015).

the 2030 Agenda also requires efforts to gather information on the ground regarding the implementation of policies at local, subnational and regional levels. This work will also seek to foster support from the United Nations Development Assistance Framework (UNDAF) for the implementation of common agendas in each Member State. Deploying effective inter-institutional coordination and territorial articulation (as addressed in chapter 6) will be key to the successful implementation of the 2030 Agenda.

In reference to **acceleration**, many of the goals and objectives of the 2030 Agenda — some of which have been taken from the MDG agenda — are already being implemented in policymaking processes. The aim

is to help Governments accelerate progress by providing tools to help identify barriers to achieving the targets, and focusing on the objectives that are most relevant to each country. The MDG Acceleration Framework (MAF) was created for this purpose. It allowed countries to design and implement national and subnational action plans to achieve the MDGs, and is being used to construct a new set of implementation tools for the 2030 Agenda. The following section will provide a more in-depth analysis of the strategy proposed for the implementation of the SDGs in the region. Based on the acceleration principle and with an emphasis on the priorities of each country, this strategy aims to foster the effective appropriation of the 2030 Agenda by all countries and its

coordination with the agendas of the various Governments.

When it comes to **policy support**, it is crucial that support is given to the policies designed to implement the 2030 Agenda, since their high level of mainstreaming and complexity could achieve the principles of universality and integration, as well as the principle of “no one left behind”. These policies must be designed to link the different targets, with special emphasis on the inclusion of environmental sustainability on the agenda — a challenge that is discussed in detail in the final section of this chapter.

## 7.2 Challenges for the 2030 Agenda in Latin America and the Caribbean

The transformations that have taken place in recent decades in middle-income countries and upper-middle-income countries in the region of Latin America and the Caribbean, both in terms of income (chapter 2) and demographics, changes to the labour market and changes in educational attainment (chapter 3) have generated two specific major challenges that come together in the 2030 Agenda. The first of these challenges has to do with the **plateauing** of social and economic achievements, which have mainly been observed in middle-income countries in the region. The second challenge is the **inclusion of environment and natural resources** to local and national agendas, to avoid the development of the region jeopardizing the sustainability of the planet.

### 7.2.1 Plateauing of social and economic achievements in the region

The significant social and economic achievements made in previous decades have paved the way for a new set of challenges that are increasingly complex: each additional unit of progress will be harder to achieve in fiscal, institutional and political terms. Overcoming this plateau means changing policies that can only offer more of the same (Ocampo, Gray Molina y Ortiz-Juárez, in process) in order to

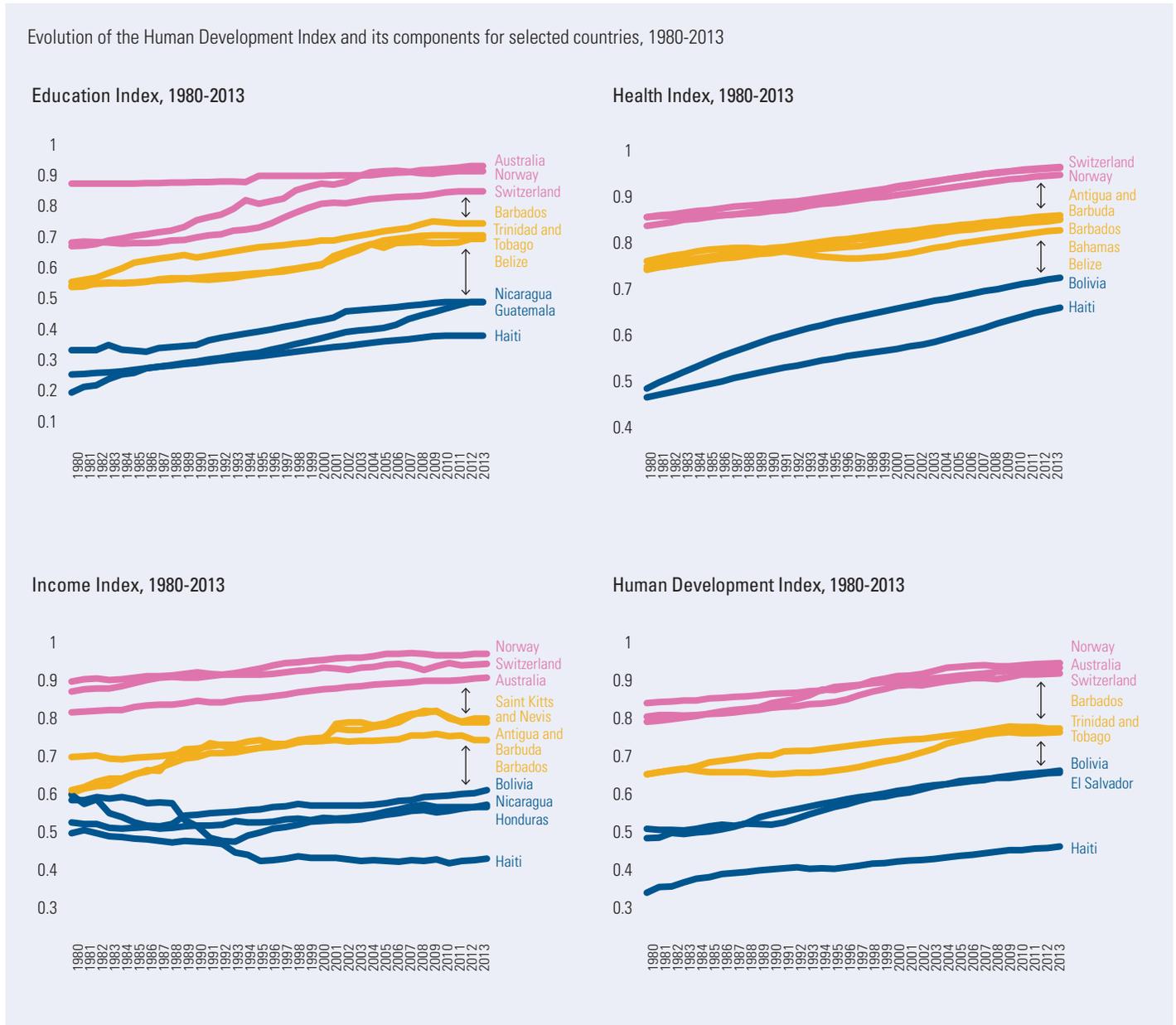
ensure human progress, regardless of people’s income level, and protect the middle-class and vulnerable populations from stagnation and avoid them falling back into poverty.

While advances have been made in the region, the impact of the diminishing returns offered by certain technologies or ways of accessing services must also be taken into account. This has been the case of certain indicators such as mortality rates and rates of access to basic services and enrolment with the education system, which saw their greatest achievements during the 1980s and 1990s and are now experiencing a gradual slowdown. Figure 7.1 sets out the trends observed during the period of the HDI and its components for some of the region’s countries. The countries of the OECD are included for the purposes of reference and comparison. On analysing the Human Development Index (HDI) trends in recent decades, three patterns emerge. Firstly, achievements in education and health in the region tend to increase more quickly than achievements in per capita income. This is reflected both in per capita GDP (the evolution of the income indicator) and in the trends for education and health indicators. Secondly, notwithstanding the importance of the social achievements made during the 1990s, the pace of growth in education and health indicators for the region’s countries stagnated during the first decade of the twenty-first century, falling short of the levels observed for the OECD countries, despite an initial wide gap between these sets of countries.

Analysis suggests that “development remains unfinished” in Latin America and the Caribbean, and needs to be placed at the forefront of a new set of development challenges that are more difficult to achieve. The transition from a “gap-by-gap” approach — in which closing gaps in education, employment and gender one-by-one is considered a priority — to a multidimensional one that prioritizes integrated work on clusters of interconnected problems must address the structural barriers that cannot be broken down by greater economic growth alone. These new challenges include the eradication of income poverty; more formal, better quality employment; changes to power

FIGURE 7.1

The evolution of the Human Development Index and its components shows that, despite the social achievements made, there are variations between the region's countries, and a gap between these and the OECD countries. This calls for the development of new approaches for tackling the final leg of the race to combat exclusions



Source: Prepared by the authors based on data consulted at the Human Development Report Office of the United Nations Development Programme (UNDP).

relations in order to reduce existing gaps between men and women; the eradication of the discrimination faced by indigenous and Afro-descendant populations and the full exercise of their rights; the diversification of local economies to protect natural resources in the region; and the adoption of policies

to promote renewable energy and climate change mitigation and adaptation. These challenges are some examples of the new dimensions included in the 2030 Agenda and must form part of the local agenda in the region.

## 7.2.2 The inclusion of care for the environment and the sustainable use of natural resources on the region's development agenda

Population growth, unsustainable consumption patterns and high productive dependence on natural resources have had adverse impacts on the region's ecosystems and environments. As highlighted in chapter 3, Latin America and the Caribbean is the world's most biodiverse region. Almost half of the planet's biodiversity is concentrated in Latin America alone, while 50 percent of plant life in the Caribbean does not exist in any other region of the world (UNDP, 2010). The region also accounts for almost 23 percent of the world's forests, some 27 percent of its fresh water sources and almost 20 percent of its eco-regions (UNDP, 2010; UNEP, 2010). Despite the actions that have been carried out, such as increasing protected areas on land and at sea, the region's biodiversity is still under significant threat. Since 1992, the region's tropics have lost some 30 percent of their biodiversity (UNEP, 2010). Latin America and the Caribbean has suffered the highest level of deforestation of all of the world's regions, reaching -0.46 percent for the period 2000-2010, mainly due to the conversion of forests into areas destined for agricultural and livestock production (FAO, 2014).

Moreover, the adverse effects of climate change threaten sources of income, in particular among people living in poverty or vulnerability who depend on natural resources for their livelihood. This situation is evident not only in the region but also worldwide. Some 70 percent of the world's population living in income poverty depend on natural resources for their livelihood (Green Economy Coalition, 2012). Economic dependence on natural resources continues to be high in the region of Latin America and the Caribbean. Of the different sources of employment linked to natural resources, such as mining, fishing, agriculture and livestock, the agricultural sector alone accounts for some 14.2 percent of total employment in Latin America and the Caribbean.<sup>75</sup> These sources of income are heavily affected by the effects of climate

change, which include increased severity and frequency of storms, and changes to the sea level or precipitation patterns. These consequences limit production and its quality, change the patterns of plagues and diseases, and alter crop cycles, among other adverse impacts.

Therefore, the challenge posed in the 2030 Agenda of achieving development based on environmental sustainability is vitally important. These trends are not new to the region. In recent years, the pressure exerted by the current model of economic growth on the earth and its water resources has caused demand on ecological resources and the services they provide to reach an equivalent of more than 1.5 times the capacity of our planet at present, while it is estimated that this demand will require the capacity of two planets by the year 2050 (Borucke et al., 2013).

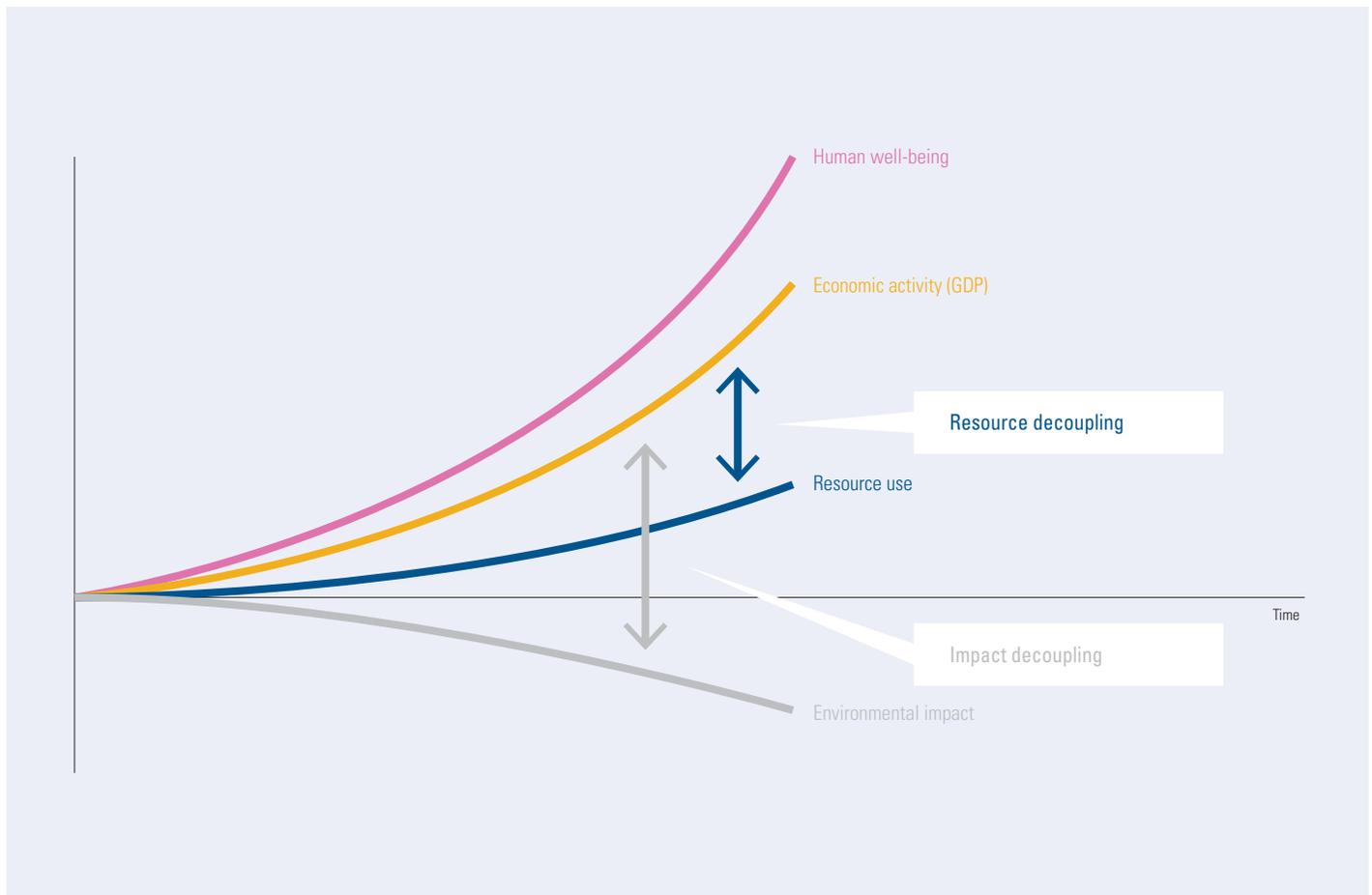
A commitment to sustainable development requires the adoption of specific policies akin to those that have been implemented in some countries in the region. Their objectives include diversifying sources of employment, regulating the exploitation of natural resources, promoting the use of alternative energies, and guaranteeing a basket of assets that can reduce people's vulnerability to natural disasters and the adverse effects of climate change.

Nevertheless, as proposed in the 2030 Agenda, ensuring sustainable development in the region requires **the integration of environmental protection into crosscutting public policies, both regarding actions targeted at promoting economic growth and those designed to promote social development.** For example, the impact of environmental policies is often diminished by the impact of strategies in the sphere of industry, urban development, energy, or the development of infrastructures, as well as by a system of incentives resulting from a combination of fiscal policy and programmes designed to foster the development of the production sector, which do not always take into account the environmental externalities resulting from production activity.

The priority objective of the 2030 Agenda is to issue proposals for the reform of the

### DIAGRAM 7.3

In order to achieve sustainable development in Latin America and the Caribbean, as well as in the rest of the world, it is necessary to rethink economic and social development strategies in order to decouple the reduction in carbon dioxide emissions from economic growth



Source: UNEP (2011).

current production system in order to reduce the amount of natural resources employed in production processes. This is based on improved efficiency and productivity of raw materials, an overhaul of consumption patterns, and minimization of the environmental impact of processes, while simultaneously preventing these changes from translating into negative consequences for potential economic and social progress. **The aim is for objectives related to care for the environment and economic and social growth to coexist sustainably and in harmony.**

Therefore, in Latin America and the Caribbean and the rest of the world there is a need and challenge in making the transition to a development model that can combine

the economic, social and environmental dimensions in a real, effective, harmonious and sustainable way through integrated intersectoral public policies. This model should aim to reduce environmental degradation and move towards the sustainability quadrant (see figure 1.3 in which countries' human development does not jeopardize environmental sustainability. Since 2000, a total of 21 countries in the world have managed to decouple their reductions of greenhouse gas emissions from economic growth (WRI, 2016), which demonstrates that the technology required to avoid progressive environmental damage already exists. This decoupling needs to take place in middle-income and upper-middle-income countries.

DIAGRAM 7.4

## The environmental dimension of the Sustainable Development Goals

## Great biodiversity of the region

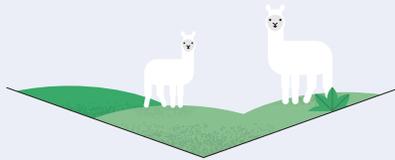
Home of the 23% of the world's forests



Owner of the 27% of the world's freshwater sources



South America has half of terrestrial biodiversity and is itself the region most biologically diverse in the world



That makes LAC economy highly dependent of natural resources.

Almost a fifth of the region's employment is on agriculture and a third of the region's exports (except from Mexico) are on agriculture products.

Source: Own elaboration based on the data consulted on World Development Indicators (WDI) database of the World Bank, and estimates of UNEP (2010), UNDP (2010), Center for Distributive, Labor and Social Studies (CEDLAS) from SEDLAC (CEDLAS and World Bank), Guha-Sapir, and Hoyois Below (2015) and FAO (2014).

## The adverse effects of climate change on the region



15%

of global natural disasters between 1980-2015 are in LAC

43%

of people worldwide affected by natural disasters are in LAC

64%

of the forests lost on the planet between 2000 and 2005 were in LAC

## Low income population are more vulnerable to the adverse effects



14% of employment in the region is in agriculture.



Income sources come mainly from activities based on natural resources



Lack of assets to face the natural disasters

## What can we do to protect the region from environmental degradation?



We need to move towards a development model that reconciles economic, social and environmental dimensions in an harmonious and sustainable manner, through intersectoral and integrated public policies.

## BOX 7.1

### The integration of sustainable development in the planning of national development: the case of Belize

In 2013, Belize offered to act as a pilot country during a meeting of experts of the United Nations Economic and Social Council (ECOSOC) on the incorporation of sustainable development into national development strategies. This initiative hoped to demonstrate the way in which national development planning could be carried out in harmony with what was, at the time, the new post-2015 Development Agenda, which later became the current 2030 Agenda for Sustainable Development.

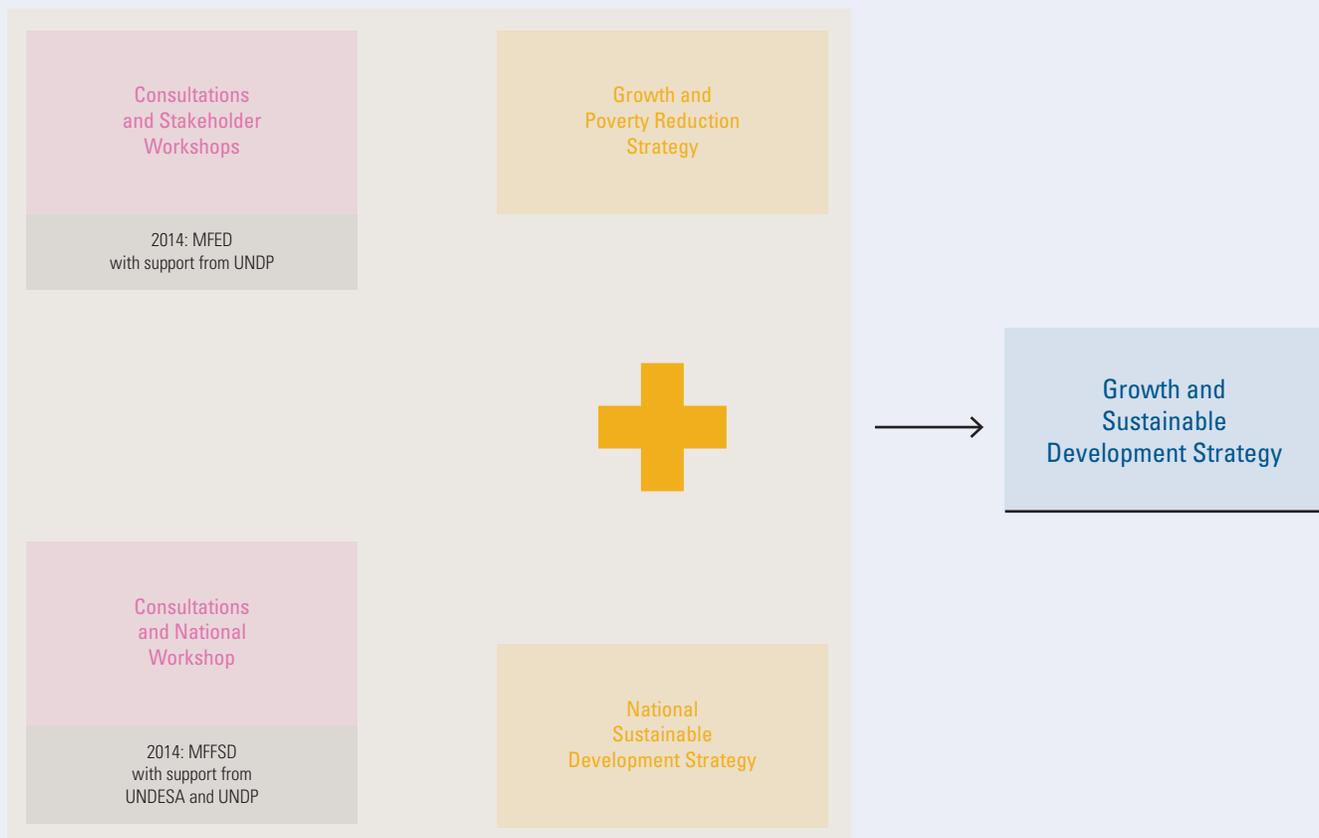
At that time, the Government of Belize was creating its main national planning document, the Growth and Poverty Reduction Strategy (GPRS), spearheaded by the Ministry of Finance and Economic Development

(MFED). The Ministry of Forestry, Fisheries and Sustainable Development (MFFSD) had foreshadowed this project with the development of a National Sustainable Development Strategy (NSDS), thus the country now had two complementary national planning documents.

These two processes were combined into a single initiative during 2014 with the support of the United Nations Department of Economic and Social Affairs (UNDESA), giving rise to the **Growth and Sustainable Development Strategy (GSDS)**. While the strategy mainly focuses on Belize's vision for development, as set out in its long-term strategy for 2030, the GSDS is still coherent with the 2030 Agenda.

## DIAGRAM 1

### Fusion of the Growth and Poverty Reduction Strategy and the National Sustainable Development Strategy into a single and coherent approach to national development and planning: the Growth and Sustainable Development Strategy



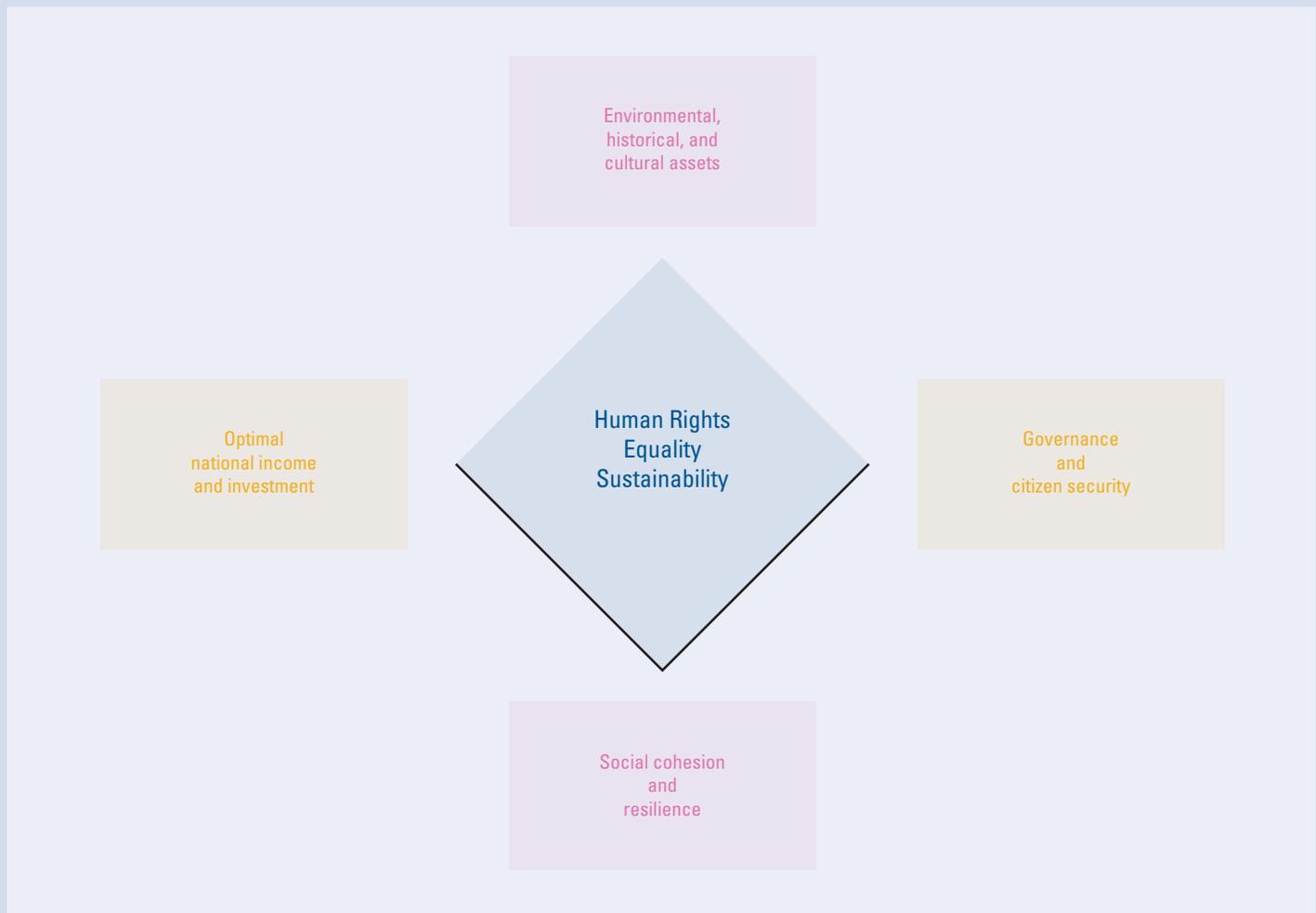
Source: AtKisson (2015).

The NSDS processes helped increase the validity of the GPRS by widening the consultation process. It is worth pointing out that the institutional mandate of the ministries shaped the initial results of the initiative: the GPRS focused on economic planning, and the fusion of the strategies led to a broader sustainable development mandate in terms of the 2030 Agenda. At the core of the GSDS is a hierarchy of interrelated goals and targets

called the “Belize Sustainable Development Framework”. Its objective is to achieve equality and affirmation of human rights by strengthening governance and citizen security, maximizing national income and investment, protecting environmental, historical and cultural assets, and promoting social cohesion and resilience.

## DIAGRAM 2

### Belize’s sustainable development structure



Source: Government of Belize, Growth and Sustainable Development Strategy for Belize 2016-2019, April 2016.

One key aspect of the way in which the GSDS was constructed and how it reflects the spirit of the 2030 Agenda is the fact that it recognizes the integral nature of development, as well as the need to overcome a sectoral

and territorial focus and create a strong coordinating mechanism, in order to achieve a high level of intersectoral coordination and interaction between planning and execution.

Source: Prepared by the authors based on information consulted in UNDP (2016, forthcoming).

## 7.3 Defining clusters of targets as a strategy for addressing the 2030 Agenda

This section describes the three steps involved in the implementation of the 2030 Agenda in the region's countries, with a special emphasis on the challenges faced in tackling stagnation in the region and urgently integrating care for the environment and natural resources into nations' progress. The first step consists in analysing the factors that shaped the social and economic achievements of the past, a subject addressed in chapters 2 and 3 of this Report, which examined the changes in income — and beyond income — experienced in the region's countries over the last 20 years. The second step involves creating groups of targets and goals based on an analysis of their interconnections, as well as the aims of each country's policies. The third step consists in defining fiscal policy space for the implementation of the 2030 Agenda by carrying out microsimulations on taxes, transfers and subsidies and analysing the impact of different types of interventions. These simulations describe the potential impact of policy changes on trajectories of poverty and inequality reduction.

### 7.3.1 The first step: metrics and drivers of change

The trends observed in social, economic and environmental achievements over the long term serve as a starting point for a multidimensional analysis. These trends reveal the dimensions that show improvement, those that are stagnating, and those that are generally worsening. They also provide an overview of the drivers of changes. The tools used in this analysis are included in chapters 2 and 3 of this Report, while annexes 1 to 31 provide a breakdown of the tools disaggregated by country. Examples of these tools include income pyramids for each country, which aid an understanding of transformations to income or the analysis of each country's performance in terms of economic growth (see annexes), allowing the dimensions that show a correlation with growth and those that have been

underestimated due to economic growth to be identified. Beyond the factors directly related to income, there are additional drivers that explain transitions to poverty and inequality, including the characteristics of the labour market, the existence of social protection services, care systems for children and dependent older adults, and access to physical and financial assets.

The drivers of change also work on multiple levels. At the basic level of income, breakdowns indicate that, for example, the fall in inequality in the region is mainly due to income from employment. This driver of change is behind 54 percent of inequality reduction during the 2000-2012 period, followed by social transfers (21 percent) and pensions (9 percent).<sup>76</sup> A more in-depth analysis shows that the transitions that took place are based on an extractivist pattern of use of natural resources, unsustainable energy use (that subsidizes hydrocarbon-based electricity generation), gender inequality (which continues to favour masculine breadwinners and create gaps that affect women's pay and participation in the labour market), and urban models that favour the privatization of urban services, unbalancing well-being in the territorial dimension.

### 7.3.2 The second step: clusters of specific targets for each country

The second step consists of moving forward from measurements and analysis of the drivers of change in public policy. This is achieved through an approach that enables synergies and interconnections to be identified between the range of targets and dimensions in the 2030 Agenda. As in the case of its predecessor, the MDG agenda, there are no quick fixes for addressing the SDGs. All countries generate their own policies and implementation strategies, seeking to align international commitments with national planning priorities. However, one of the major differences between the MDGs and SDGs lies in the scope and ambition of the new agenda. In this sense, the advance from a relatively modest agenda of policies based on eight goals and 21 targets to an

agenda comprising 17 goals and 169 targets is no trivial matter. Various lessons have been learned from the MDG agenda, one of which marks a fundamental difference in the 2030 Agenda: these new goals are only achieved if there are clearly defined targets, bottlenecks are addressed and there is engagement in efficient intersectoral and inter-territorial coordination with these targets in mind. **The holistic nature of the SDG agenda requires an approach that promotes solutions capable of going beyond a sectoral and territorial approach and bureaucratic fragmentation, to encourage coordination and efforts to achieve the goals in every country.**

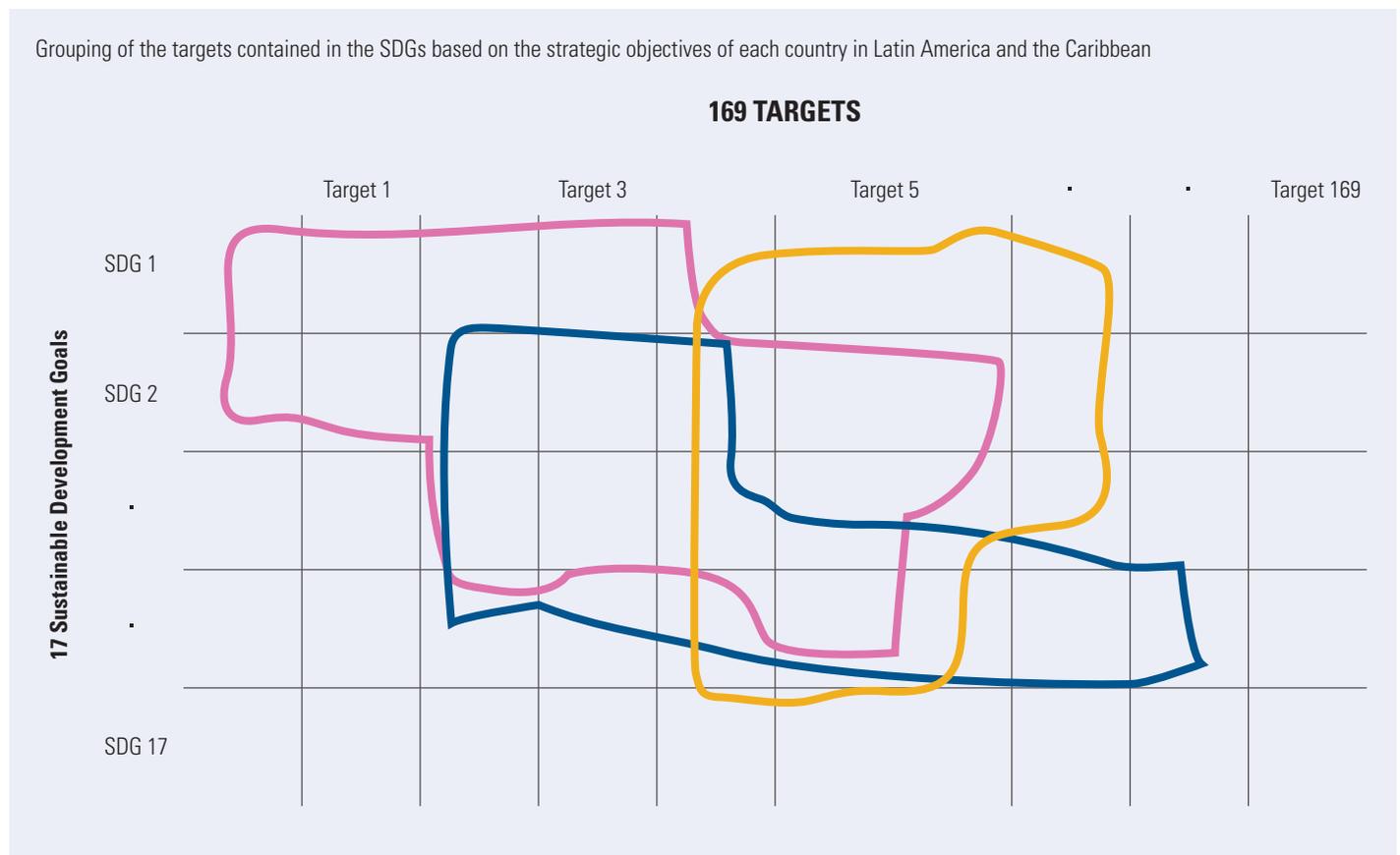
The process of grouping the targets into clusters is by no means random. It begins with the identification of a strategic objective

established in a government policy, such as the eradication of all forms of poverty and inequality, building resistance to natural disasters and climate change or the promotion of citizen security and social cohesion. This starting point can be pinpointed on the matrix of 169 targets and 17 goals described in diagram 7.5.

When grouping the targets into clusters, two temptations arise. The first is the temptation to make selections based on narrow sectoral mandates. Rather than choosing two or three SDGs, it is more effective to link various targets corresponding to many more SDGs with a single political strategic objective — for example, “no one left behind” — to include targets that address actions linked to education, health, the fight against poverty and various other dimensions. The

#### DIAGRAM 7.5

**In this Report, the achievement of the objectives and targets contained in the 2030 Agenda for Sustainable Development is considered from a multidimensional perspective**



Source: Prepared by the authors.

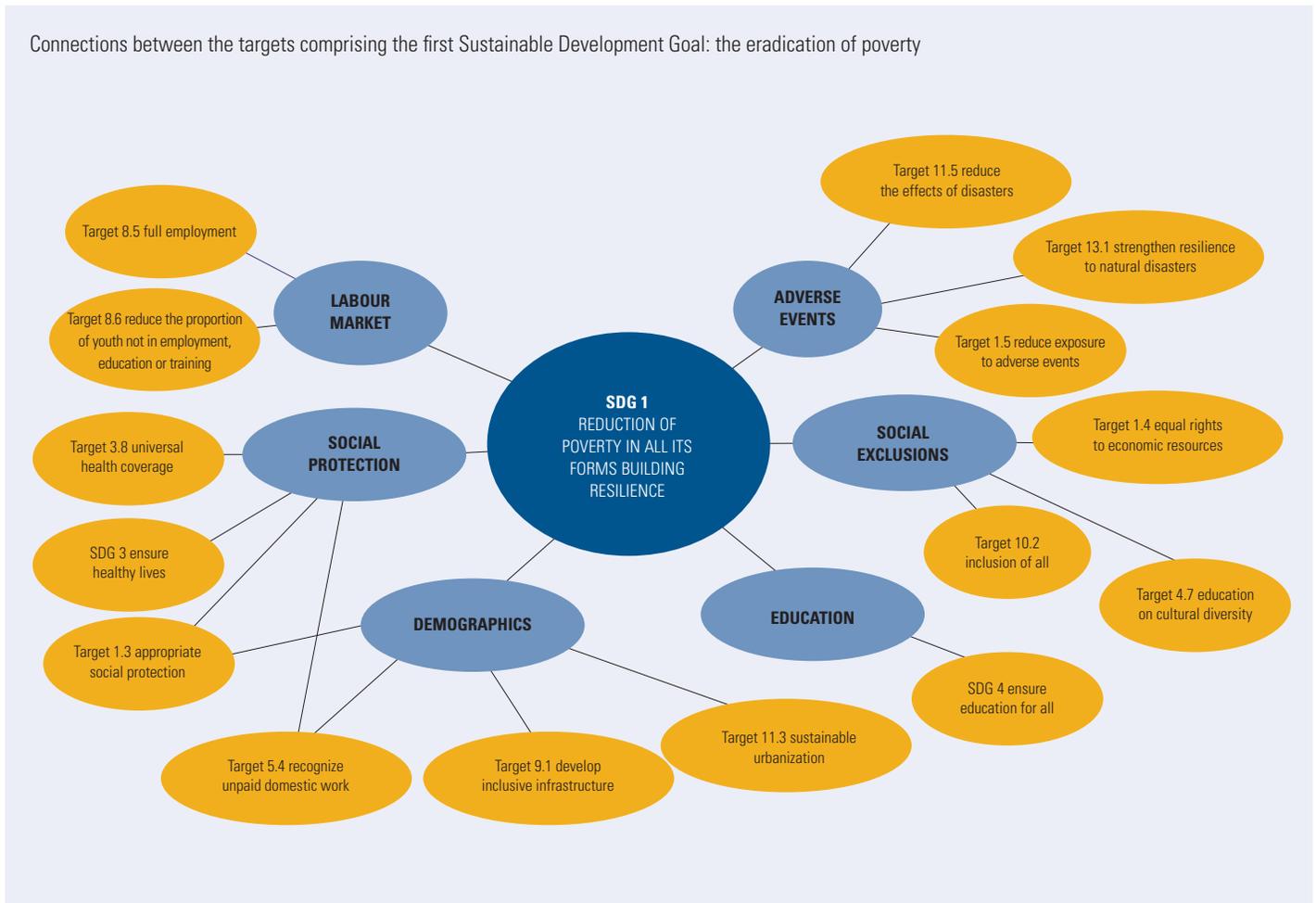
second temptation is to break down the 2030 Agenda, gap-by-gap, sector-by-sector. In this case, identifying a critical mass of interventions has a greater impact than promoting dozens of actions with a low level of funding, high territorial dispersion and high bureaucratic fragmentation. If political decision makers can increasingly and persistently focus their attention on strategic and structural matters, there will be a better chance of achieving sustained impacts.

A prior analysis of measurements and drivers of change enables us to identify the examples of clusters of targets illustrated in diagrams 7.6 and 7.7. For example, an

approach focusing on the eradication of poverty (SDG 1) is supported by the information available from the breakdown of data on income poverty and multidimensional poverty, as well as long-term trends illustrating a structural situation characterized by the presence of hard exclusions. In order to make progress on poverty eradication, 20 to 30 targets are set linked to employment and social and environmental issues, as well as gender equality, the prevention of natural disasters, climate change, and access to assets that can strengthen people's capacity to weather a crisis. Only a holistic, intersectoral agenda makes it possible to address the

#### DIAGRAM 7.6

**The achievement of the goals and their targets requires interventions based on an integrated focus that enables the connections and synergies between these targets to be identified, in line with the specific priorities of each country**



Source: Prepared by the authors based on the correlation of indicators carried out according to data taken from household surveys.

Note: The grouping of the Sustainable Development Goals (SDGs) is not restricted to the connections discussed here.

interconnections that exist within this critical mass of interventions.

Another example of a grouping of targets is illustrated in diagram 7.7, which sets out the cluster of targets required for the achievement of SDG 16, linked to the promotion of inclusive, fairer societies. This new grouping of targets deals with fundamental issues concerning the promotion of citizen security and inclusion, which encompass spheres such as youth employment, young people at risk, urban development, work to combat gender-based violence, the quality of institutions, and information systems that track changes in households and communities at

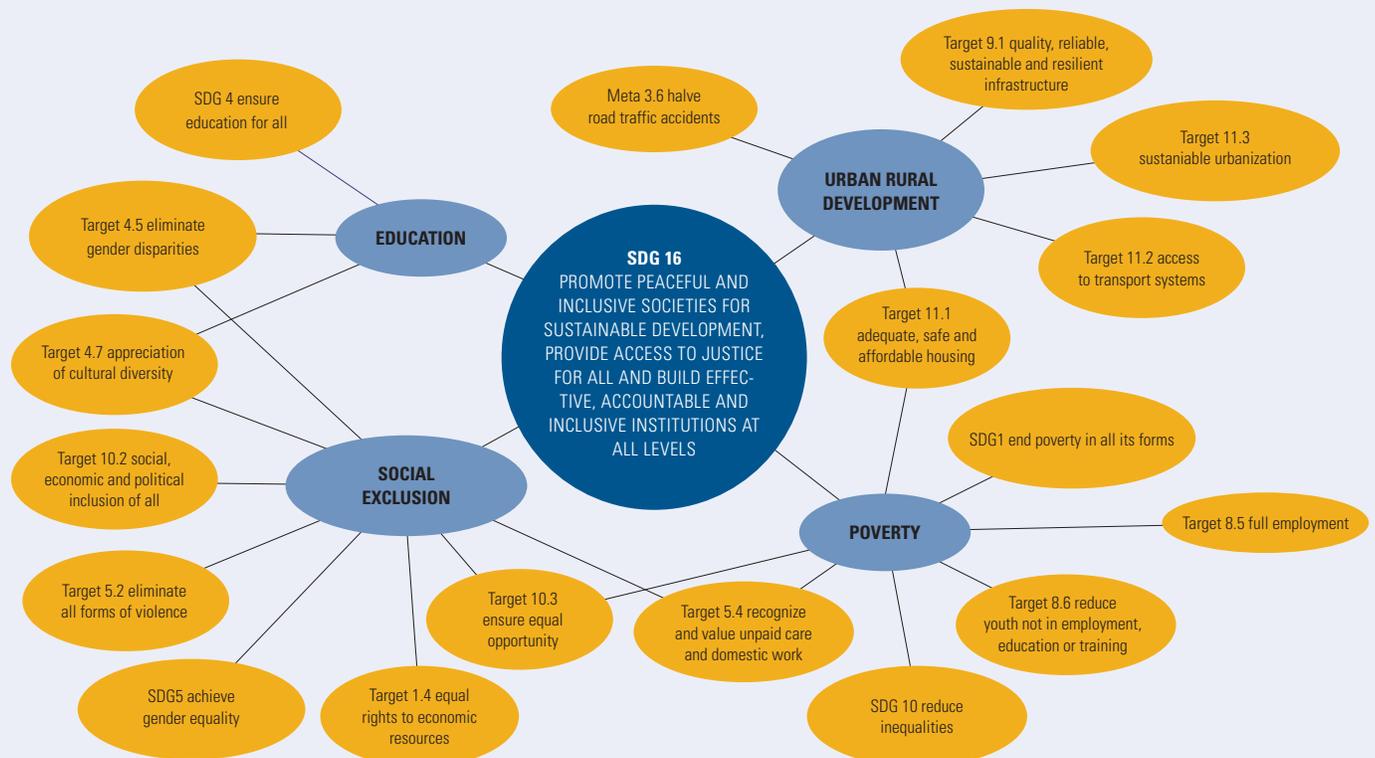
the neighbourhood level. This cluster also includes 20 to 30 SDG targets linked to an integrated policy approach. As an example of this, we might examine the case of the Government of El Salvador, which is working on SDG 16, linking the goal of citizen security to other targets in social, economic and environmental dimensions.<sup>77</sup>

This grouping approach, illustrated by the case of SDG 1 and SDG 16, sets out a strategy to implement policies aimed at achieving the SDGs in the region's countries. It demonstrates the multidimensional scope of each public policy objective and is key to accelerating the achievement of the goals.

DIAGRAM 7.7

**What drives the achievement of SDG 16? Defining clusters of targets that allow connections and synergies between targets to be identified, based on the specific objectives of each country**

Connections between the targets that make up SDG 16: promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels



Source: Prepared by the authors based on the correlation of indicators carried out according to data taken from household surveys.

Note: The grouping of the Sustainable Development Goals (SDGs) is not restricted to the connections discussed here.

Understanding how the targets are interconnected helps guide policymakers in identifying the specific areas that require political actions to be implemented in order to achieve the desired results. This approach also makes it possible to prioritize the creation of indicators for monitoring those targets that contribute to the achievement of the specific agenda in each country. Ultimately, it enables areas to be identified where there are structural problems that need to be addressed through democratic dialogue, the creation of a consensus, the strengthening of institutions, and so on.

The definition of clusters of targets will provide a starting point for the intersectoral and inter-territorial coordination of policies. Moreover, exercises to accelerate achievements by eliminating obstacles to specific targets can be used to expand the impact of a group of targets. The definition of clusters of targets will also clarify the action of sectoral ministries, subnational government levels and specialized agencies providing real political support. Political dialogue, coordination and

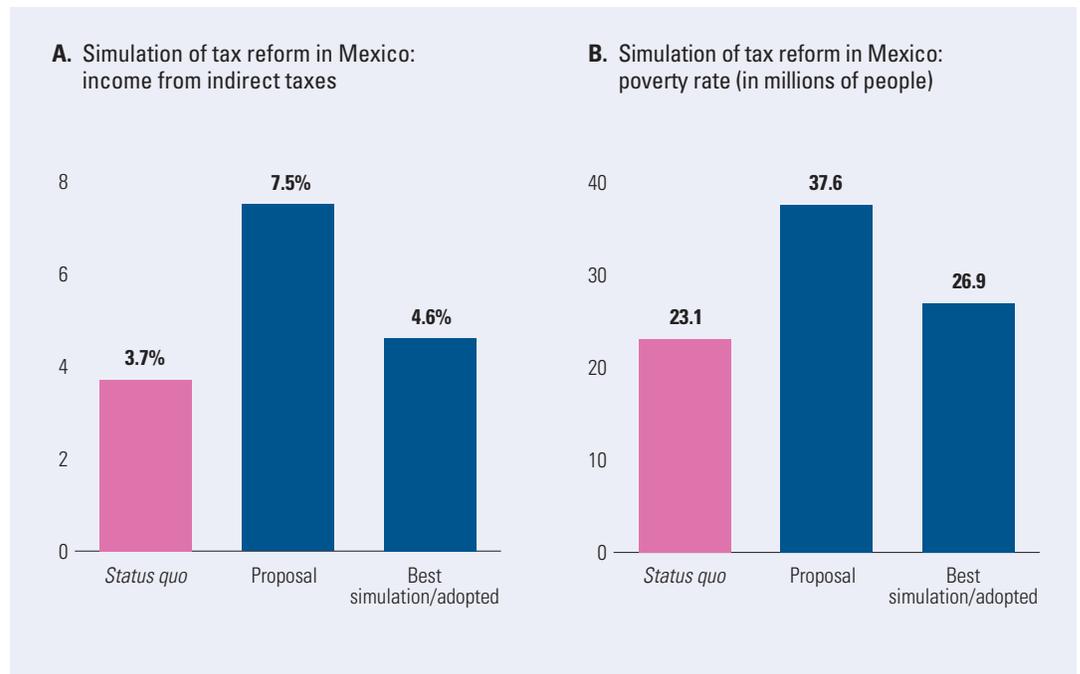
the exchange of information will be essential throughout this process.

### 7.3.3 The third step: finding fiscal space for the achievement of the SDGs

Fiscal space constitutes a real restriction to the acceleration of social, economic and environmental achievements. In middle-income countries and SIDS, tax revenues are among the most important sources of financing for development. The Third International Conference on Financing for Development held in Addis Ababa, which was included in SDG 17, refocused the debate towards a comprehensive approach to financing that went beyond official development aid to encompass tax revenue, private investment, trade and technology transfers. Given that the 2030 Agenda is a more ambitious and integrated development agenda, the change from a concept based solely on aid to a concept based on the role of tax resources,

FIGURE 7.2

**During recent years, UNDP has worked with the region's countries to carry out microsimulations analysing the impact of alternative policies on poverty and inequality trends**



Source: Prepared by the authors based on information from the National Institute of Statistics and Geography (INEGI) and tax information on the United Mexican States.

including tax evasion and avoidance, has become a critical issue.

A research programme on the influence of taxation in the region (Lustig et al., 2016) has established a rigorous baseline on the functioning of tax transfers, subsidies and taxation, services in kind, or services to the benefit or detriment of progressive tax policies that favour the population living above and below the poverty line. Two characteristics of this research have consequences for the 2030 Agenda. The first has to do with the wide variety of taxpayers and net beneficiaries of post-tax revenue in the region. In Latin America, net contributors to Government, for whom cash transfers and subsidies amount to less than what they pay in taxes, are found in the lower deciles (third to seventh). This situation affects many more poor and vulnerable homes in the region compared with the levels observed in OECD countries. The second characteristic has to do with the special role of regressive taxes, which are generally linked to value added taxes. These taxes have a huge regressive effect on the post-tax situation of the region's households.

During recent years, the debate has shifted from taxation to fiscal space. In the Caribbean, this has meant tackling high

levels of public and private debt. In Latin America, this change means addressing the progressiveness of current policy on taxation, subsidies and transfers. During recent years, UNDP has worked with the region's countries to carry out microsimulations analysing the impact of alternative policies on poverty and inequality trends. In Mexico, for example, microsimulations served to support the work of the Government on the comprehensive tax reform carried out in 2013. These tax simulations, which were performed in conjunction with the Secretariat for Social Development, emphasized the costs and benefits of value added taxes for baskets of food and medicine. The reformed fiscal policy made it possible to prevent approximately 14 million people from falling back into poverty.

The region has registered a strong demand for tools that are capable of providing systematic measurements on the effect of existing taxation systems, subsidies and transfers, and also of carrying out microsimulations of the potential distributive impact of social, economic and environmental policies. Tax tools will guarantee the implementation of a transformative development agenda in the region.

## BOX 7.2

### The Caribbean SIDS and the fiscal space: the need for a space for debt and conditional financing

Thanks to high debt-to-GDP ratios and their restricted fiscal space, many of the Caribbean's SIDS have not been able to use solid social protection programmes to respond adequately to the dire economic conditions. Many people fear that the question of debt in various SIDS in the Caribbean will continue to prevent economic and social progress, believing that this problem needs to be actively addressed, particularly if states are to comply fully with the SDGs. Although the debt-to-GDP ratio varies enormously among the SIDS of the Caribbean — reaching its highest level in Jamaica at some 135 per cent in 2013 and its lowest level in Montserrat at just 4 per cent in 2013 — it is important to remember that of the 20 countries in the world with the highest levels of debt in 2013, five were located in the Caribbean SIDS:



Antigua and Barbuda, Barbados, Grenada, Jamaica and San Cristobal and Nieves (ECLAC, 2015). According to ECLAC (2015), the majority of this debt has been accumulated when managing the effects of natural disasters and other external upheavals. It is not, therefore, the result of particularly bad or irresponsible management of fiscal affairs.

During the Third International Conference on Financing for Development held in July 2015, ECLAC published debt relief proposals for the Caribbean, highlighting the enormous debt burden suffered by some countries in the region, as well as the urgent need to deal with this issue in order to promote economic resilience and implement the SDGs. The proposal is based on two main ideas: a gradual write-off of total multilateral external public debt and the creation of a Caribbean resilience fund. The proposal is for those countries that would benefit from debt relief to make an annual payment to a common fund that would only be used for boosting growth, reducing poverty or protecting the environment (ECLAC, 2015). One of the aims is to create a

fund that might provide an anti-cyclical response to negative external shocks, to foster stability in the region.

Another motive for actively seeking a solution to this problem is that the middle-income or high-income status of many of these countries (depending on their gross national income) means that they have been excluded from being able to receive financing in favourable conditions. In July 2015, UNDP published a report on this matter, which recommends reviewing the eligibility criteria governing access to financing in favourable conditions. The main recommendation is the inclusion of the economic vulnerability index as a criterion for determining access to financing in favourable conditions — as opposed to basing such decisions solely on gross national income. This would reflect a more holistic vision of the situation of Caribbean SIDS (UNDP, 2015a). The report recommends the creation of a fund for Caribbean SIDS dedicated to aspects relating to natural risks and climate change, as well as the promotion of access to financing in favourable conditions and a return in these countries to global equity markets.

Source: Prepared by the authors based on information from UNDP (2012).

### BOX 7.3

#### Latin America and the Caribbean: a pioneering region on the Sustainable Development Goals agenda

The 2030 Agenda for Sustainable Development originated with the United Nations Conference on Sustainable Development (Rio+20) held in Brazil in 2012. The Colombian delegation proposed a series of **Sustainable Development Goals** (SDGs) based on the Millennium Development Goals (MDGs). Among the themes addressed by the Colombian proposal were the following: the fight against inequality to eradicate extreme poverty; food security, focusing on small-scale farmers; the smart use of water as a vital resource and energy source; the implementation of sustainable energy; the definition of targets concerning infrastructure, housing, public health, waste management and recycling, aqueducts and sewage, and energy; care for the oceans, and the generation of “green jobs” that work towards the conservation of the planet.<sup>78</sup> Colombia presented this proposal — which was produced by the Directorate of Economic, Social and Environmental Affairs of the Colombian Ministry of Foreign Relations in January 2011 — in Indonesia in July 2011. It was then included in the formal agenda of the Rio+20 Conference.

During the conference, it was agreed that a post-2015 SDG agenda would be created, including SDGs relating to the three dimensions of sustainable development (economic, social and environmental).<sup>79</sup>

The 2030 Agenda was also fed by the contribution of Latin American experts sitting on the High-Level Panel on Post-2015 Development Agenda.<sup>80</sup> This panel, which was established in July 2012 by the Secretary-General of the United Nations, Ban Ki-Moon, advised on the global framework agreed for post-2015 development. Comprising 27 experts from all over the world, the panel had three Latin American members: Gisela Alonso (Cuba), Patricia Espinosa (Mexico) and Izabella Teixeira (Brazil).

The Open Working Group on Sustainable Development Goals set up after the Rio+20 Conference was responsible for proposing 17 goals and 169 targets for sustainable development to the General Assembly of the United Nations (United Nations, 2014). This Working Group included various delegations from the region of Latin America and the Caribbean.

**Excerpt of the Resolution approved at the United Nations Conference on Sustainable Development (Rio+20) on the establishment of the Sustainable Development Goals<sup>81</sup>**

United Nations A/RES/66/288\*

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**General Assembly**

Distr.: General  
11 September 2012

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Sixty-sixth session  
Agenda item 19

**Resolution adopted by the General Assembly on 27 July 2012**

*[without reference to a Main Committee (A/66/L.56)]*

**66/288. The future we want**

246. We recognize that the development of goals could also be useful for pursuing focused and coherent action on sustainable development. We further recognize the importance and utility of a set of sustainable development goals, based on Agenda 21 and the Johannesburg Plan of Implementation, which fully respect all the Rio Principles, taking into account different national circumstances, capacities and priorities, are consistent with international law, build upon commitments already made and contribute to the full implementation of the outcomes of all major summits in the economic, social and environmental fields, including the present outcome document. The goals should address and incorporate in a balanced way all three dimensions of sustainable development and their interlinkages. They should be coherent with and integrated into the United Nations development agenda beyond 2015, thus contributing to the

Source: United Nations (2012).

Source: Prepared by the authors based on information consulted in United Nations (2012 and 2014).

## 7.4 Conclusions

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The 2030 Agenda does not mean “more of the same” in the sphere of development. The goals and targets set in September 2015 are holistic and pave the way for new ways of thinking and working. They require a multidimensional analysis to identify the trends and drivers of change in various dimensions of well-being, as well as coordinated, intersectoral action to multiply the impacts of public policy.

For the countries of the region, the 2030 Agenda means overcoming structural barriers that prevent sustainable development and multidimensional progress over the long term. In the Caribbean, the ongoing tasks involve reducing the debt burden, tackling the risks associated with natural disasters and climate

change, and overcoming the issues of scale affecting SIDS. In Latin America, the production pattern needs to be diversified, while the tax base must be expanded and resilience built through the construction of universal protection and care systems.

During the next 15 years, public policy actions in Latin America and the Caribbean will make the transition from an approach based on interventions implemented gap-by-gap to an approach based on integrated packages of policies. The approach based on defining clusters of targets from a probabilistic analysis and measurement that go beyond income constitutes the starting point for generating a specific agenda for the achievement of the SDGs in each of the region’s countries.

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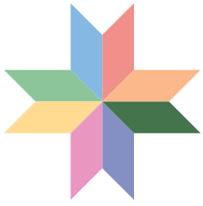
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# People's aspirations for progress





# People's aspirations for progress

“Progress is advancement, having a decent and sustainable life, changing a negative situation into a positive one, moving forward both on a personal and on a family level.”

*Youth Group, Lima, Peru*

“Progress is giving my children more opportunities and choices so that their lives are not restricted...When you mention progress, I think of my children and a better life for them. Progress is seeing our families multiply [*Nou fè pwogrè kan mèm, fanmi multiplie, gen pwogrè ki fèt la*].”

*Women's focus group, Haiti*

“Progress is when you have meaning in your life, a better future that guides your existence [*Ter um sentido na vida, um horizonte maior que direcione a própria existência, esse é o maior progresso que tem*].”

*Focus group, Matto Grosso, Brazil*

## Introduction

When explaining the human development approach, the economist Mahbub ul Haq states three things. First, that human development must be understood as a process that widens people's choices by giving them more skills and more opportunities to use those skills. Second, that income is a variable that contributes significantly to ensure that benefits result in life opportunities for people. Third, the choices implied by human development mean that people need to have an influence over the processes that shape their lives and therefore need to be able to participate in decision-making, and in implementing and following up those decisions.

As noted by Amartya Sen and Mahbub ul Haq, people's experiences do not take place in an isolated manner, nor do they evaluate them separately in compartments related to health, housing or income. They are instead a fluid story that forms a narrative arc anchored in one concrete reference point — one's own past, in comparison with the experiences of others or in contrast with one's own aspirations.<sup>82</sup> These “beings” and “doings”, which result in words and reflections, are no less objective than the hard data presented in previous chapters of this Report. They reflect the representations and imaginaries that are available to explain what is and is not valuable in someone's experience. The emerging polysemy — the many definitions of “beings” and “doings” — refers to aspirations that function like a fluid border in countries undergoing significant processes of social transformation.

This chapter offers a number of testimonials to these aspirations. These testimonials weave descriptions of past and future representations, and enable a number of subtle issues to be captured that are not picked up by the survey data: in particular, people's capacity for agency in terms of taking control of the means and ends in one's own life. The testimonials given in this chapter are the result of qualitative research<sup>83</sup> aimed at bringing hundreds of people together from 22 countries of the region<sup>84</sup> in order to give them a voice with which to express what progress means to them and their experiences of it, and to explain what they do to make progress in their lives. The qualitative research was managed — and, in most cases, implemented — by teams from 17 UNDP country offices in the region.

The focus groups enabled different voices, experiences and views to be captured from: women and men; adolescents, adults and the elderly; rural and urban dwellers; people living in poverty, vulnerable people and those of the middle classes; people displaced by armed conflict and natural disasters or by the presence of criminal gangs; people now living in other countries (particularly the US) where they make up the diaspora; Latin American and Caribbean people with disabilities; people living with HIV; indigenous and Afro-descendant peoples; people of different sexual orientations (LGBTI); the unemployed and employees, either with precarious jobs or successfully employed in different branches of economic activity.

The chapter consists of four sections and an introduction. The first section looks at how people understand progress in the region. The second gives people's assessments of how "beings" and "doings" take place in the different spheres or dimensions of their lives. The third part describes the strategies, obstacles and challenges involved in making progress. Lastly, some reflections based on the findings are offered as a conclusion to the chapter.

## 8.1 What progress means to people in Latin America and the Caribbean

People's understanding of progress depends on time and place. An open conversation was held in the focus groups regarding the meaning of this notion (which varies from person to person) and on the perceptions and elements associated with it. This section presents the output of all the focus group sessions that took place in the region. One finding that emerges clearly is the link between the notion of time and the idea of achievements that are fragile and fleeting, and achievements that are cumulative and lasting.

### 8.1.1 The meanings of progress

The following question was asked in the different countries of the region:

"Well now. As we have talked a bit about the situation here, and some of you have mentioned the word progress, could you tell me your understanding of this word?"

*Moderator*

Some of the responses are given below:

"[It's] a beautiful thing, isn't it? It comprises many things. It is advancement, growth, improvement, upliftment, family well-being, being financially comfortable."

*Focus group, Bolivia*

"It's when life is going a bit better... At least, you have your own home, don't have to struggle quite so much, no longer drifting here and there with nowhere to live. Progress is *working hard*, making a living [in my case] picking coffee and *working at it* to see how much you can earn."

*Focus group, Costa Rica*

"Progress is when everyone in our community improves. If someone improves but simply keeps it for themselves then this is not progress for us."

*Focus group of indigenous people, Tena, Ecuador*

Progress, from the narrative of the study participants, is often associated with having economic resources or material goods; with having a life plan that enables personal development; with the possibility of feeling satisfaction, happiness and love; with achieving family well-being and well-being for one's children; with having values and virtues, such as perseverance; or with the possibility of being in touch with nature. More opportunities, equal conditions and the possibility of a choice also give meaning to the term progress for people in the region, and these notions are not necessarily associated with material elements but with a variety of circumstances that have to occur or be produced in the social environment and which, when achieved,

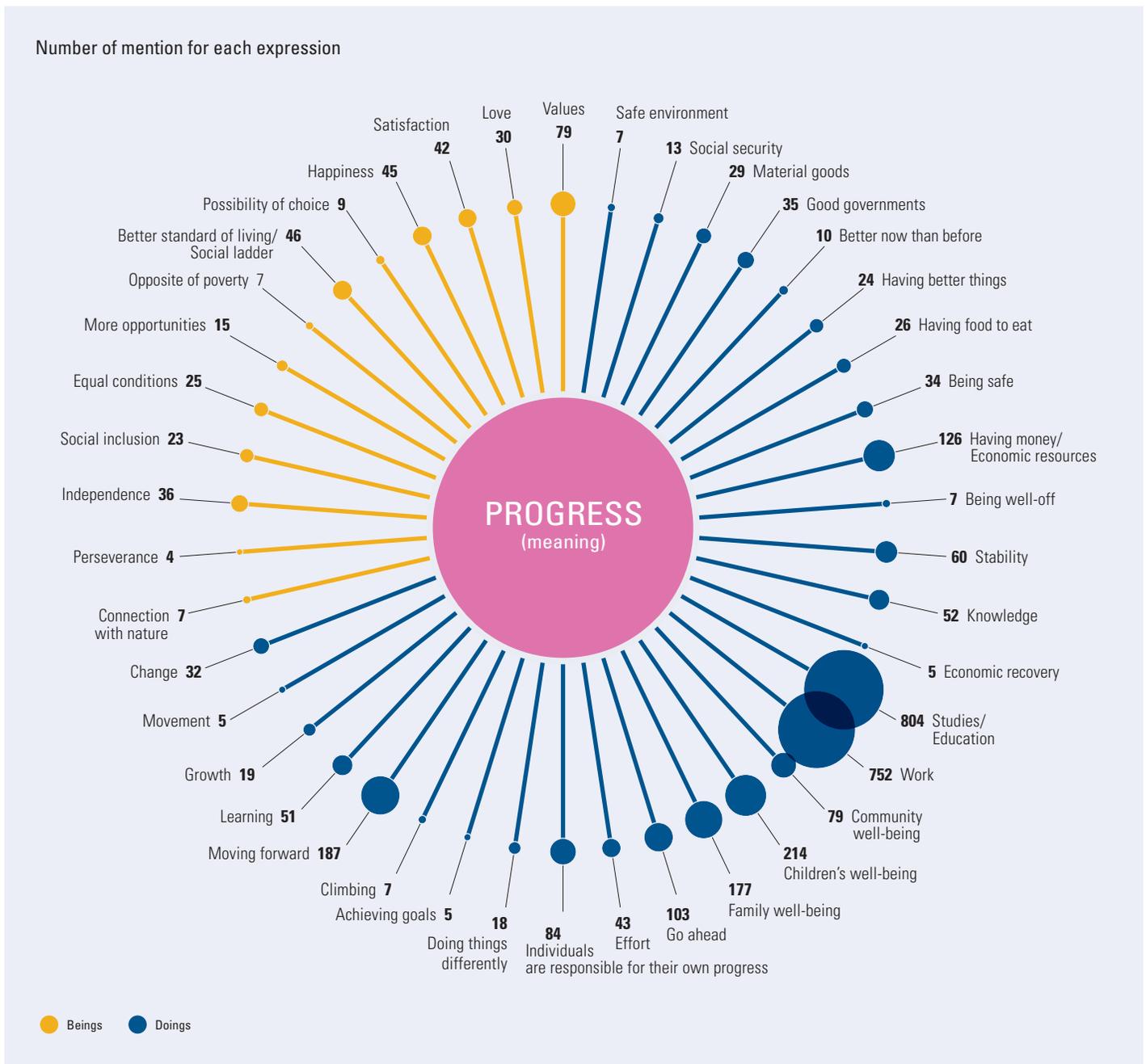
are evidence of human progress (see diagram 8.1).<sup>85</sup>

The term *progress*, as already suggested in the first Human Development Report in 1990, is used by people in their daily lives. Given the extent of its use and its widespread understanding, it meets the necessary

conditions for use as a wide-ranging analytical concept, especially as it also has a number of attributes (as will be seen in the second part of this chapter) that give it an advantage over other alternative terms in use, such as well-being, development, mobility and harmony.

DIAGRAM 8.1

Visions of progress in Latin America and the Caribbean



Source: Prepared by the authors based on the results of qualitative research commissioned for this Report.

### 8.1.2 A dynamic understanding of progress

Progress means considering one particular moment in life in relation to another: it involves a combination of past and present or of present with a planned future. Progress involves time. Many also relate it to an idea of not moving backwards, of at least remaining in one's current situation, i.e. linking the notion of progress with stability. For others, particularly the middle classes, this equates to stagnation.

A better explanation was given by an elderly man living in an urban settlement in Dajabón Province, on the border between the Dominican Republic and Haiti, who said:

"I see progress as being between previous years and now. To go to school, I used to walk 14 kms on foot with my shoes in my hand, here on my shoulder, so as not to wear them out. I wouldn't put them on until I got to school as they had to last me the whole year... It's not like that now, there are schools nearby."

*Focus group,  
Dajabón Province, Dominican Republic*

In a similar vein, young Chileans from Santiago stated:

"Well in my opinion I think the concept of progress means something long-term, lasting."

*Focus group, Santiago, Chile*

This nature of progress over time also appears in the narrative of young people:

"Well you know, as a kid, I feel that the situation is pretty difficult. To the point that, when I ask my father about it, he says it wasn't so hard to make progress in the past. What's more, he says that he wouldn't have got where he is if he had to do it again today."

*Focus group,  
Altos del Matanzas, El Salvador*

There are people who, despite the years that have passed, remember the moment when progress ground to a halt:

"Progress? There's no more of that. There was good progress between 2005 and 2009, progress in people, there was education and other things. Everything went downhill in 2010. In Rock Dundo where I live, you see young unemployed people on the streets." Focus group, Barbados

A very similar story came out of a discussion group in Colombia:

"I think progress quickly went downhill when we were displaced. Before that, we had land and we knew how to work it. We had to move to the city where we are completely out of place, like fish out of water."

*Focus group, Colombia*

For many people consulted, in particular the youth, the hope or opportunity of progress thus lies in the very distant future:

"It won't happen overnight, it takes effort to make it happen."

*Focus group, Nicaragua*

"I think that the studies we have achieved through our efforts and dedication are going to help us improve."

*Focus group, Lima, Peru*

### 8.1.3 Progress is not linear but consists of gradual achievements with peaks and troughs

"It is like a... It is a false sense of reality. We get a picture as if anything is ok but the reality it is fake... The authorities try to use more colourful words to describe the situation. But the reality that most of we face is opposite... Images are being created when nothing don't go so... I guess they are good with words. You know growth and whatever, but when you see the reality, there is no growth."

*Focus group, Jamaica*

The narrative of progress refers to improvements in certain areas of life, although this does not prevent people from recognizing weaknesses and shortcomings in other areas or dimensions. It does not refer to a state of total fulfilment but of gradual achievements and conquests. There are ups and downs in the “process of progress”, pitfalls and obstacles that have to be overcome to achieve the desired aspirations. Progress requires people to perceive these difficulties as new opportunities for growth, and not allow themselves to be overcome by them. It takes sacrifice and hardship.

“I emigrated to the United States because I wanted to better myself. My three kids wanted another kind of life, and so we all came, 11 years ago, to find a better life. To begin with, I felt alone. I didn’t feel like I understood anyone nor that anyone understood me. You get to the point where you feel you are treading water, and that you really have to make a very big sacrifice between working and how you organize yourself.”

*Caribbean migrant woman,  
member of the focus group of Latin American  
diaspora living in the United States*

In some places, it is essential to have an internal capacity to overcome failure; for example, in areas where the effects of climate change have been acutely felt or where there are inclement conditions that represent a constant threat to the progress being made by people. In these cases, the desire for progress requires unusual strength:

“The Enriquillo Lake began to rise from 2007 on, as a result of Tropical Storm Olga. Well, this lake, it has to be said, has risen so much that it’s affecting the farmers’ lives; our social lives take place along the coast of the lake, our lives are there. Once we began to feel the effects of the lake, there were fewer people, people had to leave, some for Spain, others for the capital, and we who stayed were the heroes, bearing all the difficulties arising due to the lake.”

*Focus group in the area of Enriquillo Lake,  
Dominican Republic*

Life improvements are not spontaneous or linear but take place unevenly over time. The following comment, from an inhabitant of Guanacaste, Costa Rica, exemplifies this perception:

“It is a balance: sometimes good, sometimes bad, sometimes we don’t want to accept it...this is how life goes.”

*Focus group, Guanacaste, Costa Rica*

A large number of testimonies indicate that there have been life improvements even for people who are living in poverty. In Nuevo Amanecer community in El Salvador, one of the communities experiencing the worse deprivations of all communities involved in the consultation in that country, a woman stated:

“We are lucky to have a dry roof over our heads. We may still live in poverty, without decent food, but before this we didn’t even eat and, what’s more, we got wet when it rained.”

*Focus group,  
Nuevo Amanecer, El Salvador*

#### 8.1.4 Three kinds of progress: progress that never arrived, elusive and unbalanced progress and progress that is here to stay

Some of those consulted spoke optimistically about their lives and the opportunities they had been given to grow and achieve what their parents wanted for them: “That they are better, do better than me, and can be something I never could.” This path of progress is typified as *progress that is here to stay*. Alongside these life paths, other people offer a narrative of intermittent progress: “sometimes there, sometimes not.” These conversations refer to sacrifice, to difficult situations of having to choose between one aspect of progress and another, and the heroism that it takes to overcome the vagaries of life. These elements refer to so-called *elusive and unbalanced progress*. In turn, there is also a third narrative in Latin American and Caribbean society that refers to *progress that never arrived*.

#### 8.1.4.1 Progress that never arrived (and seems like it never will)

There are a group of people for whom progress has not formed a part of their life experiences. In their narratives, they state that their situation has remained the same over time (they suffer the same deprivations as their predecessors) or they unhappily relate their life paths and even identify themselves as living in poverty. A recurring example of this situation can be seen in the numerous cases of teenage pregnancies, above all in rural communities, which result in reduced possibilities for women in terms of achieving greater personal, family and social development. When asked why some people felt that progress was not something they had experienced in their lives, the following was an example of the responses obtained:

“We live in deprivation, in poverty, it’s got to be said: we are poor. Because this is what [the land] we used to live on. When we left here, our project came to an end. There’s nothing else.”

*Focus group of people displaced by the armed conflict, Colombia*

Repeated reference is made to the lack of work, as this is the only way people can see any way out of their current predicament.

“If there is work, people can progress because it is a source of income and health for all.”

*Focus group, Honduras*

The following was stated in the Dominican Republic with regard to teenage pregnancies:

“From my point of view, for me, it is a big problem because teenagers are not ready, they are not old enough and, what’s more, we do not have enough doctors...”

*Focus group, Dominican Republic*

“As we said at the start, young people here have no work and so they often drop out of school either because they have a child to look after or their dad can’t pay for the studies as they don’t

have enough money, at least not enough to be able to go to school.”

*Focus group, Dominican Republic*

#### 8.1.4.2 Elusive and unbalanced progress

For some people, progress has been and gone. The narrative of their lives is one of ups and downs, subtle progress followed by periods in which they lose what they had achieved or make only temporary gains. In some cases it was also noted that progress had occurred in some dimensions but not in others, with these latter being those of most importance to people.

“It’s not that we had everything but we felt good with our little house and the few animals we had. And then, all of a sudden, a storm came and lasted six hours. We lost everything. It’s no lie, in the blink of an eye we were out on the street.”

*Focus group, rural sector of Santa Clara, Ecuador*

“The rise in the lake has resulted in increased poverty in the community, it has meant reduced sources of income, reduced production, even reduced tourism and it has had a really negative impact, for example on family nutrition because of the reduced supply of produce, and the cost of food, too.”

*Focus group, Dominican Republic*

“Well look, I’m OK now but [in Mexico] I was a public accountant, I had a good job, I came here to be with my husband... And obviously I can’t say I’m badly off but I’m not getting anywhere, I clean toilets, do people’s housework... The only thing that makes me happy, successful, is knowing that my children will have a better life. [...] For me, the concept of well-being changed, my priority now is no longer academia but bringing up my daughter. So I’m not going to go for a Master’s, and sacrifice my daughter’s life.”

*Migrant woman, member of the focus group of the Latin American diaspora living in the United States*



## BOX 8.1

**What are people's perceptions and how can we capture them?**

Perceptions refer to a knowledge of people's feelings, and these feelings also have cognitive consequences: they can result in a re-assessment of the situation that caused them in the first place (Elster, 2007). In other words, they can become a source of information for decision-making as they enable information to be produced for use in context analyses, as well as enabling specific situations to be read, comparisons to be made and structural social problems to be recognized. They are, in this regard, also useful in the process of producing public policy given that they can form an input when formulating, monitoring and evaluating such policies (Timaná, 2014).

Focus groups are one of the best ways of gaining an in-depth understanding of the personal attitudes, feelings, beliefs and experiences of participants. These groups are particularly useful when seeking to achieve one of the following objectives: i) formulating new hypotheses with which to strengthen research; ii) shedding light on a research issue when it is complicated, complex and generating a wide number of variables; iii) validating, clarifying and delving in more depth into previously-obtained results; iv) understanding people's perceptions; v) strengthening other instruments or findings in order to generate data in an investigation; or vi) verifying consumer satisfaction (Beck, Bryman and Futing, 2004; Rigler, 1987; Parra, 2005).

Although this kind of tool has its advantages, there are also some potential difficulties. According to Parra (2005), the limited number of

people who take part in focus groups means that the sample may not be particularly representative. Moreover, a lack of independence may arise in the results due to the way the discussion is handled or the actual responses themselves that are generated within a group. In addition, some people may not participate fully due to shyness or being crowded out by more vocal participants.

In order to capture perceptions, it is therefore advisable to supplement the use of focus groups with other techniques such as in-depth interviews. According to Taylor and Bogdan (1987), it is advisable to use in-depth interviews when you wish to delve deeper into a life story or address sensitive issues, or when you are seeking to obtain information on events or activities where the responses do not always follow a standardized form. This tool also has its disadvantages because, in actual fact, interviewees may make false statements; they may exaggerate or distort stories, accounts and descriptions; people's words may not reflect their actions or, if the person conducting the interview has insufficient understanding of the day-to-day life of the people being interviewed, important perceptions may not be fully understood, having occurred in an unknown context.

Despite all this, both tools enable different kinds of people to participate, and in different contexts. They are versatile tools that provide plentiful information and their usefulness depends on the clarity of the objectives set and the extent of prior planning.

Source: Prepared by the authors based on information consulted in Escobar and Bonilla Jiménez (2009) and Taylor and Bogdan (1987).

want us to talk about progress generally or specifically?" We are taking the multifaceted nature of progress as a given, and so this section of the chapter will look at this multiplicity. It is important to note that the testimonies obtained offer very different viewpoints as they come from people with different backgrounds and different life experiences. The angles from which people perceive and narrate their progress therefore vary: some refer to achievements and others to deprivations.

In this narrative arc, however, there are some dimensions that are considered a priority by all: work and education. These dimensions are mutually reinforcing: a good level of education may — and we say *may* because this is not necessarily the case — be a way for a person to obtain work of such

a nature that they are able to feel fulfilled. This work, in turn, can initiate a process of transformation that results in continued investment in their, or their children's, education. It also allows you to access goods and services that require a certain level of income. These two dimensions are therefore considered to lie at the heart of progress. In the language of the capabilities approach, these are dimensions that enable one to be, to do and also to have.

The capability to be, to do and to have, however, may be at risk if the security dimension is weak or non-existent. Many of the people who participated in the focus groups therefore felt that work, education and security were the three fundamental aspects<sup>86</sup> that determine whether progress can be achieved in the region or not.

## 8.2.1 “Doing”: education, work and income

“When you get education and then opportunities, money will come after. Money is a sure thing.”

*Focus group, Barbados*

### 8.2.1.1 Without work, there’s no progress

Not having work of a certain desirability is something that “hits home equally hard” in the region. What do people say about work, and why is it so central to progress?

“You can obtain things through hard work, hard work... Yes, through pure effort and a great deal of work.”

*Focus group, member of the Latin American diaspora living in the United States*

“There are many reasons why someone may not work, because they are not skilled, because they have been held back, because everyone has a life, a history behind them.”

*Housewife, Santiago, Chile*

The relationship between progress and poverty is exemplified by the desire for high quality employment. In Ecuador, focus group participants stated:

“Poverty is when you don’t have a stable job, you drift here and there, looking for work, just so that you can put a meal on the table at the end of the day.”

*Focus group, La Isla, Ecuador*

“Lack of work, I mean there is work here but it is temporary, six-month or one-year contracts and that’s it, then you have to start looking again.”

*Focus group, Santa Isabella, Ecuador*

There are also numerous accounts of the effects of discrimination, economic adjustment and jobs lost because of crisis situations. In Honduras, the people consulted shared their concern particularly with regard to environmental issues:

“The problem is a difficult one. I am a single mother and sometimes I sell fish but sometimes there isn’t anything to sell. When I have no fish sometimes I do washing and ironing. I have a 17-year-old son who helps me to fish and this is what we live off. But the situation is difficult and sometimes you pay out for expensive fuel for nothing, there’s no rain there’s nothing...we think it is the environment.”

*Focus group, Honduras*

At the same time, a focus group of LGBTI people in Uruguay gave the following testimonies:

“When you go for a job interview it’s difficult... from what you wear to your body language, it’s all a problem and you have to be very careful. If they realize your sexual orientation, that’s it, no job!”

*Focus group, Uruguay*

“They wouldn’t take me on as a traffic controller in the Montevideo traffic authority because I was obese.”

*Focus group, Uruguay*

### 8.2.1.2 Education: the key to greater opportunities

There is no common vision of the paths opened up by education. In some cases, education is identified as fundamental to building a better life. There is also a perception that the care and education received at home, along with the love of one’s parents when growing up and the transmission of values and guidelines, are all essential for a person to be able to later access formal education successfully.

Consequently, households where the nuclear family has been disrupted are affected by an infinitesimal number of consequences, as noted in the following testimony:

“Personally you lose a great deal, no family, family networks here are awful, particularly for families with children. There’s no social support network, you know where the grandma looks after the kids, uncle collects them, uncle or grandma tells them off because they did something

wrong. All of this is lost, the family is very isolated and has no capacity in this regard. As a result, in some ways, in terms of a lack of access to the human resources offered by family networks and friendships, where they come from, there is no payoff, it's a very high price to pay."

*Focus group, member of the Latin American diaspora living in the United States*

Education is also understood as a way of accessing good jobs. "Because the more you study, the more opportunities you have", said one individual in Cidade Estrutural, Brazil. However, there are also cases of people becoming disenchanted with education, which can end up being seen as a failed strategy for achieving progress. In these cases, instead of progress there is frustration. In Tacuarembó, Uruguay, a woman stated:

"I don't want to be constantly walking a tight-rope, just getting by. I would like to improve as a professional in the kitchen and complete secondary school. As I am a [female] head of household I can either study or work. If you work more than six hours you can't study because you don't get back from night school until eight and you have to look after your children."

*Focus group, Tacuarembó, Uruguay*

A similar situation was recounted in Ecuador:

"A good life would mean having a centre for them, a little school which we don't have here at the moment, we have to go elsewhere with our children. Also a nursery perhaps, because sometimes we work and don't have anyone to leave them with."

*Focus group, Ecuador*

In other countries, as well as sharing their experiences, the people consulted also offered some ideas:

"Techniques for finding jobs because they are very well-hidden, few young people know the programmes or the benefits, they want to help but it's all at a standstill."

*Focus group, Nauta-Iquitos, Peru*

"The gap that exists between the regions prevents education from taking place under

optimum conditions. Technological tools could help in this regard."

*Focus group, Arequipa, Peru*

For their part, indigenous participants in the focus group held in Ecuador stated:

"You also need to be careful, as the saying goes: 'be careful what you wish for'. Our children are now studying, yes, but they are losing their connection with nature, none of the activities relate to this. Do we want them to be professionals? Well, of course, but they come back afterwards and tell us we are ignorant, that what we have is no good, they look down on us. If we want our children's lives to be better [that they progress], our children have to learn, be educated from an Andean world view, in line with our customs and scientific situation, the two things have to go hand in hand."

*Focus group of indigenous people, Ecuador*

There were also many testimonies indicating that education has not solved the problem of finding paid work:

"The thing is, we're older here. So it's impossible to find work in Chile. Even if you're a highly specialized technician with all the international certifications, it's no good. After the age of 50 you won't find anything so anyone who hasn't reinvented themselves or doesn't have their own business stays there. That is the reality. Here degrees, postgraduate qualifications, even MBAs and international certificates are no good, worth nothing. You get to a certain age and it's no use to you. You have to reinvent yourself."

*Adult focus group, Santiago, Chile*

## 8.2.2 "Being": identity and belonging, health and rights

### 8.2.2.1 Identity, belonging and the importance of leisure

In addition to personally identifying with a group, belonging implies creating emotional bonds, adopting shared norms and habits,

and expressing a sense of solidarity with other members of the group. This cohesive force that is generated is often already present in the first circles of belonging. Identity and a sense of belonging are also dimensions that are evaluated when it comes to analysing progress. Consider, for example, the following testimony:

“We don’t belong here, we don’t belong there. We never fully stop being who we were there and nor do we ever really become Americans.”

*A member of the Latin American diaspora living in Chicago*

For people living in situations of poverty, the lack of leisure is a serious problem. In general terms, life revolves around everyday chores and children lack communal spaces for leisure, as explained by a girl from the San Julián community in Sonsonate:

“There’s nothing round here, so the other kids and I like to play at watching the motorbikes and bicycles as they pass by on Sundays... It would be great if we had just one place to play, or some swings near where we live.”

*Focus group, San Julián, Sonsonate, El Salvador*

There are also problems that affect children’s freedom, such as the lack of security:

“My dad is afraid of me going out to play football because he says that gangs hang about near the pitch... So we take turns to skate up and down our street instead.”

*Focus group, Santa Ana, El Salvador*

Fun and freedom are not only important for the children of a household, but for adults too.

“Working fewer hours, finishing up earlier to have quality of life and having leisure opportunities. Do you understand? I miss going out and being able to listen to music, going to art exhibitions, museums, for an ice cream. Do you understand? We are losing all that in Chile...”

*Focus group, Santiago, Chile*

“For me, well-being is about doing the things I want to do and having time to enjoy them. Being happy.”

*Focus group, Ecuador*

### 8.2.2.2 Health: timely access when required

When it comes to the dimension of health, progress implies access to quality health care, which means short waiting times, high-quality consultations and more affordable drugs when they are not available for free. The following testimony shows the importance of health:

“Poor health is the greatest form of poverty for human beings... There can be no progress without health.”

*Focus group, Dajabón, Dominican Republic*

Similarly, a man consulted in Uruguay expressed the following singular opinion regarding health care:

“I’ve been waiting eight months for an operation for a torn meniscus. There’s nothing you can do. You’re on the waiting list for six months. At first they didn’t want to do an MRI scan. If it was Suárez, they would have operated him right away.”

*Focus group, Tacuarembó, Uruguay*

Health is an indispensable aspect of progress, regardless of socioeconomic level. Improving one’s life depends on this crucial dimension:

“People are dying in hospitals because of a lack of care, a lack of materials, a lack of drugs, and a lack of equipment. Even though there are many doctors who want to save people’s lives, sometimes they just don’t have the materials, the means, and they just don’t have the staff. Why not hire more doctors? Why not give them more materials? For more people. To allow more people who are trained to start work.”

*Focus group, Bolivia*

In the specific case of women, concern was expressed regarding access to quality gynaecological care in public hospitals, as shown by this clear testimony from Bolivia:

“My brother’s baby died. When his wife became pregnant again, they decided to have the child privately through CIES [Health Research and Education Centre], instead of using the public system. The cost of a birth is around 8,000 bolivianos, but they’ve made the effort, to make sure everything is all right, so that they don’t have to worry about the same thing happening again.”

*Focus group, Bolivia*

Good health is not just a prerequisite for being able to work, but also for other aspects conducive to progress, such as education, as the following testimony explains:

“Some of us in my family have been able to study... One of the girls studied nursing, the youngest girl wanted to take out the basic education, but another fell ill... That meant I wasn’t able to pay for it, because I didn’t have money. We had to spend it on the nurse.”

*Focus group,  
La Esperanza, Honduras*

Progress is also associated with social justice, based on equal rights for all and giving all human beings the opportunity to benefit from economic and social progress, free from discrimination. Social justice requires social equality and equal opportunities.

“A society in which we live in harmony and respect and value each other. One in which people with different sexual opinions are valued.”

*Focus group of young people,  
Lima, Peru*

“If we were more knowledgeable, we would be able to recognize our rights.”

*Focus group, Peru*

## 8.2.3 “Having”: housing, basic services, transport and infrastructure

### 8.2.3.1 Having dignified housing with basic services

The following direct and simple explanation was given by a respondent from El Salvador when asked about what it meant to live in poverty:

“Well, just look at where I live: there are holes in the roof, sheet metal walls, an earthen floor, water that has to be carried, a toilet I feel embarrassed to let people use. We’re all bunched together, like pigs. Living in fear of being evicted from the land, which I don’t own, or a flood from the river, or a mudslide from that hill over there.”

*Focus group, El Salvador*

When people live in a situation of poverty, housing is one of the dimensions in which precariousness is most acutely felt. When the conversation turns to progress, housing is the dimension in which people want to see their effort and sacrifice materialize. It is one of the achievements that makes people proud, one of their greatest aspirations. Its importance is illustrated by the following testimonies:

“Having your own house is fundamental, it doesn’t matter where, as long as it’s your own.”

*Focus group,  
La Paz, Bolivia*

“I would rate my well-being as 10. I’m independent, I have a good wage and I’ve just bought my house.”

*Focus group,  
St. Andrew, Jamaica*

However, it is more complicated that just having a place to live. Location is also important:

“If the river floods and can reach your house, if what little you own can be damaged... There is still a zone up there where many houses are flooded because there are parts that haven’t been fixed yet... [When the

river grows] people have to disconnect all their electrical items, grab their mattress and sheets and move to a shelter, barricading their house.”

*Focus group, Dominican Republic*

### 8.2.3.2 Transport and infrastructure

How is infrastructure related to progress? From the point of view of the people consulted, it is an indispensable factor for improving their quality of life. Here the term infrastructure is not used in a general sense, but in the specific sense of infrastructure that makes it possible to travel from one place to another (roads) and supports academic institutions (schools) or other institutions that are key to people’s development. This is made clear by the following testimony from one of the participants in the focus groups in Bolivia:

“A school with two floors and another school for technical teachers have been built near where I live. In this respect, there has been an improvement. Likewise for the roads to access hospitals. They help save time or are handy if you don’t want to walk.”

*Focus group, La Paz, Bolivia*

Transport is also vital for progress, linking urban and rural areas and facilitating access to education, health and employment opportunities. An efficient transport system contributes to the functionality of cities, making them more competitive and improving the quality of life of the people who live there. In contrast, poor public transport results in disorder, congestion, pollution and violence, and has a negative effect on quality of life.

As participants in the focus groups in various countries have emphasized, congestion or the lack of transport on some routes means it can take longer to get from A to B in metropolitan areas than to travel to a neighbouring city. Furthermore, there are also problems when it comes to the quality of services:

“If you travel by bus, you feel like a sardine. They can see there’s no more space, but they keep adding more and more people. And the drivers are extremely careless. It’s very dangerous. In the end, we travel like livestock. It’s horrible travelling by bus.”

*Focus group, El Salvador*

In Peru, a group of people with disabilities highlighted the difficulties they face when it comes to transport, in spite of the country’s modern transport system.

“We have to ask for what we deserve. I have to wait for an hour to get on a bus with a ramp. The buses drive right past me when I’m standing at the bus stop. They don’t want to take me because I’m in a wheelchair. The city is really inaccessible. What’s more, I’ve also seen how insensitive people can be.”

*Focus group, Peru*

## 8.2.4 “Beings” and “doings” in society

### 8.2.4.1 Security and peace

The aspiration to feel secure and live in peace are two elements of a common denominator in the region. Security can be understood as the mechanism whereby people do not lose what they have gained, while another reading emphasizes security as an essential aspect of ensuring their investments are not cut short.

Feeling safe in the place where you live, without having to worry about being burgled or even hurt, is a primordial aspect of human progress. Yet, according to the perceptions of those who were consulted, it is a dimension in which there are significant challenges, as reflected in the following conversation between men and women in a focus group in Bolivia:

—It’s really bad here, really bad.

—And the sexual abuse too, no? How can we feel safe with all that going on?

—The worst thing is that it is happening in our own families, it isn’t even done

by strangers, but by our own fathers and step-fathers.

— Even brothers.”

*Focus group, Bolivia*

Regarding the link between security and progress, those who were consulted in the region gave answers such as the following:

“If you don’t feel safe, it limits what you can do. You can’t trust people. It has a major effect, because you are scared about going out or carrying objects of value.”

*Focus group, Bolivia*

“Crime has increased in the area where I live. People are really scared. You can’t live in peace. There is lots of crime. Before, you could walk about until eight or nine o’clock at night and not think anything of it, but now you have to be with someone. It’s dangerous for us women.”

*Focus group, Peru*

#### 8.2.4.2 Solidarity, sense of connection and community involvement

The issues emerging from the conversations that took place often refer to solidarity, the sense of connection and community involvement. These elements are not only identified as a strategy to achieve progress, but also as part of the conditions necessary to ensure prosperity (progress) does not only occur on an individual basis but also extends to families and communities. In this respect, a women in the Dominican Republic remarked:

“We are together in good times and bad times. Here there is an understanding that we stick together and respect the strengths of each individual. For example, when we had the cyclone, we waited for the headmaster of the school to direct us and tell us what to do.”

*La Ciénaga, Dominican Republic*

The fact that people move forward together was also highlighted by other participants in Ecuador and Nicaragua:

“It’s not just about making economic progress, but spiritual progress too, progressing as a community. Progress is about having things and sharing them, not just giving to people who are in need but showing other people they can do the same.”

*Focus group, Portoviejo, Ecuador*

“We feel that by sharing our progress we support other people. We’re sharing something they don’t have and giving them the small package that helps them get by at that point in time, not allowing them to fall by the way. This encourages us to make more visits, to find more time to stop them getting depressed or helping them with the illness they are suffering from. To me, that’s development, because we’re not just investing in economic aspects, but also the emotional side of people’s lives.”

*Group of women living with HIV,  
Nicaragua*

Strength in numbers, so the saying goes. And this is something people identify as an aspect of progress. Similarly, individualism is another issue that also arose in the conversations, not, however, as a desired dimension of progress but as a feature that is not identified with the notion of human progress. Consider the following contribution from the participants of a rural focus group in Uruguay:

“What happened to saying hello to people? Something as basic as that. Nobody says good morning anymore, nothing. A pregnant woman gets on the bus and nobody stands up. People have no values in the street. Everyone is looking after number one. Nobody helps anyone else. Nowadays, there is so much of individualism and distrust. This makes it harder for us to receive help. We need to be more aware of sharing in the street, being much more supportive. I don’t think the fact that everyone is engrossed in their own life is progress.”

*Focus group, Uruguay*

#### 8.2.4.3 Progress is about more than just income

Based on the testimonies from those who were consulted during the qualitative research,

## BOX 8.2

### Self-definition of class: self-perception of income groups in Bolivia

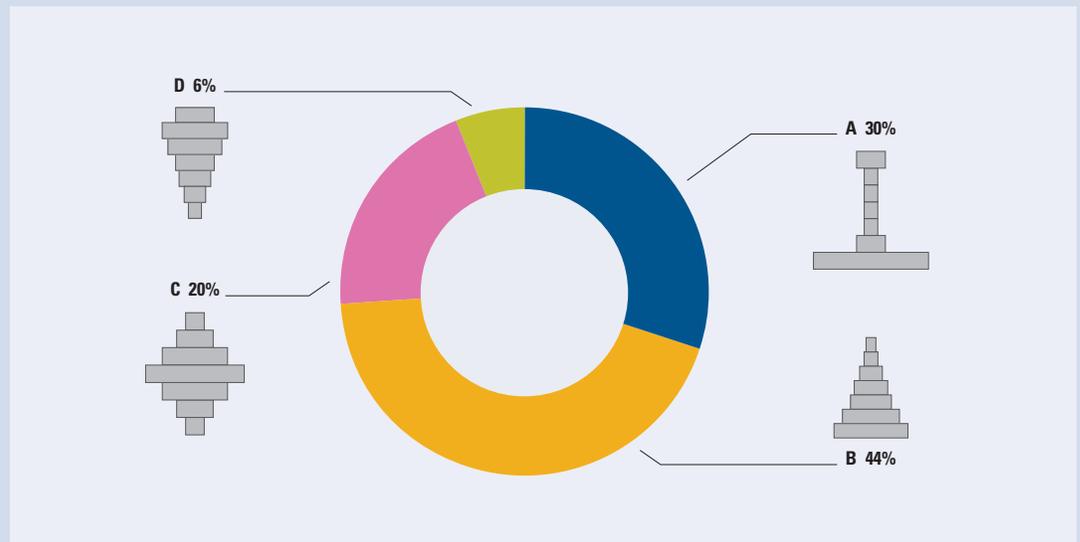
The self-perception of people's income groups is key to understanding how they conceive of progress and well-being. A study carried out in Bolivia by UNDP and the Social Research Centre (*Centro de Investigaciones Sociales*, CIS) found that 44 percent of those interviewed believe that Bolivian society is characterized as having a broad base and a small

elite at the top; 30 percent believe that almost all the country's population is low income and there is no middle class, while 20 percent believe that a large proportion of the population belong to the middle class. Only 6 percent believe that the population is largely made up of people with a high level of income.

Source: UNDP and CIS (2015).

FIGURE 1

### Perception of the population regarding the current income pyramid in Bolivia



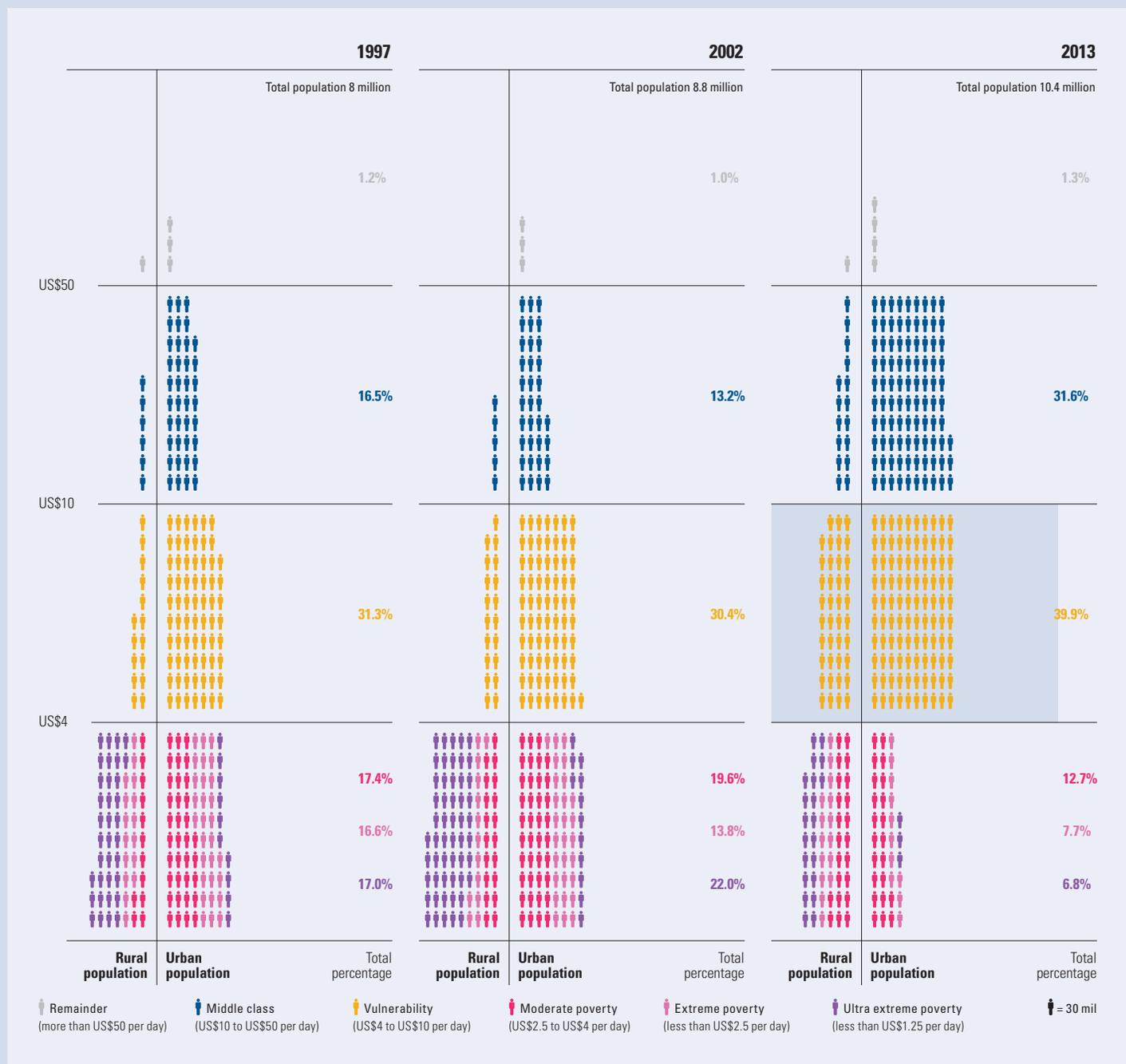
Source: UNDP and CIS (2015).

In terms of perceptions of the ideal distribution of income among Bolivian society, 39 percent identify with a society in which the majority of people are located in the middle, while for a high percentage of those interviewed (35 percent) the ideal society is one in which the majority of people are at the top and there are few at the bottom. In short: a society characterized by a high reduction in poverty and high upward social mobility. These results reflect the inherent predisposition of interviewees towards improvement and social mobility.

Comparing these results to Bolivia's current income pyramid, in 2013, a total of 40 percent of the population lived in a situation of income vulnerability, while 32 percent form part of the middle class and 27 percent live in income poverty. As Figure 2 shows, in the period 1997-2013, the income pyramid for Bolivia has shifted from having a broad base to one whose population is concentrated in the middle. However, a significant proportion of those emerging from poverty have not been able to join the middle class and still remain in a situation of vulnerability.

FIGURE 2

Evolution of the income pyramid by area of residence (in number of people and in percentages) in Bolivia, 1997, 2002 and 2013



Source: Prepared by the authors based on estimates of the proportion of the population corresponding to each income group produced by the Center for Distributive, Labor and Social Studies (CEDLAS) using information obtained from the Socio-Economic Database for Latin America and the Caribbean (SEDLAC) (CEDLAS and the World Bank).

Note: Monetary lines separating each group are expressed in US dollars (US\$) per person per day. Each person on the chart represents 30,000 people, and the total of the people for each year represents the total population.

Source: Prepared by the authors based on information consulted in UNDP and CIS (2015).

progress is about much more than income. The relative importance of each aspect in people's lives is determined by their day-to-day experiences, meaning it is not possible to establish a primacy or ascending order of preferences: the order depends on who is asked. However, it is possible to conclude that, regardless of the population group that is consulted, progress is associated with "something" that has various dimensions. As a corollary, income becomes just another component of the spectrum of possibilities described by people as they seek to move beyond dreams and aspirations to achievements.

A second point to be made is that the dimensions identified are not *a priori* exclusive to progress: they can also be associated with poverty in its many guises. What changes is the perspective. For those living in situations of poverty, the dimensions are the aspects of life to which the "North" tells them to aspire, although their personal circumstances are still some way off the desired level of achievement. For those not living in situations of poverty, the dimensions refer to spheres linked to struggles waged or sacrifices made, which are now described in terms of achievements.

Finally, it should be noted that the degree of complexity reached by individuals and groups in terms of their specific take on the dimensions that constitute progress varies in line with the level of progress they have experienced. People in highly precarious situations who have more basic needs unsatisfied are more focused on the material dimensions of progress. As these gaps decrease and their material needs are satisfied, the dimensions become more complex and begin to involve other areas, starting with work, education and security.

## 8.3 Strategies for progress in the region

The previous section considered the dimensions that people consulted in the region associate with progress in their lives in order to reach a better understanding of just what progress is, how it is experienced and how it is evaluated in terms of different dimensions.

A common factor in the testimonies is a reference to the fighting spirit and permanent drive to overcome obstacles that people require to move forward in their lives, an ability to pick themselves up when they fall and to continue on the path of progress. This section discusses the different strategies used by people to build their future and endure poverty, the majority but not all of which are linked to legal activities.

### 8.3.1 Individuals as drivers of their own progress

When people are asked about strategies for progress, an inevitable discussion ensues on the role played by individuals in defining the terms of their own life. The desire to be the driving force in one's life is not because people are stubborn or do not want to receive outside help but reflects the fact that people want to be able to decide on the path their lives will take and aspire to be self-sufficient. This factor is common throughout the testimonies of the people who were consulted, regardless of country, area of residence, age cohort, sex and other variables. Progress that depends on the individual implies enterprise, sacrifice, effort and a constant struggle, or in other words requires people to devise and try out different strategies (see diagram 8.3). This attitude is illustrated by the following testimony:

"Ambition has a lot to play in breaking a cycle of poverty."

*Focus group, Bacolet, West Tobago*

One Peruvian woman who had spent over a decade in a wheelchair explained:

"A little help every now and then doesn't do any harm, although it's nice to feel the sense of satisfaction that your achievements are the fruits of your own work, together with your family, your community, your friends."

*Focus group, Peru*

Some of those consulted in Bolivia mentioned the relationship between people and their environment, emphasizing the human spirit as the driver of progress:

## BOX 8.3

**Identifying a Middle class Identity or “Middle class-ness”: The Poverty-Privilege Nexus**

Research studies involving a collaboration between teams from UNDP in Trinidad and Tobago and The Institute for the Gender and Development Studies of The University of the West Indies, St. Augustine<sup>87</sup> facilitated a publication on “Perspectives on Well-being, Progress and Vulnerability in Trinidad and Tobago”. The study utilized both focus groups and semi structured interviews to identify dimensions of privilege, poverty and multidimensional progress among the middle class in Trinidad and Tobago, in order to conceptualize the sense of well-being within this group.

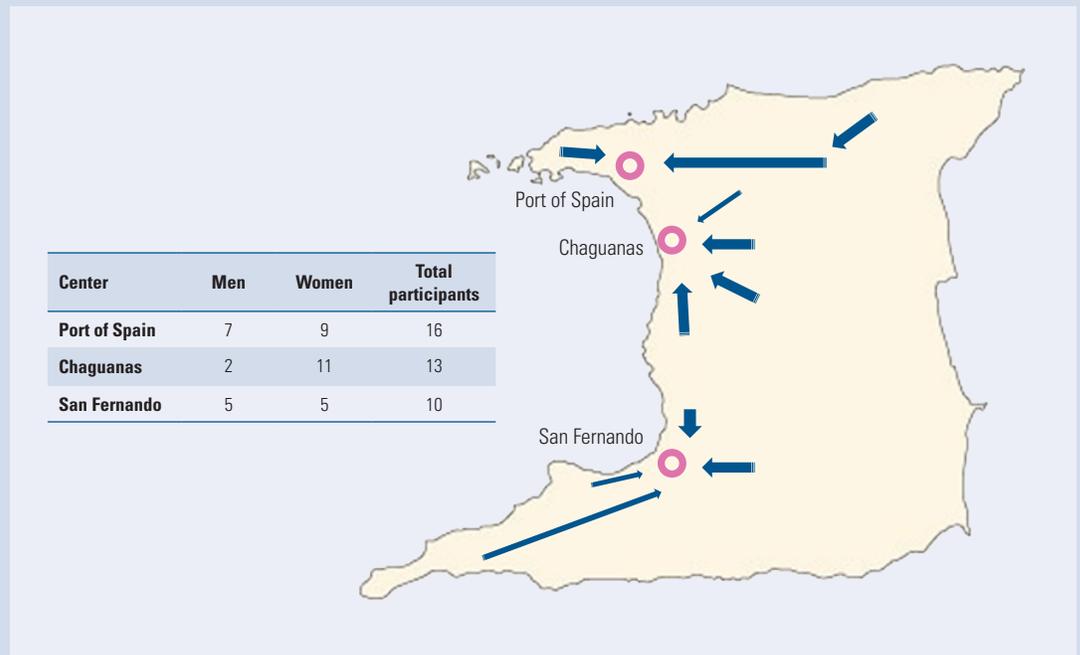
Given Trinidad and Tobago’s high gross domestic product, which can mask the vulnerability of the middle class, the report was useful to understand how persons perceive themselves as part of the middle class, and in this changing economy, the livelihood or survival strategies they employ to remain within that socio-economic bracket. One of the findings of the research is that in addition to the accepted economic status criteria, individuals’ sense of community, closeness to environment, freedom of movement, safety from harm, access to religious choices, empowerment and personal ability to diversify skills, contribute to the self-identification that defines the middle class in this society. Another finding is that participants felt insulated from falling into poverty because of their knowledge, skills and personal drive to remain out of poverty. This attitude reflects a prevailing societal mentality that the individual bears much responsibility in escaping poverty. However, delving deeper into their perceptions of progress and well-being, participants expressed their vulnerability to external shocks such as political crises, natural disasters and poor health or personal injury, which can cause them to experience poverty or, at the very

least, a reduction in the lifestyle to which they have grown accustomed.

Beyond the use of income values, middle class identity or middle class-ness consistently engages with the concept of well-being and with the conditions of what people consider as indicators that ensure a minimum standard quality of life. This analysis hinges on the understanding that quality of life does not depend solely on opportunities available to people but is also determined by human capabilities, what people are willing to proactively do for themselves. What emerges from this study, is a middle class identity that falls in a space between poverty and privilege. Participants clearly expressed their ability to access privileges—tertiary education, international travel, luxury items—but they themselves did not feel privileged. Yet they rejected being framed as poor. For the participants, being privileged and having a full experience of multidimensional progress lay outside of their middle class existence. **Through the primary data provided, the shaping of the middle class identity comprises of a combination of economic values, level of personal security experienced, accessibility to networks of influence and an eclectic mix of perceptions.** From the focus groups and interviews, the middle class seemed to be distributed throughout all the areas selected for close investigation rather than being concentrated in some of these. This is another valuable insight into the conditions of multi-dimensional progress underscoring the difference of Trinidad and Tobago. Although there are some qualitative and perceptible differences between north, central, south and Tobago in fact the state of middle class-ness is widely spread across the regional boundaries.

FIGURE 1

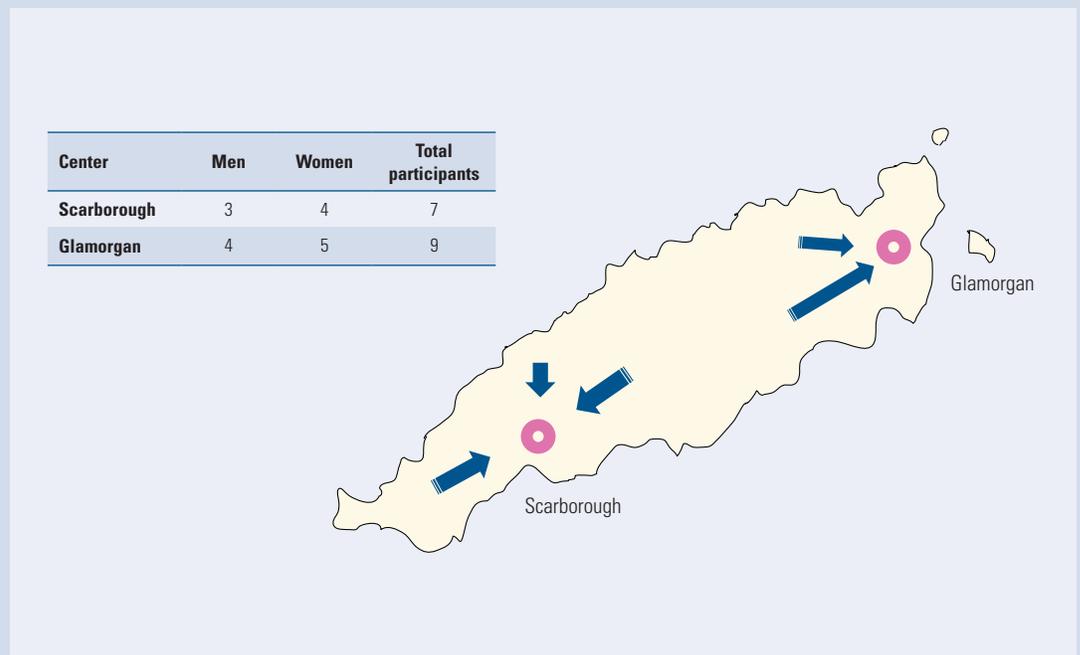
**Distribution of the participants in the study in Trinidad**



Source: UNDP (2015).

FIGURE 2

**Distribution of the participants in the study in Tobago**



Source: UNDP (2015).

Source: Prepared by the authors based on information consulted in UNDP (2015).

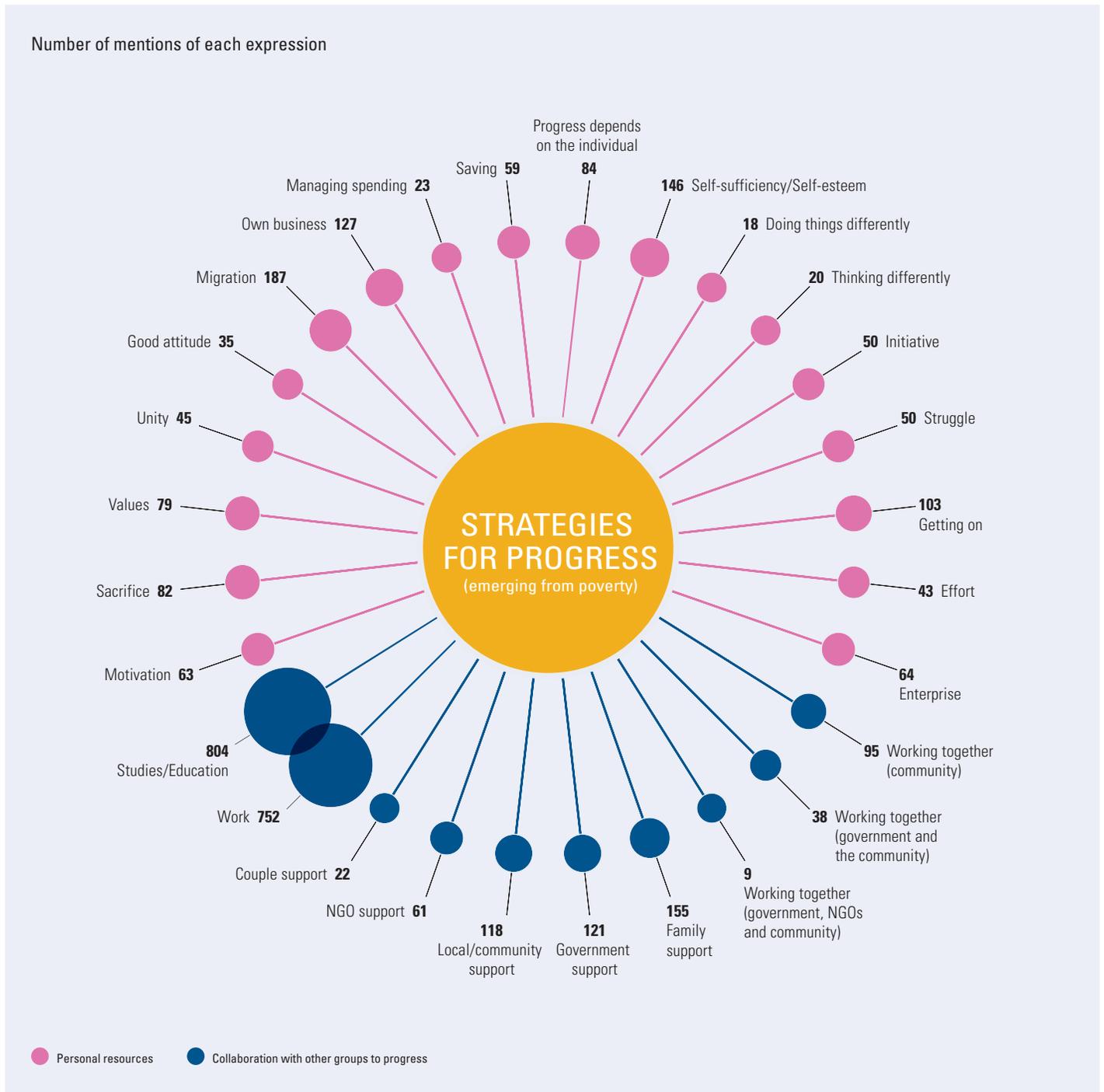
“I always say that a lot depends on the person, because sometimes our biggest mistake is to focus on our environment, not ourselves.”

*Focus group, Bolivia*

This effort made by individuals is also the source of their satisfaction, since, having worked hard for their achievements, people feel them to be “their own”:

DIAGRAM 8.3

Strategies for progress in Latin America and the Caribbean



Source: Prepared by the authors based on the results of qualitative research commissioned for this Report.

“You make lots of sacrifices, of course. For example, before I could graduate, I had to do a work placement that meant I had to leave my family for almost five months, with no money, because it’s expensive here. So I was away for five months and had to work there to be able to finish my placement and graduate.”

*Focus group, Honduras*

### 8.3.1.1 Employment or having your own business

When it comes to personal effort, there is one activity that is essential for making progress, namely employment, or, better still, the possibility of starting your own business. Starting a business is also a mechanism for achieving self-sufficiency without being left “waiting for help”, as is clearly illustrated by the following testimony:

“The best way to make progress would be to start a business, to set up a stationery shop, something like that. Not waiting around for help from the government.”

*Chile*

One member of the Latin American diaspora living in the United States also mentioned the importance of starting a business:

“After holding down various jobs simultaneously, I had managed to save a little bit of money and decided to start a restaurant. For me that was a big help. It opened my mind. Even though I still don’t have papers, in Chicago they gave me the opportunity to apply for a permit for a restaurant. Nothing beats being your own boss.”

*Member of the Latin American diaspora living in the United States*

### 8.3.1.2 National and international migration as a strategy for progress

Migration is largely the result of insecurity and the lack of employment and other opportunities in the country of origin, which cause a significant part of the economically

active population to look to other countries for better opportunities. Internal migration can be explained by the same logic: people migrate in search of better opportunities.

Migration is thus a strategy used by people who are in situations of poverty, as well as people in different circumstances. For many migrants who find themselves in a precarious situation, work and sacrifice represent the means to financial relief and, in some cases, prosperity for them and their families.

However, the progress made possible by migration is also manifest in other areas, as described by this elderly lady, originally from the state of Oaxaca in Mexico.

“It was important for me to leave my country. My three children have studied. They have had a different lifestyle from the one they would have had if we had stayed in Mexico. I have also grown in all areas, both as a woman and as a professional.”

*Focus group, member of the Latin American diaspora living in the United States*

Nonetheless, there is also a price to be paid:

“I wouldn’t do it again, no way. My parents are there, my brothers, my family. You’re on your own here. As the saying goes, everything has its price. All this just to send a little money home, because it’s my duty. Here you go out to work and come back to an empty house.”

*Focus group, member of the Latin American diaspora living in the United States*

In a large number of cases, the price of migration is loneliness and the distance between people’s homeland and family.

### 8.3.1.3 Saving as a strategy for progress

Saving also features in people’s imaginary as a path, which, if travelled, can lead to progress. However, this goal is not easily reached: it requires effort and discipline. Saving is linked

## BOX 8.4

## Young people, employment and transitional tensions

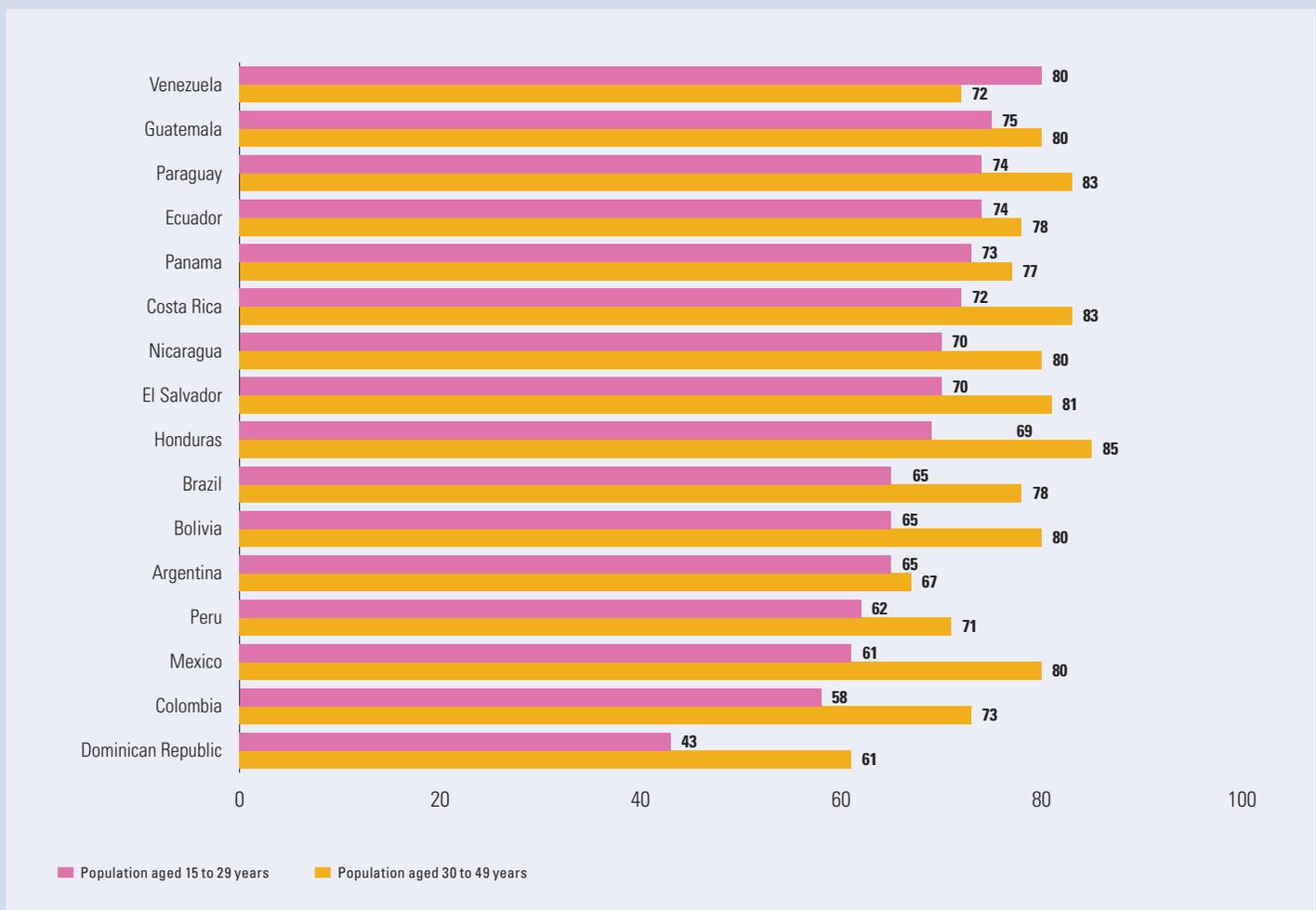
The results of a study based on the Gallup World Poll database and corroborated by information from focus groups shows that young people aged 15 to 29 in the region are moderately optimistic about their job prospects (to a certain extent linked to a positive assessment of the culture of work and effort).<sup>88</sup> The results also show that the relationships between young people and employment are subject to three tensions: i) a tension between employment and free time, since while the former is valued, the need to enjoy the latter is emphasized; ii) a tension between employment and opportunities for education, with education understood as an essential path to achieving the ideal job to which people aspire, notwithstanding the fact that not everyone has the same opportunities when it comes to education,

even though it may be more accessible than to previous generations; and iii) a tension between stable employment and possible employment linked to contextual limitations and most prevalent among the most vulnerable groups.

Comparing the differences between people's current jobs and their ideal jobs, in almost all cases (with the exception of Venezuela), young people are less satisfied than adults. In over half of the countries, there were differences of 10 or more percentage points, rising to 18 and 19 percentage points for the Dominican Republic and Mexico, respectively.

FIGURE 1

## Would you say that your job is the ideal job for you, or not? (Affirmative responses)



Source: Rovner (2016), based on data from the Gallup World Poll 2015.

The study shows that in terms of the perceptions of young people's relationship with employment, work is valued, together with education and affective bonds (friendship and family), as a crucial source of personal development and well-being. Imagined possible futures are described based on an idealized freedom of movement (relocation, travel, vocational

development) and a central nucleus of employment and work that determines possibilities for movement and progress. The commitment of employment is seen as the gateway to personal progress. In a certain sense, *work* is broadly identified with *effort* and encapsulates the idea of opportunities available to each individual.

Source: Rovner (2016) (text adapted).

to the idea of the “individual’s responsibility for their own progress”. It depends on the capacity of each person, on the extent to which they are able to organize their spending, as illustrated by the following testimonies from the region:

“If I have a formal and stable job then obviously I’ll be able to grow, because if I have a fixed income, I can save if I want to, I can pay my bills. So yes, I agree, it’s really important, just like education in our country.”

*Focus group, Nicaragua*

“Save, save, save, then invest if something worthwhile comes along in the future, such as helping my mother, buying our own house. Between the two of us, that’s our goal.”

*Focus group, Nicaragua*

In some cases, people noted that the lack of saving is often related to the lack of awareness regarding levels of consumption.

“You need to live within your means, but there are people who want to spoil themselves. I think that if you want to save you can. It also depends on knowing how to manage your money, like I was saying, being able to live within your means, not going over the top.”

*Focus group, El Alto, Bolivia*

In the case of Guyana, one group of young people described a “future of poverty” as a result of the particular vulnerability they faced, whereby the cost of living is high and wages are not sufficient, forcing them to live with their

parents or rely on support from the diaspora in the form of remittances to get by. The pension fund crisis, moneylending and unsecured loans also have a negative impact on their capacity to “save for tomorrow”.

Despite the fact there is no consensus on the reasons or conditions that determine the capacity to save, much like starting a business, this strategy is not a one-way street and nor does it depend solely on a personal decision, being instead linked to people’s socioeconomic circumstances.

### 8.3.2 The support required for progress

It is often observed that people reaffirm their worth by speaking of progress in the first person. Under this perspective, individuals are confronted with the imperative of defining actions to ensure their progress, together with those closest to them. However, progress does not always depend on the individual. There are situations and moments in people’s lives where external support is required. In general, it is possible to distinguish between two types of support: family and local. However, these must also be considered alongside the support that can be provided by the government and other institutions.<sup>89</sup>

#### 8.3.2.1 Family and local support

The following testimony from young people in Honduras encapsulates the importance of family and local support:

“We are where we are thanks to the sacrifices made by our parents.”

*Focus group of young people,  
Honduras*

This sentiment was echoed by a woman in La Paz:

“If we need to support each other to make progress, it’s in our families that we support ourselves.”

*Focus group, La Paz, Bolivia*

On account of its proximity, the next level of support after the family is local or community support, of which there are various types. Help can involve providing financial support, looking after someone who has fallen ill, looking after children, sharing food from the cupboard or coming together to protect each other when a natural disaster threatens the lives of people in the community.

Community support was emphasized as a fundamental aspect of life in Villa Eloisa in the Dominican Republic:

“A neighbour takes ill, another who doesn’t have a car calls up another: we need your help, our neighbour is unwell! So instead of carrying him in our arms, we take him in the car... Or when we know one of those storms is approaching. If there’s one thing we’ve learned is unity in the face of disaster.”

*Focus group,  
Villa Eloisa, Dominican Republic*

Let us conclude this section on the importance of family and local support with the following testimony:

“That’s what well-being is about: working, working together, strengthening our lives and achieving goals. Continuing to strengthen our community.”

*Focus group, Ecuador*

### 8.3.2.2 Government support

According to the testimonies of those who were consulted, the state has a clear role as a driver of

progress: it should be responsible for creating opportunities.

“We understand, or rather I, in my particular role, understand that you need the help of the government for certain projects.”

*Focus group,  
Dominican Republic*

Others have emphasized the idea that there are certain minimum rights and guarantees for which the state is responsible:

“One way the state can support us is by keeping order, preventing crime, improving education, improving the state, that would be a big help.”

*Focus group, Peru*

This vision is in line with a more specific perception of the government support required to help people emerge from poverty. In Guyana those who were consulted referred to what they called “environmental poverty”, emphasizing the need for better management of natural resources:

“We are more impoverished now due to the decoupling of preservation from progress.”

*Focus group, Guyana*

The issue is not one of diluting the state’s responsibility for human progress. The majority of those who were surveyed agree on what the government’s contribution should be, whether local or central. The state and its institutions are responsible for guaranteeing certain basic structural conditions for the population as a whole (including education and employment, macroeconomic stability, the control of corruption, social programmes and compliance with laws), without which progress would be unfeasible or at least difficult.

“We need the authorities to look after agriculture, and our health and education. To make sure our diet is as good as our ancestors. Nowadays products have lots of chemicals. This worries me, since our grandparents didn’t get cancer.”

*Focus group, Peru*

The state must provide an adequate framework to facilitate the progress of individuals and their families. Although it may not be the principal driver of progress, it nonetheless provides the essential context and setting in which progress can occur.

“All the systems do exist but the systems do not consider the poor... Whilst the systems are in place, the systems are in place for people who can access the systems.”

*Focus group,  
San Fernando, Trinidad*

“It is we who must propose change and it is we who must propose it to the government. We can't wait for them to come and propose their ideas. We must propose them and they must receive, debate and discuss them. But if we don't come together and make proposals, it's like a teacher who goes and teaches their class, but if nobody asks any questions, nothing happens.”

*Focus group of Quechua Indians in Amazonia,  
Ecuador*

### 8.3.3 When strategies for progress fail

Although the reference to informal or illegal strategies is not a constant factor, it was nonetheless present in the testimony of some of those who were consulted: if there are no options for progress following the rules, some people choose other paths. Some of these strategies involve criminal activities or corruption, such as robbery, drug trafficking, prostitution or promotions obtained through clientelism. However, situations in which people explicitly identify with such strategies for progress are exceptional, it being more common to refer indirectly to such practices through other people:

“Other people perhaps get desperate and look for an easy way out. They grab the knife from the table and wait on the corner to rob people. It's desperation, ignorance and the lack of education. When young people don't have jobs, they join gangs and commit acts of violence and robberies.”

*Focus group, Honduras*

The relationship between conditions of poverty and precariousness, on the one hand, and violence and illegality as a means to survive, on the other, also appears in some of the testimonies:

“For drugs, you have to go out and rob, you have to commit crimes, you have to do lots of things [...] It's caused a breakdown and this gives rise to violence, because there's lots of domestic violence being reported now, almost every day in the courts. Poverty also causes violence and that's a big failing of society. It's not our fault. Those young people were born just like us but we leave them behind, because sometimes the mother has to go out to work and make some money to live, leaving her children alone at home. So who's going to look after them? No one. They end up doing what they want and that gives origin to conditions related to poverty that make it a struggle to survive.”

*Focus group, Tela, Honduras*

In an in-depth interview in San Jose, Costa Rica, one woman explained how, faced with a lack of alternatives, she turned to prostitution as a possible solution:

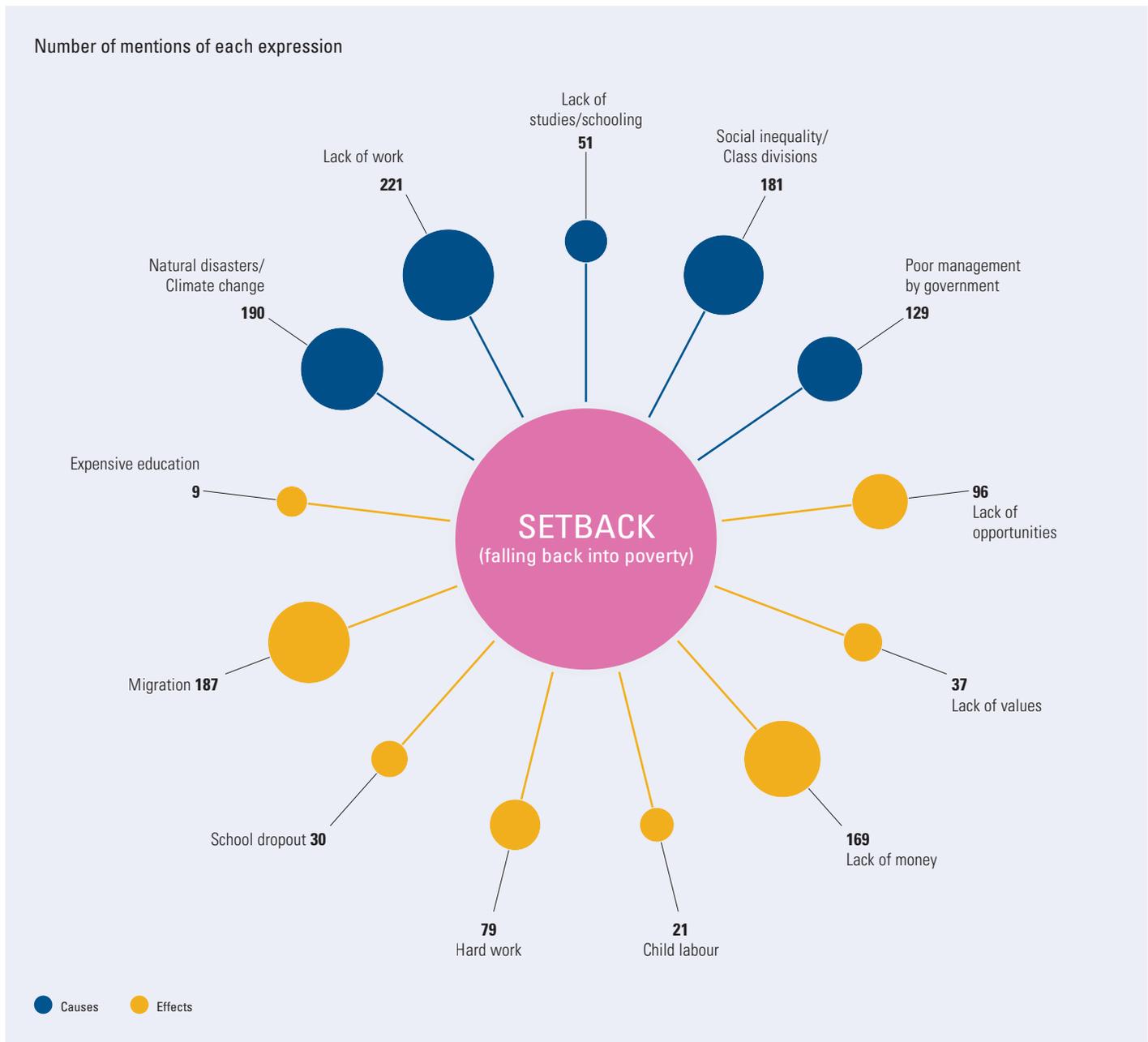
“When I came out of prison, my mother had already lost her business because of all the problems with me. She spent what little she had paying for lawyers and travelling back and forth from Guápiles. When I came out of prison, there was no work for me, there was no work for my mother. I didn't have any possibilities for work, so I started working as a prostitute.”

*In-depth interview, San Jose, Costa Rica*

The participants in the focus groups also linked “falling into poverty” with the loss of employment, natural disasters and a lack of state support during crises. This fear is shared by the middle- and low-income strata of the population, but is exacerbated by inequalities in their conditions and the initial opportunities for households and communities. Falling into poverty is also associated with the worsening of employment conditions, an increase in child labour and an increase in school dropout rates. This vicious circle is perceived as an obstacle to exercising capacities.

DIAGRAM 8.4

## Determinants of falling back into poverty in Latin America and the Caribbean



Source: Prepared by the authors based on the results of qualitative research commissioned for this Report.

## 8.4 Conclusions

“What is progression? I don’t think anybody can say they start to progress in 2005 and they continue all through without stopping. In some cases you go low and you go again.”

*Focus group, Antigua and Barbuda*

This chapter has sought to analyse the everyday lives of the people who live in the region, their perceptions of their experiences, what they do, who they are, who they can be and what they might have in their lives to allow them to make progress. However, the notion of progress itself has many meanings. As such,

it forms part of a wide range of research and programmes designed to define, identify and understand what development, progress and well-being consist of.<sup>90</sup> The claim that consultation processes contribute to identifying and enriching the content of development policies from the perspective of people is widespread in the literature. However, to ensure this contribution, it is necessary to develop a robust qualitative research agenda that considers the missing dimensions of well-being. As these notions are constantly changing, influencing public policy in terms of its conceptualization and the definition of practical instruments, they require periodic and systematic monitoring (Chambers, 2012; Scientific and Technological Consultative Forum, 2009).

In the analysis of the testimonies obtained from focus groups, discussion groups and in-depth interviews, many people refer to obstacles to progress and having to make difficult personal and family decisions. Some people identify trade-offs in their lives insofar as achievements at certain points came at the expense of losses suffered in others or in other dimensions. In this respect, it is important to analyse partial triumphs more carefully, since they are generally bound up with gaps between aspirations and realizations and come with a warning: in the majority of cases people

describe a progress that is unbalanced, of a process that jeopardizes achievements that will take some time to recover, if they are recovered at all, related to issues such as trust, the social fabric and the environment.

Progress, as it arises from this textual description, functions as a mobile border for aspirations. It is not true that those living in the region have not progressed. In fact, many people who participated in the focus groups acknowledged that they had experienced progress in specific areas and dimensions of their lives. Yet there are still unmet needs and new demands built on the base of previous achievements. It should also be noted that the majority of those who were consulted felt that they are not the driving force of their own lives, with the aspiration to fulfil this role being perhaps the strongest of all those expressed. For the large majority of those who participated in the focus groups and in-depth interviews, the idea of progress is bound up with being free, making decisions, making mistakes, learning, not falling too far, picking oneself up, trying again. All this means progress. Hence, people's "beings" and "doings" are multiple, as are the capacities to continue pushing the limits of the imaginable. Progress is about much more than income, even though income is clearly a part of it.

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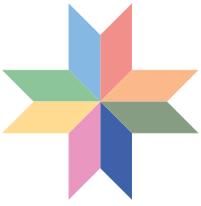
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# Conclusions





# Conclusions

This Report opened with a call to work towards a well-being agenda that moves beyond income, in line with the aim of the first Human Development Report in 1990 to “place people at the heart of development.” The analysis carried out on income transitions and other dimensions that go beyond income have provided data and policy proposals that help imagine the future. What conclusions can be drawn from this nascent agenda? What follows are five conclusions that can feed into discussions at the regional level.

## 9.1 Unfinished transitions

Latin America and the Caribbean is a very diverse region that does not follow a single pattern of change. However, one common feature among the countries of the region is that they have all undergone significant social and economic changes in recent years. Conventional narratives on economic and social progress avoid certain significant dimensions of this change, instead focusing their attention on income and immediately available data from household surveys and population censuses. The thinking is that the reduction in poverty and inequality can be explained by changes in returns to education and the positive impact of social transfers grounded in the social policy innovations of the 1990s. These drivers of transformation are, in turn, built on a wave of demographic transition that increased labour participation, particularly of women and in urban areas. This first level of analysis is widely supported by the literature, but is insufficient to account for long-term changes.

The transitions in income pyramids described in this Report add a layer of nuance

to the analysis. Analysing the changes that have taken place over 10, 15 or 20 years shows both the emergence of a significant vulnerable stratum of the population and the expansion of the middle classes. Underlying the changes that have taken place on the income pyramid are numerous vectors related to the quality of employment, assets, capacities, and care and social protection systems that have had a significant influence on these transformations. Behind income lie multiple state and public-policy interventions that aim to move “beyond income”.

### 9.1.1 Unfinished development transitions

Drivers of social and economic transformation take place on timescales and that can only be captured by additional sources of information. The existing literature on the subject tends to focus on the changes in the contribution made by each economic sector to GDP, on capital productivity and work in economies, and on the potential offered by technological changes to boost productivity and growth. While this approach is illuminating, it is nonetheless too restrictive. It fails to address the links that exist between economic growth and the many dimensions of inequality, as well as between economic growth and numerous forms of environmental degradation, including patterns of energy consumption and the use of natural resources.

This traditional focus has been added to by Latin American and Caribbean factors affecting processes of change in the region during the 2003-2013 period. These include: i) a return to traditional uses of natural

resources that favour extractivism, the use of carbon/hydrocarbon-intensive energy sources, and poor environmental protection; ii) the development of patterns of territorial settlement that favour the growth of big cities, promote the concentration of employment markets and cause people to face substantial travelling times between home and the workplace, as well as increasing depredation in agriculture and deforestation over the long term in rural areas; and iii) a noticeable feminization of the labour force — without the attendant parity of income, development of care systems or the active promotion of gender equality in terms of time use.

The structural constraints to development in Latin America and the Caribbean are no longer only about higher productivity, innovation and economic growth; they now constrain the capacity of households and communities to build resilience in dynamic labour markets. The returns to growth have become more important than growth itself.

### 9.1.2 Unfinished citizenship transitions

At a deeper level, the very notions of progress, well-being and development vary throughout the region. Rather than being one-dimensional, they involve changes in power relations, changes in daily behaviour and shared imaginaries on the rights and aspirations of citizens. Public opinion does not perceive the convergences highlighted by economic studies or the construction of middle classes highlighted by social and political studies. Instead, they self-perceive “recent and fragile inclusion”, which differs depending on the starting point, stage of the life cycle and the educational and vocational qualifications achieved by people. The imaginaries emerging in Latin America and the Caribbean call into question the existence of a single ladder for mobility or social transition, revealing instead multiple ladders of mobility that include, among other strategies, insertion in informal markets, illegality and forced immigration. Faced with the weakening of formal and dynamic drivers of labour-market inclusion, these strategies are accentuated.

The progress of citizens in Latin America and the Caribbean is marked by a strong sense of the fragile nature of the achievements made to date. This reflects a permanent tension between autonomous life projects (privileging decisions about one’s life project) and more instrumental projects (privileging the search for increased material well-being and income). These are societies that have yet to consolidate their newfound status as middle-class societies in the form of universal agreements on fiscal matters and employment.

This is, perhaps, the element most glaringly absent from current imaginaries and public policy in the region. The emphasis on targeting that dominated discussions in Latin America and the Caribbean over the last 30 years tends to prevent universal policies for well-being and citizenship from taking root. The pendulum swings of political developments have occasionally grounded the debate in political coalitions of working-class sectors, social organizations or groups representing vulnerable populations. However, there are fewer examples of the expansion of demandable universal rights being favoured beyond that considered necessary for political allegiances or social reasons. In the majority of cases, the universal approach continues to be a social watchword demanded by each faction of their opponents, without any real intention to change the status quo over the long term.

## 9.2 Multidimensional well-being to guarantee universal achievements

For most of the past two decades, economic and social policies of the region have followed parallel paths. Economic policy propitiated favourable conditions for growth, while social policy aimed to reduce poverty and extend social and welfare services. In countries in which the vulnerable or middle-class population now forms the majority, this division represents a structural obstacle for the future. The new challenge for middle-income economies — or rather, their new centre of gravity — no longer lies in

sectoral needs, economic compensation or social assistance, but in **multidimensional well-being** in a broad sense that encompasses formal and informal work, care systems, and the promotion of capacities and access to assets, as described earlier in this Report. This centre of gravity is not intended to describe the region as a whole; rather, it outlines what can be achieved in the vast majority of countries in the region.

Multidimensional well-being will require more women and youth joining the labour market, care for children and the elderly, social protection and risk reduction systems, the expansion of liveable cities, alternative uses of natural resources and a more sustainable use of energy and the environment. The situation of the region as a whole will test this new centre of gravity. Since 2013, the pace of economic growth and poverty reduction has slowed. In some countries, poverty reduction has even gone into reverse, with millions of people estimated to have fallen back into poverty between 2013 and 2015. The calculations carried out in the creation of this Report show that some 25 to 30 million people in the region run the risk of falling into poverty.<sup>91</sup> This population is vulnerable due to its employment situation, the absence of actions targeted at promoting access to assets and capacity-building, and a lack of access to social protection.

Forecasts for economic growth and the integration of the region's economies into the global economy coincide on one point: it is unlikely that, in the near future, growth levels will be able to recover to the levels of around 4 percent seen during the 2003-2013 period. With differences between countries and subregions, the region is currently undergoing a phase of adaptation to a new global norm: interest rate rises in the USA, the slowdown in Chinese demand for raw materials, and the systemic deceleration of economic growth. According to the current consensus, the new context will be characterized by modest growth rates of somewhere between 2 and 3 percent over the next five years.

### 9.2.1 Transformations in progress: apply the brakes or accelerate?

The new economic context presents a crossroads for the region's policymakers. In the next few years, two types of strategies will be implemented: i) strategies designed to boost growth rates once more, guided on the one hand by the aim of mitigating the impacts of the current slowdown through anti-cyclical policies (in fiscal and monetary terms) and, on the other hand, by the goal of creating the foundations for sustainable growth through reforms designed to improve productivity; and ii) strategies to expand on the social and economic transformations already in progress in order to consolidate current achievements and lay the foundations for more balanced social, economic and environmental development. The implementation of the latter of these strategy types requires work at the level of households and communities, given that efforts at this level are fundamental to achieving the necessary capacities, assets and resilience among these households and communities.

This Report sets out a roadmap for thinking about the outstanding transformations, with a primary focus on vulnerable sections of the population, the eradication of hard exclusions, and adopting a holistic and systemic approach. Baskets of multidimensional well-being have been calculated specifically for each country using a probabilistic calculation method. These baskets cover elements that can consolidate a minimum well-being threshold: work integration, capacities, physical and financial assets and the social protection systems required to prevent the millions of people lifted out of poverty over the last decade from falling back into poverty.

Constructing multidimensional well-being is a task grounded in the concept of risk management. The enormous contribution made by work to reduce risks and natural disasters must be applied to the social and economic spheres. The achievements made in the region are fragile, and require the implementation of systems to promote resilience that can reach beyond

the boundaries of individual households or communities.

### 9.2.2 The eradication of hard exclusions requires proactive levelling policies

Not all exclusion has to do with income or the factors that determine income. Many forms of exclusion are more closely related to deep-rooted historical power relations. They underline gaps in citizenship, and require actions that make it possible to *level the floor* of opportunities and capacities. This Report has analysed problems concerning violence against women and discrimination based on ethnicity, race, skin colour, or residence in rural areas, and discrimination against household workers.

Overcoming these types of exclusion calls for more than just closing gaps in access to services and resources. It requires deeper changes in social behaviour, underlying power relations and citizens' imaginaries, which can be inclusive or exclusive. These deeper changes are linked to antidiscrimination legislation, multicultural and plurinational initiatives to recognize collective rights, and mechanisms for affirmative action to compensate for historic exclusions.

## 9.3 More-of-the-same does not work: towards a new policy framework

More-of-the-same will no longer deliver the same results. In recent years, the rate at which people have escaped poverty and joined the middle classes has slowed. While an average of 5.9 million people were lifted out of poverty each year between 2002 and 2012, the rate fell to 3.1 million people between 2013 and 2014. It is estimated that for 2015 to 2016 this process will reverse, with an overall increase in the number of people experiencing income poverty.

From the human development perspective, the response to multidimensional problems involves designing and implementing

multidimensional solutions that make it possible to transcend sectoral and territorial approaches and to build bridges throughout the life cycle. Over the last decade, the region has innovated in social policy, built institutional structures around strategic objectives and created more complex and effective information systems. Although still in the early stages, it has also developed intersectoral responses that articulate territories and respond to problems throughout the life cycle.

The time has now come to take a more ambitious step, strengthening these trends through a new multidimensional public-policy architecture. This architecture arises out of the need to create quality employment, build capacities, promote access to assets and expand social protection systems to act as a buffer against vulnerabilities and systemic risks.

### 9.3.1 The disintegration of horizontal, vertical and life-cycle silos

Four elements of this architecture that already exist in almost all of the region's countries are as follows: i) greater intersectoral coordination between the ministries responsible for the areas of education, health, social development, urban development, and housing and town planning; ii) greater territorial articulation to respond to the geographical diversity of each country; iii) emphasis on the consolidation of social protection policies addressing various stages of the life cycle; and iv) greater citizen participation throughout the public-policy process, from the identification of problems to the design, management, monitoring and evaluation of the results of interventions. As all of these elements form part of the political system, this Report has reflected on the public sphere and the role of new imaginaries in redefining public problems in the current context. The politics of policies is key to the implementation of the new reform agenda.

### 9.3.2 Building broad political coalitions to implement multidimensional agreements

The key issue when it comes to the politics of policies is how to build coalitions that are propitious to universality in middle-income countries. The literature available on the subject describes various short-term policy sequences culminating in unfinished processes to provide universal coverage. Innovations in social policy — such as conditional cash transfers and the new institutional character of social policy — have led to a silent transformation that poses a challenge for the future: the emergence of enormous population groups that live above the poverty line, but below the middle-class “safety buffer”. The present situation is being played out in this transition, as discussed in detail throughout this Report. Therefore, the bridge between the short term and the long term is critical for the future development agenda.

This political agenda principally involves states channelling social demands and being capable of building bridges to achieve public participation. This requires specific institutional structures that are open to organizations, social movements and other expressions of civil society. The second — and perhaps the most important — element of this agenda for Governments that already have universal policymaking on their radar, is the fiscal capacity to sustain not only a reform process, but a cumulative impact over several years and several government administrations.

## 9.4 The 2030 Agenda for Sustainable Development is the first global agenda for multidimensional change

In September 2015, the 193 States Members of the United Nations took an ambitious and historic step with the approval of the 2030 Agenda for Sustainable Development. At the heart of this agenda lies a simple but radical imperative: the elimination of poverty in all its forms, while caring for and protecting the planet. This universal and holistic agenda will

have a specific application in each country, according to the priorities set out in national plans and policies. As a multidimensional agenda par excellence, this Report should contribute to the process of adjusting this agenda to suit the specific circumstances of individual countries.

### 9.4.1 Multidimensional clusters to connect the dots

This Report has described three steps to avoid the fragmentation of the 2030 Agenda, which contains 17 goals and 169 targets. The first involves using a multidimensional approach to address the connections between metrics and the drivers of economic, social and environmental transformation. To this end, examples were given of measures and policies that focus on long-term structural transformations. In accordance with the approach advocated in this Report, this is the starting point for work on localizing the agenda.

Secondly, clusters of sustainable development goals (SDGs) must be built around the strategic objectives established by the authorities in each country, to avoid piling global agendas on top of national ones. If the central objective of a national development plan is to eradicate poverty in all its forms, this should be the basis for building connections between SDG 1 and the policies required to achieve that goal; such as the development of a quality labour market, the achievement of universal social protection and the expansion of care systems, the implementation of policies to promote financial inclusion, and the improved quality of health and education systems. On the other hand, if the strategic objective is to strengthen citizen security, then the work of constructing sets of targets should be based on SDG 16, with policies that impact on security, such as youth employment, systematic work on masculinity and violence, safe urban development, social protection systems throughout the life cycle, and so forth.

Thirdly, using the examples set out in this Report, it is possible to carry out a micro-simulation of the impacts of closing

intersectoral gaps and inter-territorial gaps on a set of targets; construct quantitative scenarios based on this information, both for the trajectory leading up to 2030 and for trajectories covering the intervening five-year periods; or estimate the fiscal impact of a package of measures for the 2030 Agenda, disaggregating the impact of these measures by programme or population group. Fiscal analysis is key to the allocation of resources and the implementation of an intersectoral, inter-territorial architecture that is rooted in the various stages of the life cycle. It also contributes to the definition of long-lasting fiscal agreements.

#### 9.4.2 Evidence-based policies will need more and better evidence

The statistics set out in this Report, together with the public policies that respond to the multidimensional shortfalls and gaps, are firmly based on evidence. Without the data gathered through censuses, household surveys, administrative records, land surveys and other innovative mechanisms for gathering information, this new way of visualizing development problems would disappear completely.

The use of evidence for local, subnational and sectoral public-policy planning is also of great importance. Significant progress has been made in the region in this area at the level of central Government, as well as in some provincial governments and capital cities. Nevertheless, the use of evidence in the design and implementation of public policy continues to be a formidable challenge for rural areas and specific population groups that are subject to forms of vulnerability and exclusion that are not covered by conventional metrics for national statistics or surveys/censuses.

#### 9.4.3 Fiscally sustainable policies will require expanded and improved tax systems

In order for this new policy architecture — which goes beyond a sectoral focus,

articulates territorial strategies and constructs policies that address different stages of the life cycle — to be achieved, there must be a new fiscal pact. This also requires policies to be designed that include robust sources of fiscal revenue for financing to combat the highs and lows of the economic cycle, which must not depend on fluctuations in the prices of hydrocarbons or mining products. This idea has gained strength, even at a time characterized by low levels of economic dynamism in Latin America and the Caribbean. Gradual increases in tax pressure have been achieved in the region, but the pressure continues to be insufficient to face the challenges of an agenda for holistic progress in many of the region's countries.

Beyond this tax pressure, the region's countries still face the challenge of constructing a system based more on direct taxes and less on indirect taxes, given that the latter are regressive and tend to hit the populations of the region with the lowest income the hardest. There is also the challenge of confronting the blind spot of tax policy in the region, in which indirect (regressive) taxes cancel out the impact of social transfers, which are progressive. This dynamic, which affects small and large countries alike, regardless of their tax pressure, represents a systemic challenge to the achievement of fiscal equality in the region.

### 9.5 Middle-income countries do not graduate from development by crossing an income threshold

Multidimensional progress in Latin America and the Caribbean is not confined to the territorial limits of one group of Member States. The enormous dynamism of the global economy means that progress has also led to south-south and south-north migration flows, in addition to the externalities and attributes as a public asset of the development process itself, in an ongoing dialogue with the regional and global spheres.

### 9.5.1 Middle-income and upper-middle-income countries should not be penalized for their success

One of the systemic barriers faced by middle-income countries and SIDS is their dependence on per capita GDP as a measurement of their “graduating” to the next level of development. This is a particularly acute problem in the case of the countries comprising the Caribbean Community (CARICOM). A systemic obstacle to the development of the English-speaking countries of the Caribbean is the burden of public debt, which precludes fiscal spaces for the implementation of the 2030 Agenda or long-term planning in each state. Vulnerabilities caused by exposure to natural disasters and the high costs of electricity and importing food and industrial supplies converge on this region’s fiscal space. An important part of this structural restriction is the need to extend concessionality to multilateral loans that finance the infrastructure of the dynamic economies of the future.

The Addis Ababa agreements on international finance, which are enshrined in the 2030 Agenda, represent the starting point for removing this structural obstacle in the Caribbean. The focus on debt must be complemented by other public and private finance initiatives, which form part of the arsenal of instruments arising from agreements to reduce risk and natural disasters and to provide finance for tackling climate change, in addition to the other instruments included in the 2030 Agenda.

### 9.5.2 Sustainable development is the source of all progress

In this Report, **multidimensional progress** is defined as a space for development regulated by certain limits: nothing that diminishes the rights of people and communities or jeopardizes the environmental sustainability of the planet can be regarded as progress. The 2030 Agenda is grounded in this holistic conception of sustainable development, in which economic, social and environmental dimensions are placed on an

equal footing. The geological viewpoint that maps the different levels and concepts of progress — the level of observable progress based on multidimensional metrics, the level of interventions emanating from public policy, and more structural levels related to social constructs and power relations — is rooted in this balance.

The dynamism inherent to improving the standard of living of a large part of the population of Latin America and the Caribbean puts this balance to the test. The most recent global opinion surveys highlight the fact that this region of the world shows the greatest concern for climate change and has the greatest sense of living with the consequences of global warming. Such surveys also show that this region best understands the role that humans have had in impacting climate change since the industrial age. Latin America and the Caribbean is also home to the greatest biodiversity on the planet, while it is also a region with a high level of extractivism, due to its mining and hydrocarbon industries.

A full analysis of these findings will require more empirical, conceptual and public-policy attention going forward. The firm leadership of the region’s countries on the commitment to become carbon neutral over the coming years, preserve biodiversity systems, reduce deforestation rates and make use of alternative energy sources forms the starting point for a multidimensional approach based on timescales that are both long-term (geophysical) and short-term (social and economic development of individual generations).

### 9.5.3 People at the centre of development

This Report draws to a close noting that progress in Latin America and the Caribbean is marked by a strong sense of fragility. This reflects a permanent tension between economic growth and the returns to economic growth; autonomous life projects (privileging decisions about one’s life project) and more instrumental projects (privileging the search for increased material well-being and income). Future social compacts will have to address some of the tensions that remain in

the fiscal sphere and institutional frameworks for development.

Experiences are multidimensional. No one narrates their life story in a fragmented, isolated way. The challenge is to adopt the same perspective in the sphere of public policy. The Governments of Latin America and the Caribbean have spearheaded innovations in social policy over the last 15 years. This capacity for innovation must be extended to all of

the dimensions of well-being that contribute to a full life. In the words of Amartya Sen (2009, p. 227), “In assessing our lives, we have reason to be interested not only in the kind of lives we manage to lead, but also in the freedom that we actually have to choose between different styles and ways of living. Indeed, the freedom to determine the nature of our lives is one of the valued aspects of living that we have reason to treasure.

## Bibliography

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## Executive summary

<sup>1</sup> Information from the UNDP Human Development Report Office. Maternal mortality is measured as the number of deaths registered annually per 100,000 births (2013).

<sup>2</sup> The World Bank World Development Indicators (WDIs).

<sup>3</sup> Rates of poverty and extreme poverty are measured against the baseline of US\$4 and US\$2.5 per person per day, respectively. These baselines are equivalent to the average official poverty and extreme poverty lines used for the countries in the region, adjusted to GDP. Unless otherwise indicated, all monetary lines defining income groups (the population living in extreme poverty, population living in moderate poverty, the population living in a vulnerable situation, and the middle-class population) are expressed in dollars per person per day, adjusted to purchasing power parity.

<sup>4</sup> The population living in economic vulnerability includes people who live on a per capita income of US\$4 to US\$10 per day, while the middle class comprises those with a per capita income of US\$10 to US\$50 per day. More information about how these groups are defined can be found in López-Calva and Ortiz-Juárez (2014).

<sup>5</sup> Figures calculated from the Socio-Economic Database for Latin America and the Caribbean - *SEDLAC* (CEDLAS and the World Bank), September 2015 update. The data gives a weighted average of Gini coefficients for 18 countries: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay and Venezuela.

<sup>6</sup> Williamson (2015) shows that the region's Gini coefficient remained at a modest level throughout the demographic collapse that occurred just before the conquest (0.225) until the year 1600 (0.362). Over the following two centuries, increases in population, per capita income and urbanization caused inequality to rise, reaching 0.576 just before the period of independence. This period was followed by decades of slow income growth and urbanization, resulting in a pro-cyclical fall in the Gini coefficient, reaching 0.464 prior to industrialization circa 1880. As a result of the advent of industrialization and the increase in income generated by commodities compared with wages, the Gini coefficient exceeded 0.600 in 1920 and remained around this level, albeit with major fluctuations, over the following years. A generalized trend towards falling income concentration was only observed once again at the start of the 21st century.

<sup>7</sup> The magnitude of income mobility experienced by the region's population during the circa 2003-2013 period is calculated in this Report by comparing per capita income for 2003 and 2013. The method employed consists of constructing synthetic panels based on

traditional income surveys in order to estimate a counterfactual income for each person circa 2003 that represents the income they would have circa 2013. This procedure, proposed by Dang and Lanjouw (2013) involves producing estimates for both years using a regression model in which per capita income is the dependent variable, explained by a set of observable individual characteristics such as sex or occupational status. Based on each model, coefficients and residuals are obtained whose processing to yield the counterfactual income generates an upper and lower limit for the estimates. For example, the combination of the coefficients obtained based on the model for circa 2013 with the individual characteristics and residuals obtained from the model for circa 2003 generates a lower limit, which in this Report is referred to as the *conservative estimate*. The combination of the characteristics observed in the model for circa 2003 and the respective coefficients and residuals estimated for the model circa 2013 generates an upper limit for the estimates, which in this Report is referred to as the *extreme estimate*.

<sup>8</sup> The SIDS were first recognized as a group of countries comprising nations in Africa, the Indian Ocean, the South China Sea, the Caribbean and the Pacific at the United Nations Conference on Environment and Development (UNCED) in 1992. The following Caribbean countries form part of this group: Antigua and Barbuda, Bahamas, Barbados, Belize, Cuba, Dominica, Dominican Republic, Grenada, Guyana, Haiti, Jamaica, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname and Trinidad and Tobago.

<sup>9</sup> Data consulted from the EM-DAT database: OFDA/CRED International Disaster Database (Guha-Sapir, Below and Hoyois, 2015).

<sup>10</sup> To consult the resolution, see United Nations (2015).

<sup>11</sup> Estimate by the Human Development Report Office.

<sup>12</sup> Prepared by the authors based on estimates provided by the Center for Distributive, Labor and Social Studies (CEDLAS), using information obtained from the Socio-Economic Database for Latin America and the Caribbean (*SEDLAC*) (CEDLAS and the World Bank). The figures correspond to the total for the following 18 countries, with the years indicated in parentheses: Argentina (2014), Bolivia (2013), Brazil (2013), Chile (2013), Colombia (2013), Costa Rica (2013), Dominican Republic (2014), Ecuador (2009), El Salvador (2013), Guatemala (2011), Honduras (2013), Mexico (2012), Nicaragua (2014), Panama (2013), Paraguay (2013), Peru (2014), Uruguay (2014) and Venezuela (2011).

<sup>13</sup> Figures calculated based on information from the SME Finance Forum project by the World Bank International Finance Corporation.

<sup>14</sup> Figures calculated based on information from the Total Economy Database of the Conference Board and the IMF World Economy Outlook Database (October 2015 update). The figures correspond to the aggregate for the following countries: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, Guatemala, Mexico, Peru, Uruguay and Venezuela.

<sup>15</sup> Calculations based on the information available from the UNDP Human Development Report Office, 2015. This value represents the ratio of the average minutes of daily unpaid work by women and men and includes information from time use surveys for the following countries: Colombia (2012-2013), Costa Rica (2004), Ecuador (2012), El Salvador (2010), Mexico (2009), Panama (2011), Peru (2010) and Uruguay (2013). Unpaid work refers to the time dedicated to unpaid domestic tasks, whether for one's self, family members, the community or other households.

<sup>16</sup> The annex 3 to this Report contains the methodological and technical details of the research. The qualitative instruments largely consisted of focus groups, complemented by discussion groups and in-depth interviews. The reports for the focus groups in the different countries in the region can be consulted at [www.masqueingreso.org](http://www.masqueingreso.org). The results were systematized based on the analysis of the literal transcriptions obtained from each of the instruments used. Discourse analysis and grounded theory were used for the analysis. More details on both methodologies can be found in the annex 3 to this Report.

<sup>17</sup> Antigua and Barbuda, Barbados, Bolivia, Brazil, Chile, Colombia, Dominican Republic, Ecuador, Granada, Guyana, Haiti, Honduras, Jamaica, Nicaragua, Peru, Saint Kitts and Nevis, Saint Vincent and the Grenadines, Trinidad and Tobago, Uruguay and the Latin American diaspora living in the United States. These supplies are in addition to those for Costa Rica and El Salvador, which are the result of previous work carried out by the UNDP country offices.

## Chapter 1

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<sup>1</sup> To consult the resolution, please see United Nations (2015).

<sup>2</sup> The discussions on good living/living well developed in Bolivia and Ecuador, respectively, challenge conventional concepts of progress and development, as will be argued later in this Report.

## Chapter 2

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<sup>3</sup> Rates of poverty and extreme poverty are measured against the baseline of US\$4 and US\$2.5 per person per day, respectively. These baselines are equivalent to the average official poverty and extreme poverty lines employed for the countries in the region, adjusted to GDP. Unless otherwise indicated, all monetary lines defining income groups (the population living in extreme poverty, population

living in moderate poverty, the population living in a situation of vulnerability, and the middle-class population) are expressed in dollars per person per day, adjusted to purchasing power parity. The economically vulnerable population includes people who have a per capita income of US\$4 to US\$10 per day, while the middle class comprises those that have a per capita income of US\$10 to US\$50 per day. More information about how these groups are defined can be found in López-Calva and Ortiz-Juárez (2014).

<sup>4</sup> Figures calculated using information obtained from *SEDLAC* (CEDLAS and the World Bank), September 2015 update. The data offers a weighted average of Gini coefficients corresponding to the following 18 countries: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Paraguay, Panama, Peru, Uruguay and Venezuela.

<sup>5</sup> Williamson (2015) shows that the Gini coefficient in the region remained at a moderate level during the demographic collapse which occurred just before the conquest (0.225) until the year 1600 (0.362). Over the following two centuries, increases in population, per capita income and urbanization caused inequality to rise, reaching 0.576 just before the period when independence was attained. This period was followed by decades of slow income growth and urbanization, which pro-cyclically resulted in the Gini coefficient dropping, reaching 0.464 prior to industrialization circa 1880. As a result of the advent of industrialization and the increase in income generated by commodities compared with wages, the Gini ratio exceeded 0.600 in 1920 and remained around this level, albeit with major fluctuations, over the following years. A generalized trend towards lesser income concentration was only observed once again at the start of the 21st Century.

<sup>6</sup> However, in absolute terms, urban areas account for almost double the population experiencing income poverty compared with rural areas. As we will see below, this result places pressure on urban development, particularly the provision of public services.

<sup>7</sup> For each of the years in the 2001-2007 period, China's economy systematically grew year-on-year, with growth rates fluctuating from 8 percent-14 percent.

<sup>8</sup> An economic slowdown can cause commodity prices to fall sharply because these prices reflect expectations about the future. Consequently, prices tend to drop as an economy slows down. Between 2008 and 2009, energy prices dropped by 37 percent, metal prices by 19 percent, while agricultural raw materials fell by 17 percent and foodstuffs by 15 percent, according to International Monetary Fund (IMF) data. Energy includes crude oil, natural gas and coal, while metals include copper, aluminium, iron, tin, nickel, zinc, lead and uranium, raw agricultural materials include timber, cotton, wool, rubber and leather, while foodstuffs comprise cereals, vegetable oils, meat, seafood, sugar, bananas and oranges.

<sup>9</sup> Azevedo, Inchauste and Sanfelice (2013) found that public transfers and a drop in wage inequality were the main drivers of greater income equality in the region over the past decade, respectively contributing 21 percent and 54 percent.

<sup>10</sup> This decomposition method allows the relative contribution of economic growth and redistribution to changes in the income poverty rate to be quantified. The growth component represents the change in the income poverty rate attributable to changes in average income, when holding the relative distribution of the reference year constant. The redistribution component represents the change in the income poverty rate attributable to changes in distribution, when holding the average income constant. For more details see Datt and Ravallion (1992).

<sup>11</sup> The official poverty lines established in the Brazil without Misery plan are 70 reais per capita for the extreme poverty line and 140 reais per capita for the moderate poverty line.

<sup>12</sup> According to data provided by CEDLAS corresponding to circa 2013, informal employment affects 50 percent of workers in the region. On the other hand, the fragmentation of social protection systems is not only manifested in low coverage, but also in terms of quality. For more data on access to the health and pension systems by the region's population consult, for example, *Panorama Social de América Latina [Social Panorama of Latin America]*, 2011 (ECLAC, 2011).

<sup>13</sup> A recent study demonstrates that the current disparity between the education of workers and skills required by the labour market is significant, and that this is an obstacle to long-term productivity and growth (OECD, ECLAC and CAF, 2014).

<sup>14</sup> This Report calculates the magnitude of income mobility experienced by the population of the region during the period circa 2003-2013 by comparing the per capita income for both years. The methodology employed involves constructing synthetic panels based on traditional income surveys in order to estimate, for each person at the starting point (circa 2003), a counterfactual income representing the income this person would have circa 2013. This procedure, proposed by Dang, Lanjouw, Luoto and McKenzie (2014) involves producing estimates for both years using a regression model in which per capita income is the dependent variable, explained by a set of observable individual characteristics such as sex or occupational status. Based on each model, coefficients and residuals are obtained whose treatment in the construction of the counterfactual income generates an upper and lower limit for the estimates. For example, the combination of the coefficients obtained based on the model for circa 2013 with the individual characteristics and residuals obtained from the model for circa 2003 generates a lower limit, which in this Report is referred to as the *conservative estimate*. The combination of the characteristics observed in the model for circa 2003 and the respective coefficients and residuals estimated for the model circa 2013 generates an upper limit for the estimates, which in this Report is referred to as the *extreme estimate*.

<sup>15</sup> This study places special emphasis on upward economic mobility since one of the possible constructions of the synthetic panels could underestimate the proportions of the population transitioning from relatively better to relatively worse states of economic well-being (see the methodological annexes section of this Report).

Despite this possibility, the upward mobility figures presented in the study correspond to the most conservative estimates, so that a threshold lower than the real magnitude of economic mobility in the region over recent years is considered.

<sup>16</sup> At the start of the last decade, Chile embarked on a series of ground-breaking reforms designed to combat poverty and improve the provision of health care and social security. In particular, initiatives such as the *Puente*, *Chile Solidario* and *Chile Crece Contigo* programmes, severance insurance, the social welfare dimension of pension reforms, temporary measures to contain the economic crisis, and family allowance (*Asignación Social*) were designed to protect the population from risks, guaranteeing income and minimum conditions throughout the life cycle (Robles, 2011).

<sup>17</sup> Results for Chile during the periods shown on the graph show that the combination of all the factors that potentially account for an escape from income poverty led to an increase over the long term of the average probability of doing so. This suggests that both circumstances and external interventions in the form of social policies contributed to a significant improvement in the living standards of this population.

<sup>18</sup> In the analysis put forward by Benfield, Gómez-Arteaga and Ortiz-Juárez (2015), the authors provide evidence on Jamaica that indicates that the economic losses associated with various types of adverse shocks experienced during 2002 and 2003 may have increased the probability of households having to face poverty traps. In particular, as a result of losses linked to robberies and natural disasters, the probability of escaping income poverty was reduced by almost 14 and 10 percentage points respectively, while losses in the sphere of agriculture increased the probability of experiencing downward mobility — both from economic vulnerability to income poverty and from the middle class to income poverty or vulnerability — by approximately 20 percentage points.

<sup>19</sup> These figures are calculated based on a population of 224 million people living in vulnerability in 2013, and on estimates related to the transition from vulnerability to income poverty that took place during previous periods some five to 10 years ago. The percentage that will make this transition stands at 13 percent, according to longitudinal surveys for Chile, Mexico and Peru as set out in Section 3, or 10 percent based on the annual synthetic panel data used by Stampini et al. (2015).

## Chapter 3

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<sup>20</sup> The estimates produced by CEDLAS show that labour market formality, defined by access to job-related social security, increased slightly from 43.2 percent to 44.6 percent during the period circa 2002-2013.

<sup>21</sup> The estimates produced by CEDLAS and broken down by education level show that the growth rate of hourly wages of workers

with primary and secondary education was higher than that of workers with a higher education.

<sup>22</sup> These changes meant that the service industry's percentage share of the total workforce rose from 58 percent circa 1993, to 62 percent circa 2002 and almost 67 percent circa 2013. On the other hand, the primary sector's percentage dropped at each of these times from 26.7 percent, to 23.7 percent and to 19 percent, while the manufacturing sector saw its share fall from 15.2 percent, to 14.2 percent and finally to 12.4 percent.

<sup>23</sup> This expansion may have been due to the increase in education coverage that occurred in the region during the 1990s (Cruces, Domench and Gasparini, 2012). Increased basic education coverage in Brazil and Mexico, for example, seems to be linked to increased public spending per pupil and an increase in coverage in rural areas — both of these factors seem to have facilitated educational provision. As shown by Lustig, López-Calva and Ortiz-Juárez (2016), the conditional transfers programme in both countries fostered demand for education by offsetting the opportunity costs of child labour. However, evidence suggests that because of the substandard quality of education, the additional years of schooling completed as a result of the rollout of these conditional transfer programmes may not lead to a significant rise in returns from education in the beneficiary population (Filmer and Schady, 2014). On the other hand, the growing number of better educated workers helped to close wage gaps between workers with different levels of qualification and this transformation seems to have fostered faster growth of work-related income in the lowest quintiles of the population, which in turn has led to income inequality falling (Lustig, López-Calva y Ortiz-Juárez, 2016).

<sup>24</sup> See the FAO article entitled “Soil and Water Conservation in Latin America and the Caribbean” [online]. Available at: <http://www.fao.org/americas/perspectivas/suelo-agua/es/>.

<sup>25</sup> Calculated using information obtained from World Resources Institute (2012).

<sup>26</sup> Although the growth of the middle class creates challenges, extensive research on the subject has documented the economic benefits of having a growing middle class. For example, some studies have highlighted the importance of this group as a source of purchasing power, which has a bearing on the growth of the market (Murphy, Shleifer and Vishny, 1989) and on economic growth (Easterly, 2001). Another study underscores the cumulative effect of the middle class in terms of accumulating human capital (Doepke and Zilibotti, 2008). Furthermore, the middle class can be advantageous to lower-income groups by making them more willing to support reform and call for public services, as has happened in several of the region's countries over the past few years.

<sup>27</sup> Data from the World Bank's WDI.

<sup>28</sup> Of the prior works on multidimensional poverty, Atkinson's analysis (2003) is worthy of note, as is Deutsch and Silber's study (2005). The Alkire-Foster method's most significant contribution consisted of producing measuring instruments based on Amartya

Sen's conceptual umbrellas of capabilities, including the technical advantages of the Foster-Greer-Thorbecke indicators.

<sup>29</sup> See UNDP (2016, forthcoming, Appendix 7 and methodological note).

<sup>30</sup> The data on regional MPI is based on information corresponding to 18 countries in which the MPI is calculated: Argentina, Barbados, Belize, Bolivia, Brazil, Colombia, Dominican Republic, Ecuador, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Peru, Saint Lucia, Suriname, and Trinidad and Tobago.

<sup>31</sup> The agency of individuals, defined by Sen (1985) as “what a person is free to do and achieve in pursuit of whatever goals or values he or she regards as important”, is essential if people are to take responsibility for their own human development.

<sup>32</sup> In the academic sphere, major contributions are “Suma qamaña = convivir bien: ¿cómo medirlo?” [Suma qamaña = living well: How do we measure it?] by Xavier Albó de 2011, and the book edited by Ivonne Farah H. and Luciano Vasapollo, *Vivir bien: ¿Paradigma no capitalista? [Living well: a non-Capitalist paradigm?]*, Universidad Mayor de San Andrés (CIDES-UMSA) and Department of Economics, La Sapienza University of Rome, also 2011.

<sup>33</sup> This Report's statistical annex contains information on this progress, disaggregated by country, displaying significant variation in terms of the areas in which progress was made and the precariousness of the achievements.

## Chapter 4

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<sup>34</sup> The development of the industrial sector in some countries in the Caribbean and Central America since the 1980s, in particular Honduras, El Salvador, Nicaragua, the Dominican Republic and Haiti, has made it possible to offer formal employment to a large number of workers and, in some cases, guarantee a minimum salary. This has contributed to poverty reduction in these countries. However, the conditions of employment in this sector are usually precarious as a result of the lack of job-related social protection systems. As the majority of jobs are for low-skilled or unskilled workers, and due to the negligible increase in salaries and skill levels of workers over time, this sector makes little contribution to human capital, and workers are at high risk of falling into poverty. Moreover, this sector is now stagnant in terms of employment creation, due to its inability to generate comparative advantages and the low levels of foreign direct investment in the sector (Rodas-Martini, 2015).

<sup>35</sup> A detailed discussion of these types of disincentive can be found in Levy (2008).

<sup>36</sup> This effect, by which the minimum wage acts as a signal in the informal sector, has been called the “lighthouse effect” (Maloney and Nuñez Mendez, 2004; Boeri, Garibaldi and Ribeiro, 2010).

<sup>37</sup> See, for example, Bell (1997), Cunningham (2007), Cunningham and Siga (2006), and Maloney and Nuñez Mendez (2004).

<sup>38</sup> See a summary of the different analyses in Fiszbein et al. (2009).

<sup>39</sup> The inclusion of care as a pillar of social protection policies as a basis for the transition to a conception of care as a right and responsibility shared by the institutions of society has been advocated by various international agencies, such as the ECLAC, ILO and UNDP. An example of a detailed discussion on the redistribution of care from the perspective of social protection policies can be found in Provoste Fernández (2012).

<sup>40</sup> These categories are based on Durán and subsequent reworkings (Martínez Franzoni and Camacho, 2007; Blofield and Martínez Franzoni, 2014).

## Chapter 5

<sup>41</sup> Although increasingly more information has become available available on the Afro-descendant population during successive censuses as of the year 2000, today it is still difficult to estimate the total Afro-descendant population living in the region as a whole. Various institutional sources (ECLAC, the World Bank, the United Nations) provide figures on the Afro-descendant population that range from 80 million to 150 million. The official figure given by the United Nations for the Afro-descendant population living in the region stands at 150 million, despite the fact that Afro-descendant organizations give figures of around 200 million.

<sup>42</sup> The document referred to is entitled *Pueblos indígenas. Diálogo entre culturas* (UNDP, 2011), and is based on from the working document by Esther Sánchez, “Situación actual de los pueblos indígenas de Colombia” (UNPD, Instituto Nacional de Derechos Humanos, INDH, 2010), which uses data from the 2005 census produced by the National Administrative Department of Statistics (Departamento Administrativo Nacional de Estadística, DANE).

<sup>43</sup> Information available on the website of the Colombian Institute of Rural Development (Instituto Colombiano de Desarrollo Rural) attached to the Ministry of Agriculture and Rural Development (Ministerio de Agricultura y Desarrollo Rural). Available at: <http://www.incoder.gov.co/www/index.aspx>.

<sup>44</sup> The project website is available at: <https://perla.princeton.edu/>.

<sup>45</sup> The countries examined in the study are as follows: Bolivia, Brazil, Colombia, Dominican Republic, Ecuador, Guatemala, Mexico and Peru. The analysis also looks at interviewees’ sex, age, population size and geographic region. Estimates of the difference in years of schooling completed by people with lighter skin and years of schooling completed by people with darker skin may vary by 0.4 to 0.8 years. In the case of Mexico, the difference was smaller because the data reported the years

of schooling completed. The difference was non-existent when the percentages of the population in both groups that had completed primary and secondary education were compared. One possible explanation for this is that the size of the sample used for the analysis in this country was relatively small, according to the authors themselves.

<sup>46</sup> The concept of intimate partner violence perpetrated by men is used specifically to refer to those forms of violence that happen in a sphere that is still considered by many people to be private (intimate partner relationships) and therefore usually not considered to be subject to public scrutiny.

<sup>47</sup> CEPALSTAT database (information revised to 20 June 2012).

<sup>48</sup> The results presented by Hernández-Monzoy (2015) are for the following 18 countries: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay and Venezuela.

<sup>49</sup> Figure from CEPALSTAT, 2015.

<sup>50</sup> Men’s and women’s employment rates in urban and rural areas are calculated on the basis of ILO statistics and represent a simple average of the rates in each of the following countries: Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Dominican Republic and Uruguay.

<sup>51</sup> Calculated on the basis of information from the UNDP Human Development Report Office, 2015. This value represents the ratio between the average minutes per day spent on unpaid work for women and the average minutes per day spent on unpaid work for men, and it is based on information from use of time surveys for the following countries: Colombia (2012-2013), Costa Rica (2004), Ecuador (2012), El Salvador (2010), Mexico (2009), Panama (2011), Peru (2010) and Uruguay (2013). Unpaid work comprises time working on unpaid household tasks which are carried out for personal benefit or for other members of the household, the community or other households.

<sup>52</sup> Information calculated on the basis of CEPALSTAT data. The countries covered are those for which data was available. It is important to note that these figures only include women dedicated exclusively to household tasks, without considering women who also have paid employment. The percentage of women dedicated exclusively to household tasks by area of residence is a simple average of data corresponding to the following countries: Honduras, Mexico, Panama, Paraguay, Dominican Republic, Uruguay and Venezuela. The percentage of women dedicated exclusively to household tasks who live in rural areas by quintile is a simple average of data corresponding to the following countries: Honduras, Mexico, Panama, Paraguay, Dominican Republic and Uruguay.

## Chapter 6

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<sup>53</sup> There are numerous examples of the benefits of social transfer programmes being cancelled out by the regressive nature of indirect taxes in the region (Lustig, Pessino and Scott, 2014).

<sup>54</sup> Almost a decade ago, the Program to Implement the External Pillar of the Medium-Term Action Plan for Development Effectiveness (PRODEV) of the Inter-American Development Bank (IADB), with the support of the Latin American Centre for Development Administration (CLAD), developed a results-orientated conceptual management model, which is still used as a reference point for many national and subnational government reform processes.

<sup>55</sup> In countries such Argentina or Colombia, judicial activism has become more widespread and has achieved better guarantees in the field of health, directing requests to the State or businesses providing health services, related to access to medical services, preventive medicines, or care for poor or vulnerable people who need it.

<sup>56</sup> “High intensity” (Repetto and Potenza, 2012).

<sup>57</sup> CEDLAS using information obtained from *SEDLAC* (CEDLAS and the World Bank), 2013.

<sup>58</sup> UNDP has summarized some of the lessons learned through its experience of working in the region regarding the smooth operation of multilevel governance (Gallicchio and Portieles, 2013) which should form part of this multidimensional progress architecture.

<sup>59</sup> In Bolivia, the 2010 Framework Law on Autonomy and Decentralization created Sectoral Coordination Councils to improve the territorial coordination of sectoral policies. UNDP Bolivia worked with the Ministry of Productive Development and Plural Economy to share methodologies for the operation of the Sectoral Coordination for Productive Development Councils, within the framework of the UNDP Bolivia ART programme, which includes the UNDP ART (Articulation of Territorial and Thematic Networks of Human Development Cooperation) International Initiative. These Councils enable productive development activities to be coordinated at the central, departmental and municipal levels, with the participation of the Ministry, the Government, the associations and the municipalities. They are open to the participation of private sector and civil society actors (Gallicchio & Portieles, 2013).

<sup>60</sup> For example, UNDP guided the creation of several working groups in indigenous associations that brought together several municipalities in the department of Oruro in Bolivia. The working groups addressed the mobilization of resources and the implementation of high-impact interventions, also within the framework of the UNDP ART project (Gallicchio & Portieles, 2013).

<sup>61</sup> Term used by the Latin American and Caribbean Forum on Territorial Economic Development.

<sup>62</sup> Estimate by the Latin American and Caribbean Demographic Centre (Centro Latinoamericano y Caribeño de Demografía [CELADE]), ECLAC Population Division.

<sup>63</sup> For further information on social programmes from a life-cycle perspective, see the Comprehensive Database of Social Programmes (Banco Integrado de Programas Sociales (BIPS)) [online]. Available at: [www.programassociales.cl/programas](http://www.programassociales.cl/programas).

<sup>64</sup> The concept of the “middle-income trap” was first defined a decade ago (see Gill and Kharas, 2015).

<sup>65</sup> Castoriadis’ definition is applied here. He understood imaginaries to be the set of meanings that bind a society together and establish it as a society (Castoriadis, 1975).

<sup>66</sup> We are referring to what Castoriadis called the “third or effective social imaginary”, the specific content which organizes the central aspects of social institutions, such as the family (Castoriadis, 1975).

<sup>67</sup> These social behavioural practices, laws and social institutions are part of the imaginary (such as religion, money, family, democracy, modernity, the roles men, women, mothers, sons, sisters, etc. play), and mark the contours that subjects experience as “norms, values, language, tools, procedures and methods of dealing with things and doing things” (Castoriadis, 1975).

<sup>68</sup> A Gordian knot refers to an intractable problem, an obstacle that is difficult to overcome or “disentangle”, especially if the only solutions are creative or original ones.

<sup>69</sup> More information about the Inter-American Court of Human Rights ruling can be found at: [http://www.corteidh.or.cr/docs/casos/articulos/seriec\\_239\\_esp.pdf](http://www.corteidh.or.cr/docs/casos/articulos/seriec_239_esp.pdf).

## Chapter 7

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<sup>70</sup> See United Nations (2015).

<sup>71</sup> More information on UNDP’s approach to tackling the SDGs can be found in UNDP (2015b).

<sup>72</sup> The principle of common but differentiated responsibilities is established in the Rio Declaration on Environment and Development (principle 7), and is reaffirmed in the setting of the 2030 Agenda.

<sup>73</sup> For further information, see UNDP (2015b).

<sup>74</sup> The United Nations Statistical Commission created an Inter-agency and Expert Group on SDG Indicators (IAEG-SDGs) with the mission of developing a global SDG indicator framework. At the time of writing, in March 2016, this agency had proposed 231 indicators to monitor the SDGs. For further information, see United Nations (2016).

<sup>75</sup> Agriculture and Rural Development Database of the World Bank. The information cited corresponds to the last year for which data are available, which in the case of Latin America and the Caribbean is 2013.

<sup>76</sup> Information on poverty and inequality obtained from *SEDLAC* (CEDLAS and the World Bank), 2015. Available from: <http://sedlac.econo.unlp.edu.ar/esp/estadisticas.php>.

<sup>77</sup> News brief from the Presidency of the Republic of El Salvador: 'El Salvador adopta Agenda de Desarrollo Sostenible 2015-2030 de la ONU' [El Salvador adopts the UN Sustainable Development Agenda 2015-2030] [online]. Available at: <http://www.presidencia.gob.sv/el-salvador-adopta-agenda-de-desarrollo-sostenible-2015-2030-de-la-onu/>.

<sup>78</sup> Catalina Ruiz-Navarro, 'Creatividad y diligencia' [Creativity and Diligence], *El Espectador* [online], 8 December 2012. Available at: <http://www.elespectador.com/noticias/medio-ambiente/creatividad-y-diligencia-articulo-391418>.

<sup>79</sup> Paula Caballero, 2016, 'A Short History of the SDGs', Deliver 2030 Series, Overseas Development Institute, London, available at: [www.deliver2030.org](http://www.deliver2030.org).

<sup>80</sup> High-level Panel on the Post-2015 Development Agenda [online]. Available at: <http://www.post2015hlp.org/the-panel/>.

<sup>81</sup> To consult the complete document, please see United Nations (2012).

## Chapter 8

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<sup>82</sup> Daniel Kahneman (2011) addresses the difference between evaluations of life experiences that are instantaneous and those that take place retrospectively. Life experiences are seen as pleasant or unpleasant while life evaluations take the form of a "narrative arc" anchored in one place — a comparator that enables one to tell a story.

<sup>83</sup> The annex 3 to this Report explains the methodological and technical details of the research. The qualitative tools used were largely focus groups. Discussion groups and in-depth interviews were also conducted. Reports on the focus groups conducted in the different countries can be found at: [www.masqueingreso.org](http://www.masqueingreso.org). The results were systematized by analyzing the literal transcriptions obtained from each of the tools used. They were analyzed using discourse analysis and grounded theory. More information on both methodologies can be found in the annex 3 to this Report.

<sup>84</sup> Bolivia, Colombia, Ecuador, Uruguay, Chile, Peru, Brazil, Nicaragua, Honduras, Haiti, Dominican Republic, Trinidad and Tobago, Granada, Saint Vincent and the Grenadines, Barbados, Antigua and Barbuda, Saint Kitts and Nevis, Jamaica, Guyana and the Latin American diaspora in the United States. Contributions from previous work conducted by the UNDP's country offices in Costa Rica and El Salvador were also added to this.

<sup>85</sup> It should be noted that while it is generally accepted that progress involves advancement and improvement, not everyone (particularly indigenous communities) feels quite the same about these positive

connotations. To begin with, they understand the notion only from a strictly material point of view. As their concept of progress grows, however, they embrace a more positive acceptance linked to the idea of improvement and progress in the life of people and groups.

<sup>86</sup> These three factors were present in testimonies obtained in all countries, regardless of the socio-economic status of the people consulted.

<sup>87</sup> The Institute for Gender and Development field and reporting team comprised of Sommer Hunte (lead consultant), Tricia Basdeo (facilitator), Tivia Collins (rapporteur), Patricia Hackett (facilitator) and Sabrina Mowlah-Baksh (facilitator). Professor Patricia Mohammed and Deborah McFee served as research advisors.

<sup>88</sup> The qualitative information used for the study by Rovner (2016) was obtained from the analysis of 18 focus groups of young people, segmented by socioeconomic level, geographic area, sex, education level and family circumstances. The quantitative information was prepared from the Gallup World Poll, a comparative international survey designed and run by Gallup, based on annual surveys in 160 countries since 2006. The age of interviewees was broken down into three age groups: 15-29 (young people), 30-49 and 50 and above.

<sup>89</sup> It should be noted that the people who were consulted also acknowledge the support of nongovernmental organisations (NGOs) and churches, although these do not have the same force as that which is attributed to family, local or government support. According to the interviewees, the role of these institutions is to act as a driver of progress: their purpose is to help people in difficult situations through actions to increase their capacity for empowerment and organisation.

<sup>90</sup> Among global initiatives, the following should be highlighted: Amartya Sen, Martha Nussbaum, Robert Chambers, Sabina Alkire and the Sarkozy Commission, in addition to Biggeri's work on childhood capacities. At the regional level, projects such as "Qué desarrollo en Uruguay" [What development in Uruguay] and "Midiendo el progreso de las sociedades. Reflexiones desde México" [Measuring the progress of societies: reflections from Mexico] are also noteworthy.

## Chapter 9

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<sup>91</sup> This figure varies from country to country, depending on national conditions.





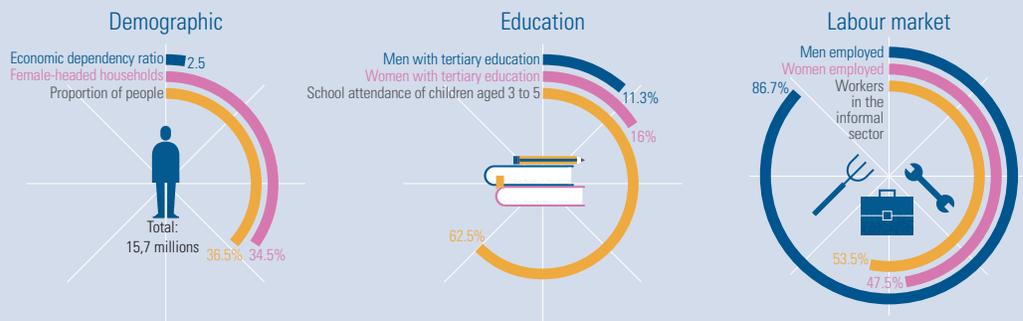
# Annexes



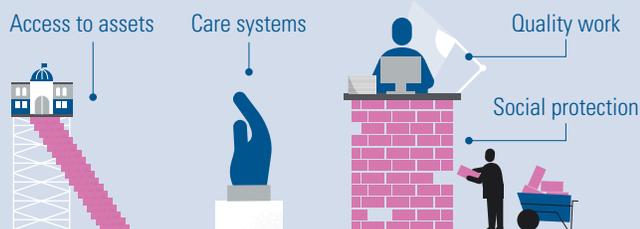
Distribution of the population by income group



Characteristics of population facing economic vulnerability, 2014



Basket of resilience



Public policy interventions focused on strengthening baskets of resilience may potentially prevent **1.5 to 2 million** people facing economic vulnerability from falling into income poverty.

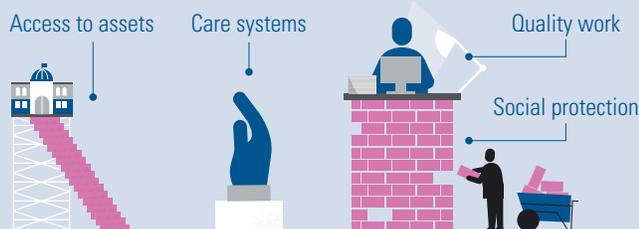
Distribution of the population by income groups



Characteristics of population facing economic vulnerability, 2013

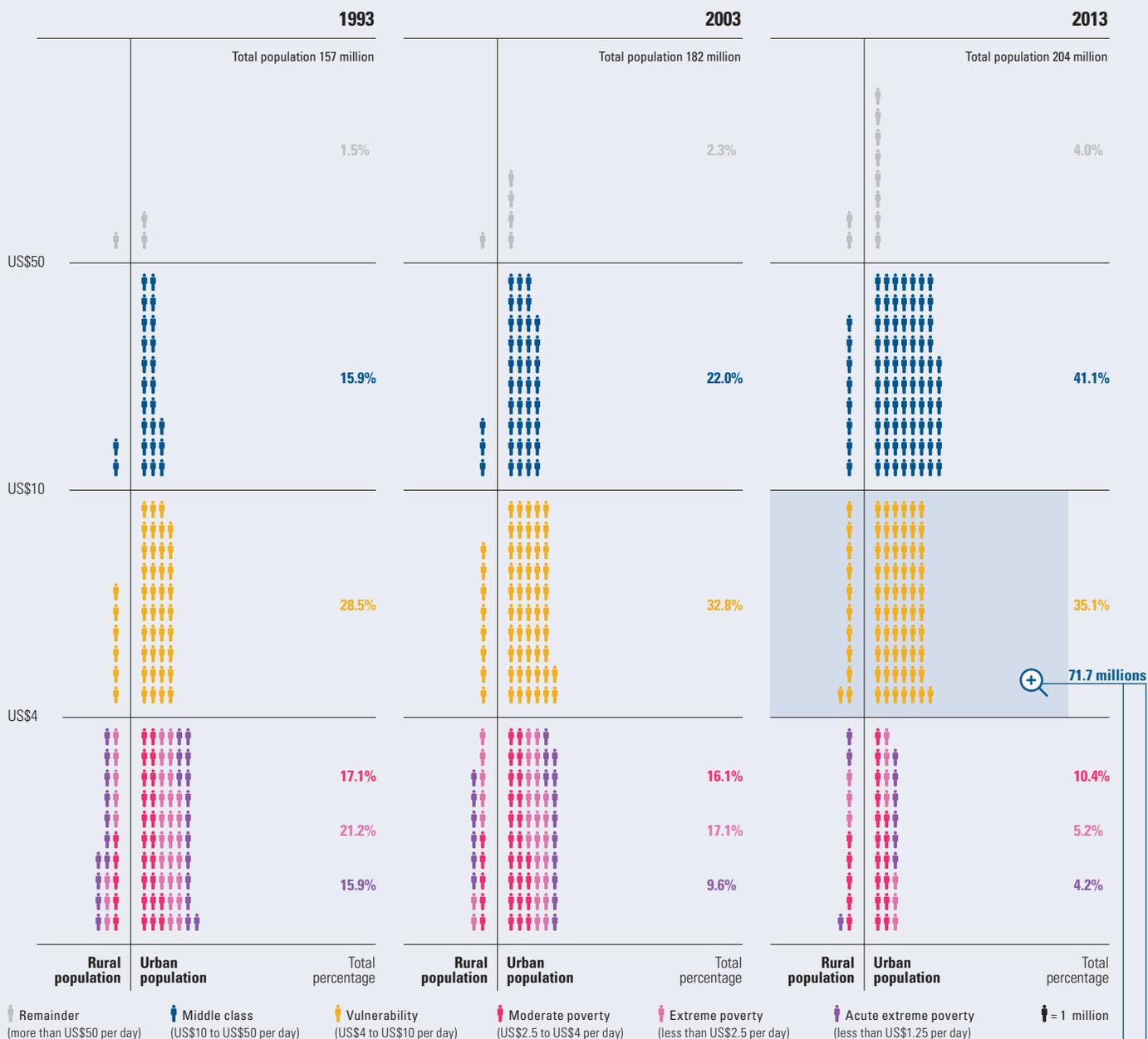


Basket of resilience

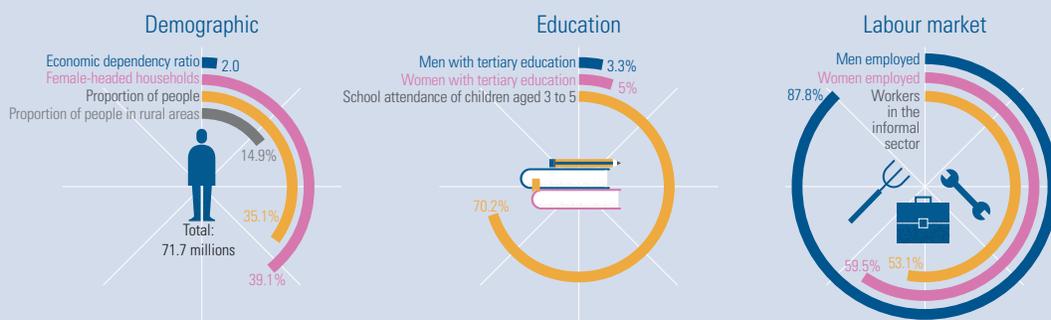


Public policy interventions focused on strengthening baskets of resilience may potentially prevent **415 to 539 thousand** people facing economic vulnerability from falling into income poverty.

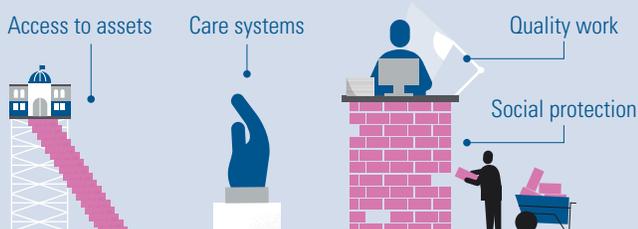
### Distribution of the population by income groups



#### Characteristics of population facing economic vulnerability, 2013

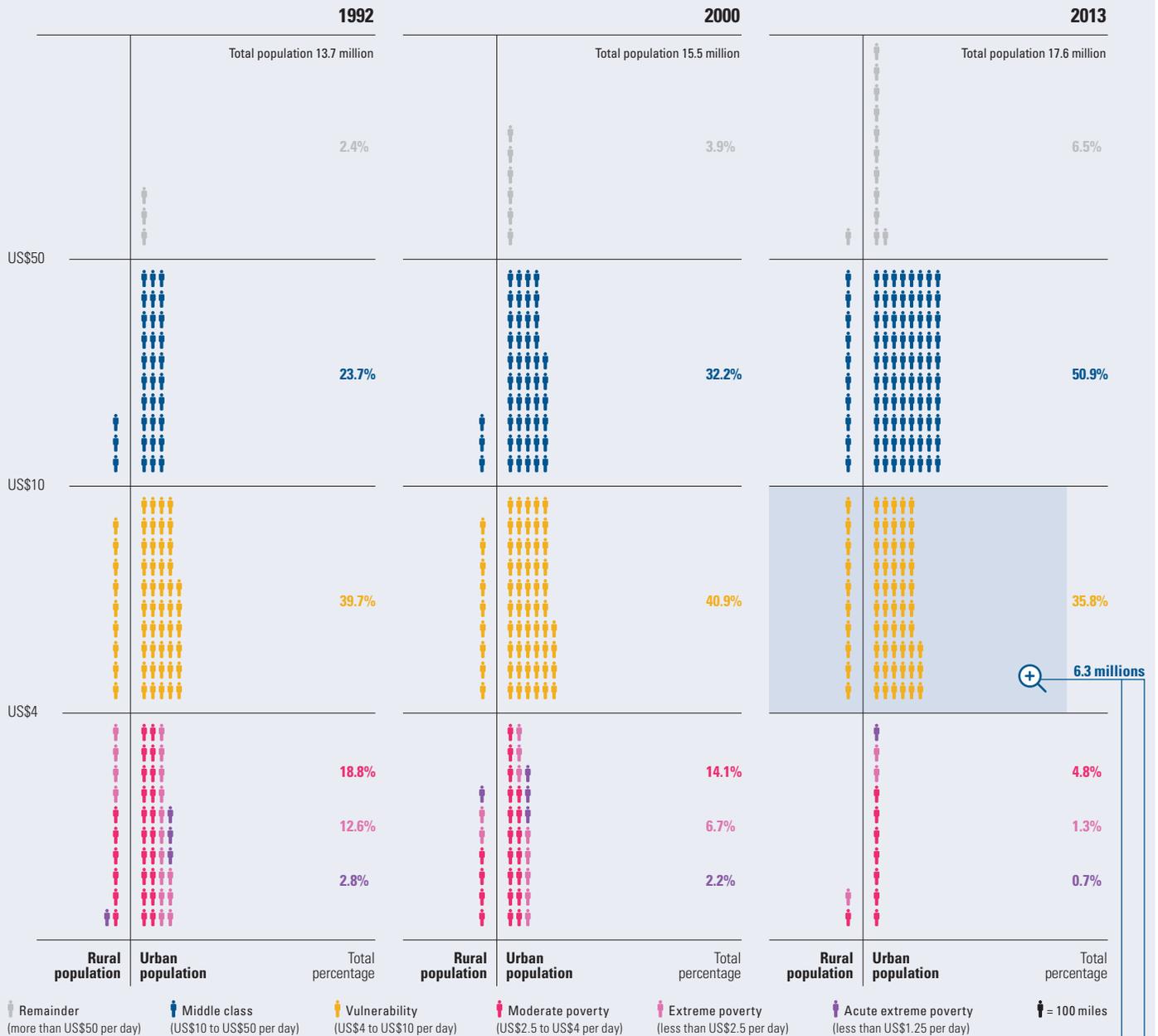


#### Basket of resilience

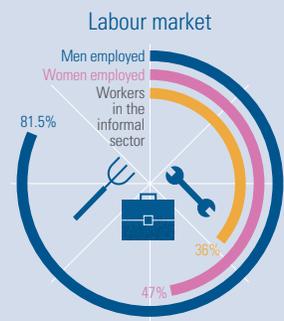
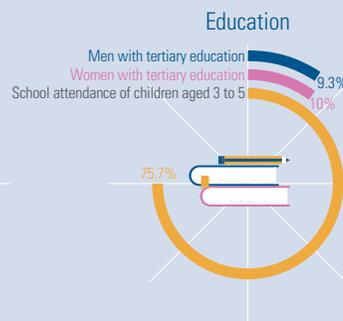
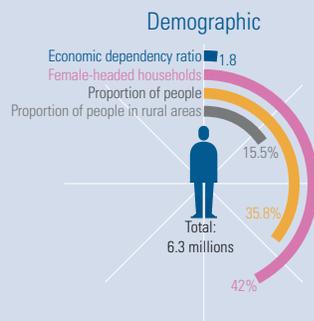


Public policy interventions focused on strengthening baskets of resilience may potentially prevent **7 to 9.3 million** people facing economic vulnerability from falling into income poverty.

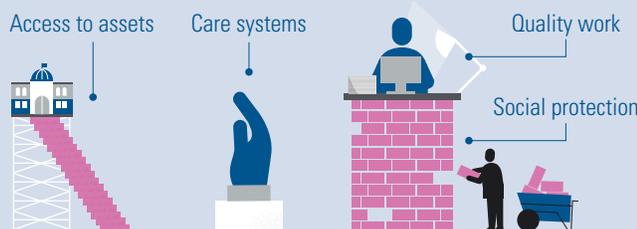
Distribution of the population by income groups



Characteristics of population facing economic vulnerability, 2013

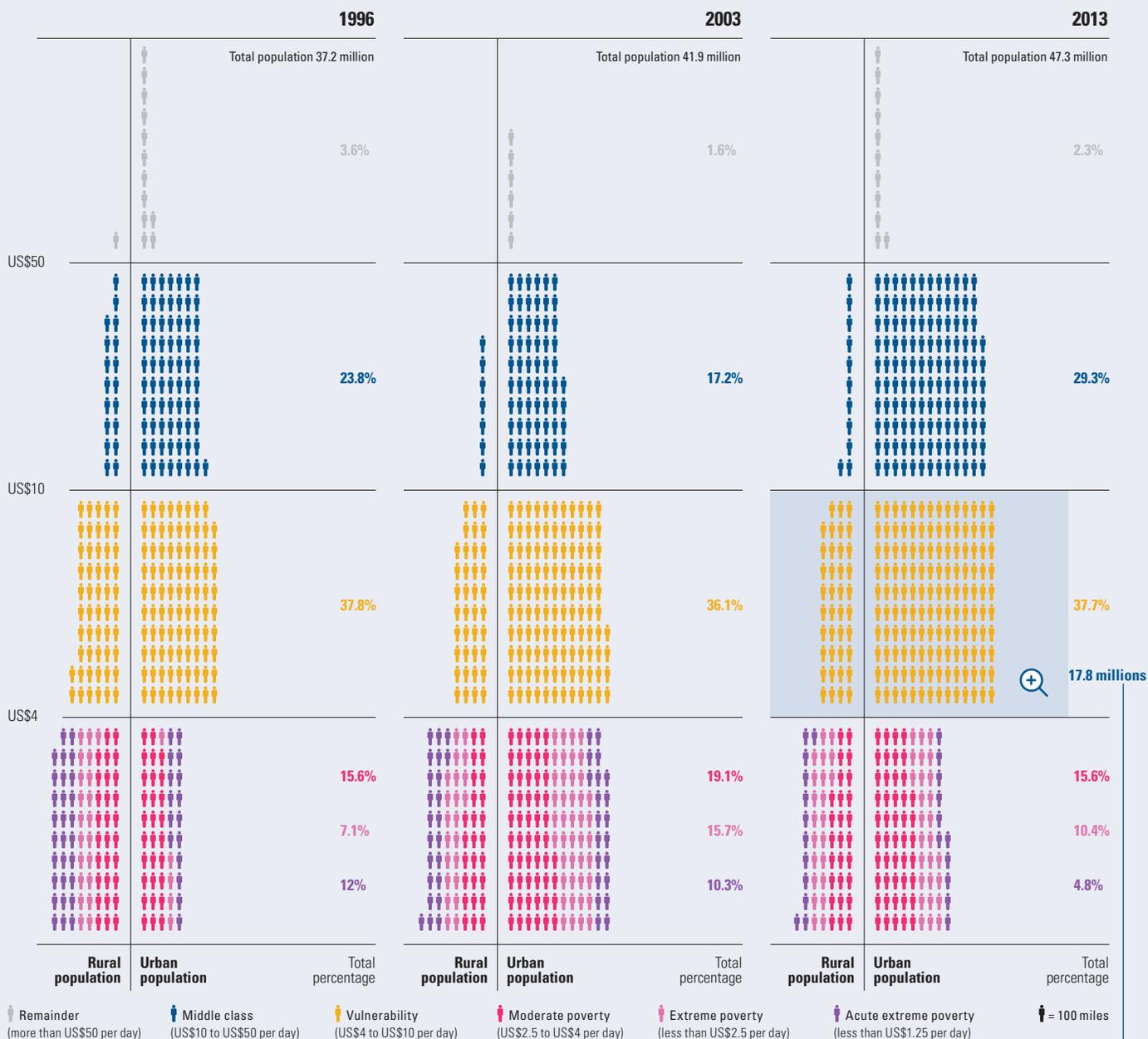


Basket of resilience

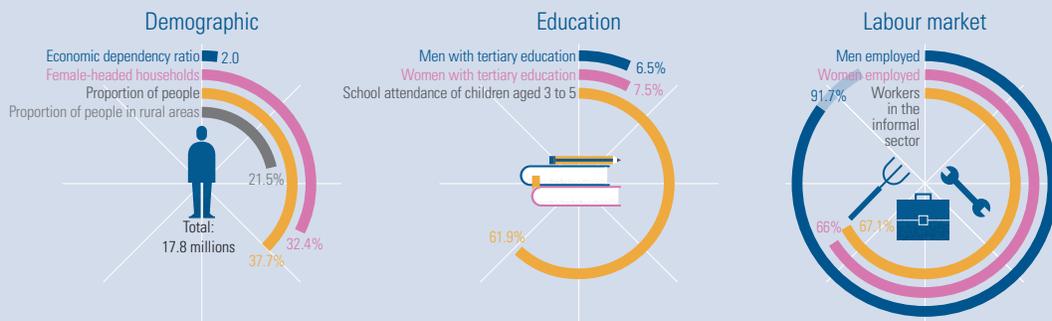


Public policy interventions focused on strengthening baskets of resilience may potentially prevent **628 to 817 thousand** people facing economic vulnerability from falling into income poverty.

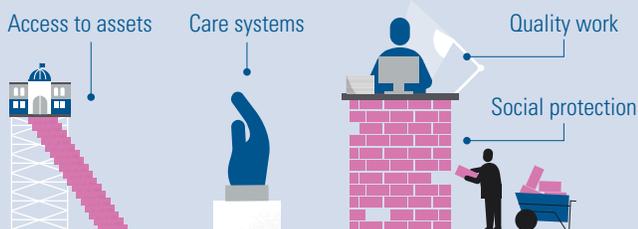
### Distribution of the population by income groups



### Characteristics of population facing economic vulnerability, 2013

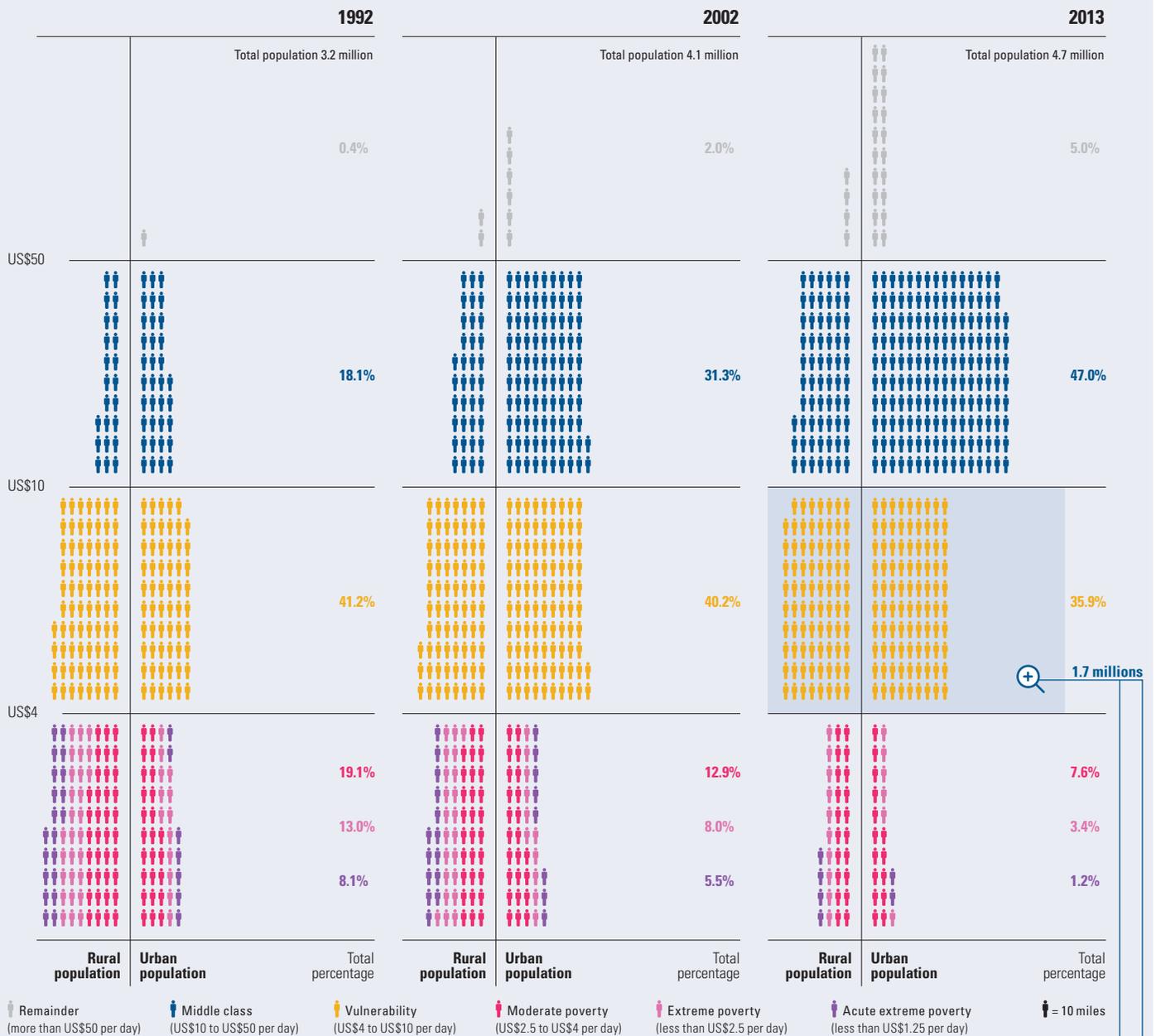


### Basket of resilience

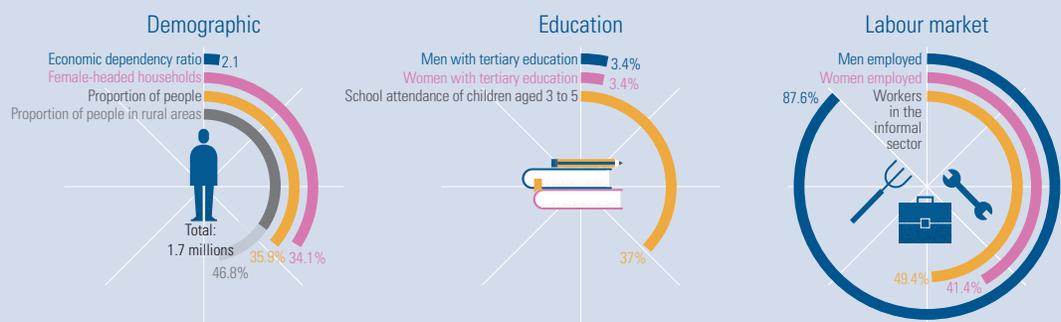


Public policy interventions focused on strengthening baskets of resilience may potentially prevent **1.7 to 2.3 million** people facing economic vulnerability from falling into income poverty.

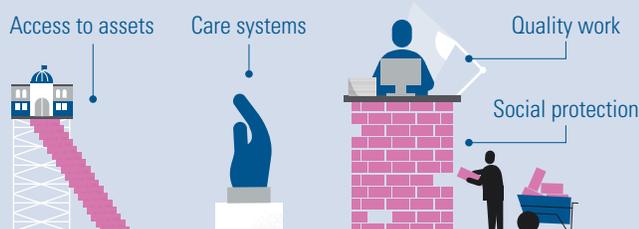
Distribution of the population by income groups



Characteristics of population facing economic vulnerability, 2013

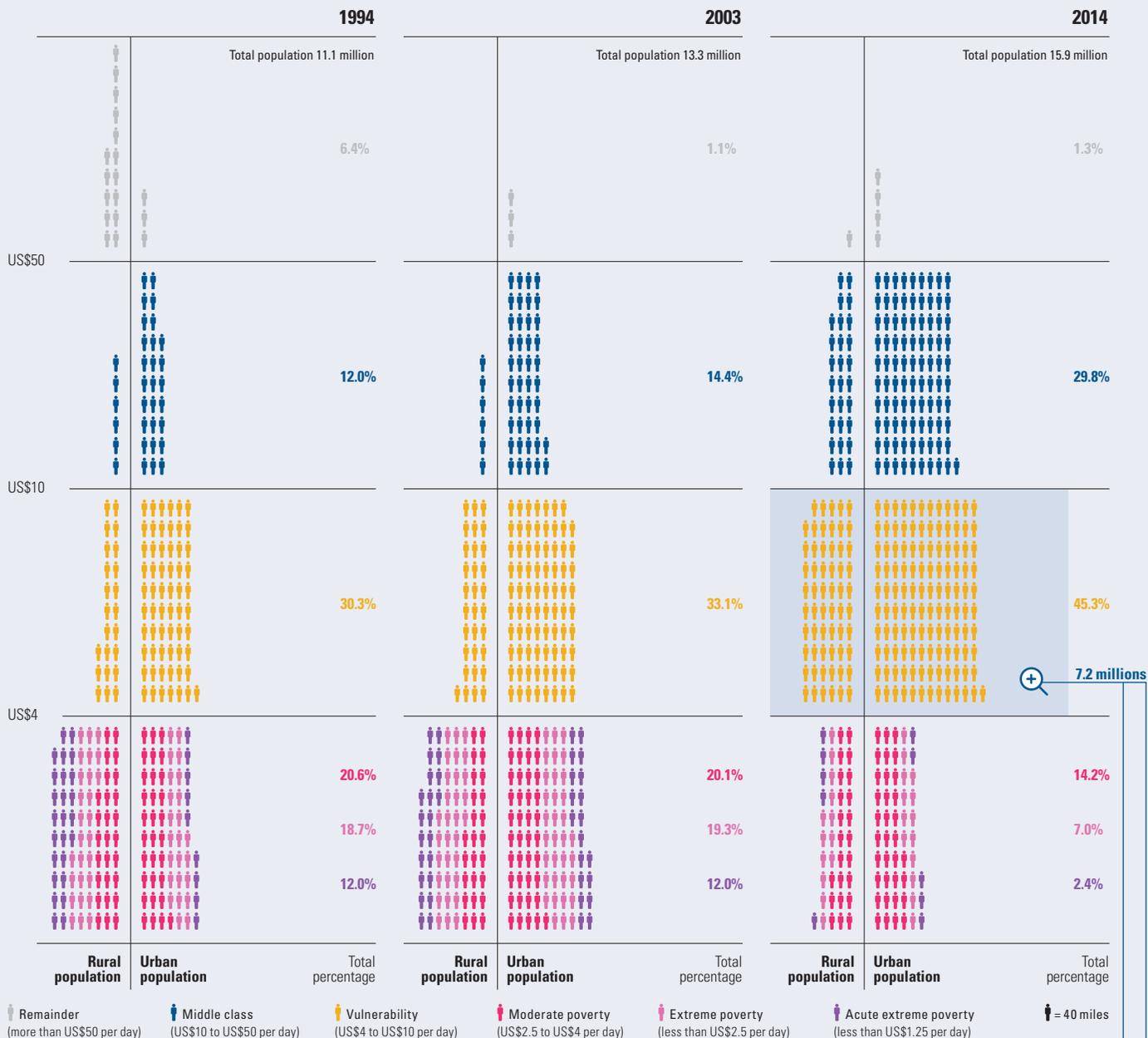


Basket of resilience

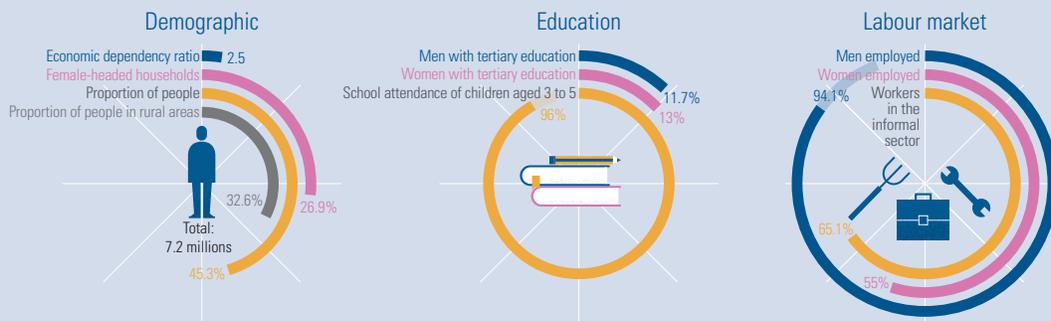


Public policy interventions focused on strengthening baskets of resilience may potentially prevent **167 to 219 thousand** people facing economic vulnerability from falling into income poverty.

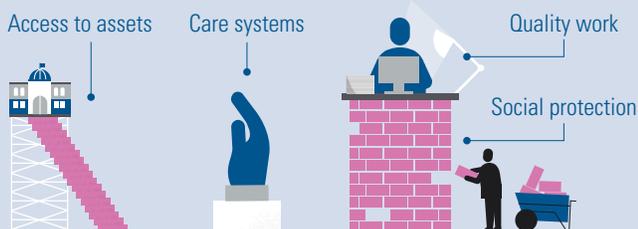
### Distribution of the population by income groups



### Characteristics of population facing economic vulnerability, 2014



### Basket of resilience

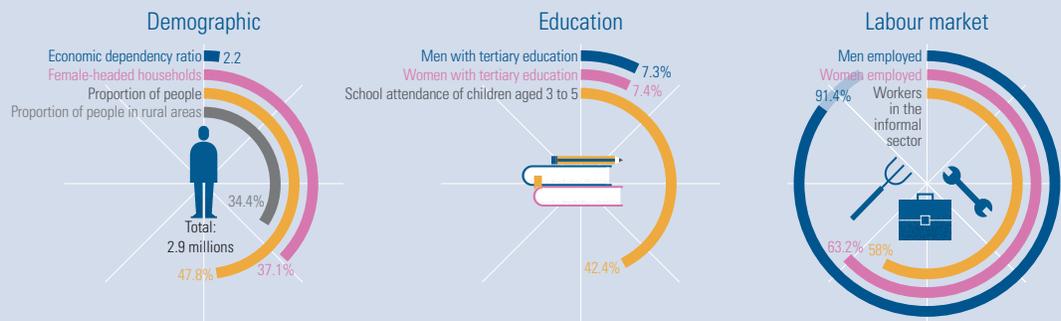


Public policy interventions focused on strengthening baskets of resilience may potentially prevent **720 to 936 thousand** people facing economic vulnerability from falling into income poverty.

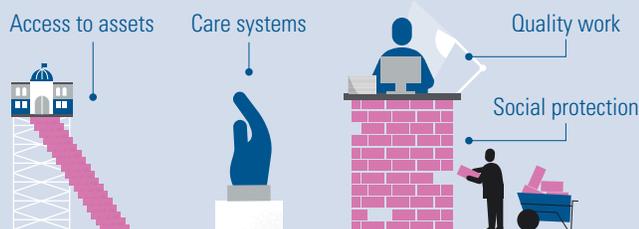
Distribution of the population by income groups



Characteristics of population facing economic vulnerability, 2013

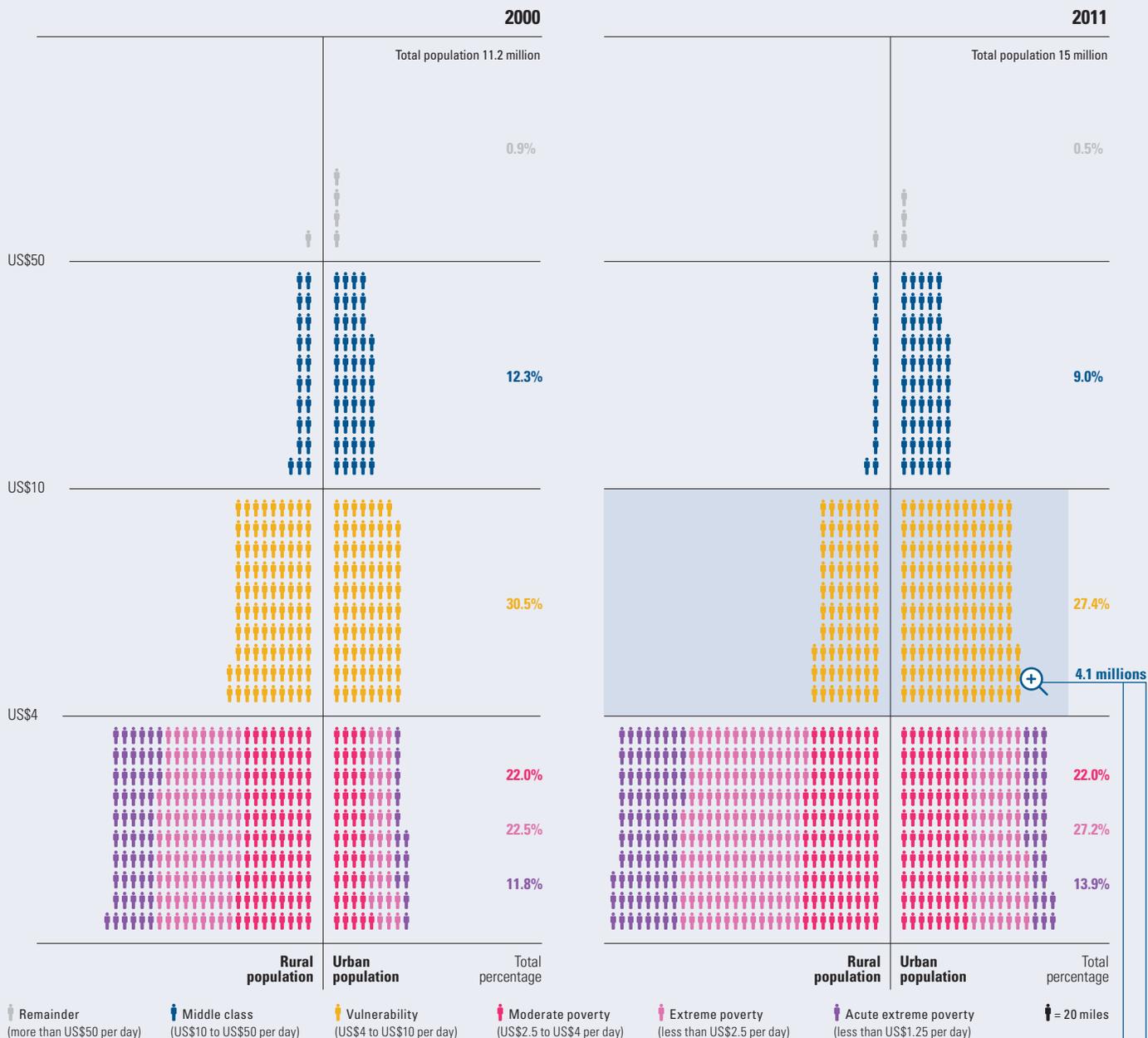


Basket of resilience

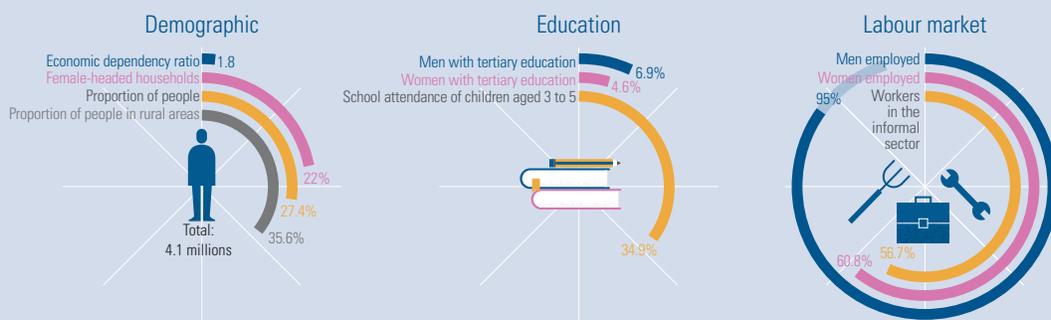


Public policy interventions focused on strengthening baskets of resilience may potentially prevent **290 to 378 thousand** people facing economic vulnerability from falling into income poverty.

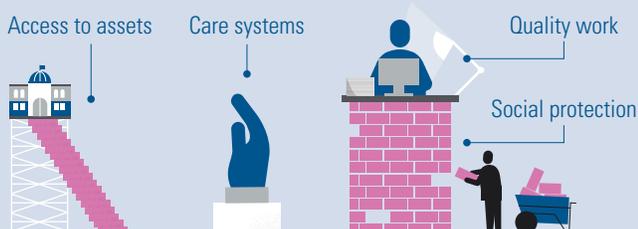
### Distribution of the population by income groups



#### Characteristics of population facing economic vulnerability, 2011

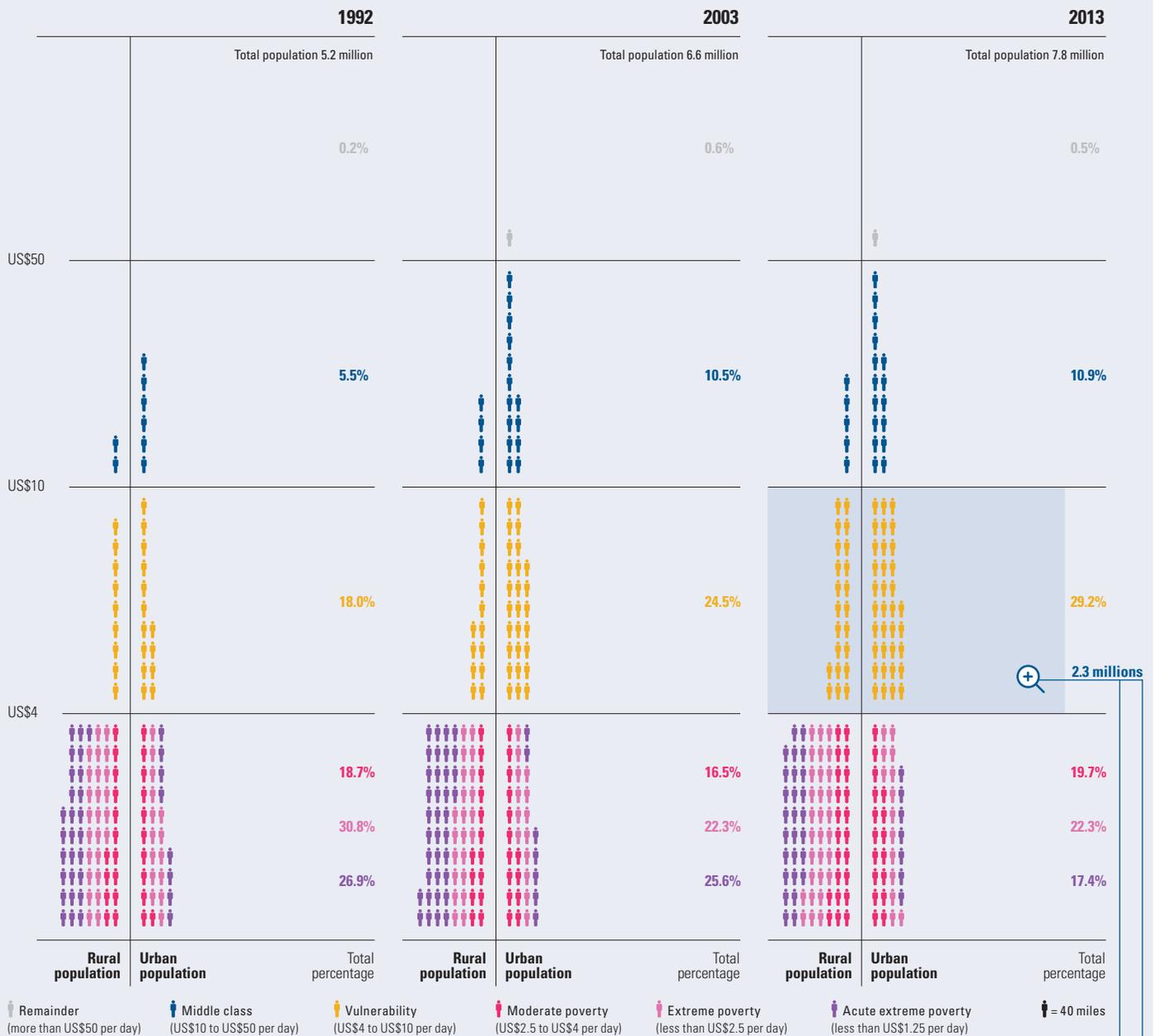


#### Basket of resilience



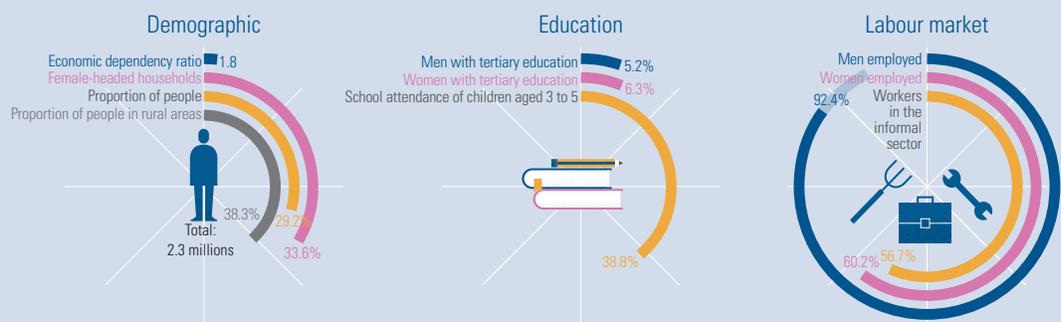
Public policy interventions focused on strengthening baskets of resilience may potentially prevent **413 to 536 thousand** people facing economic vulnerability from falling into income poverty.

Distribution of the population by income groups

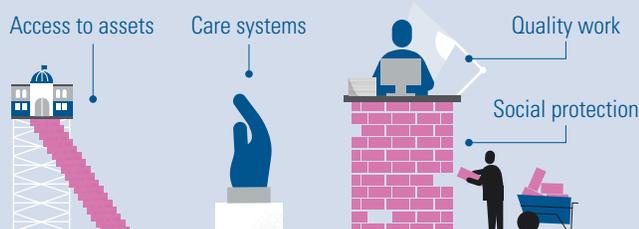


2.3 millions

Characteristics of population facing economic vulnerability, 2013

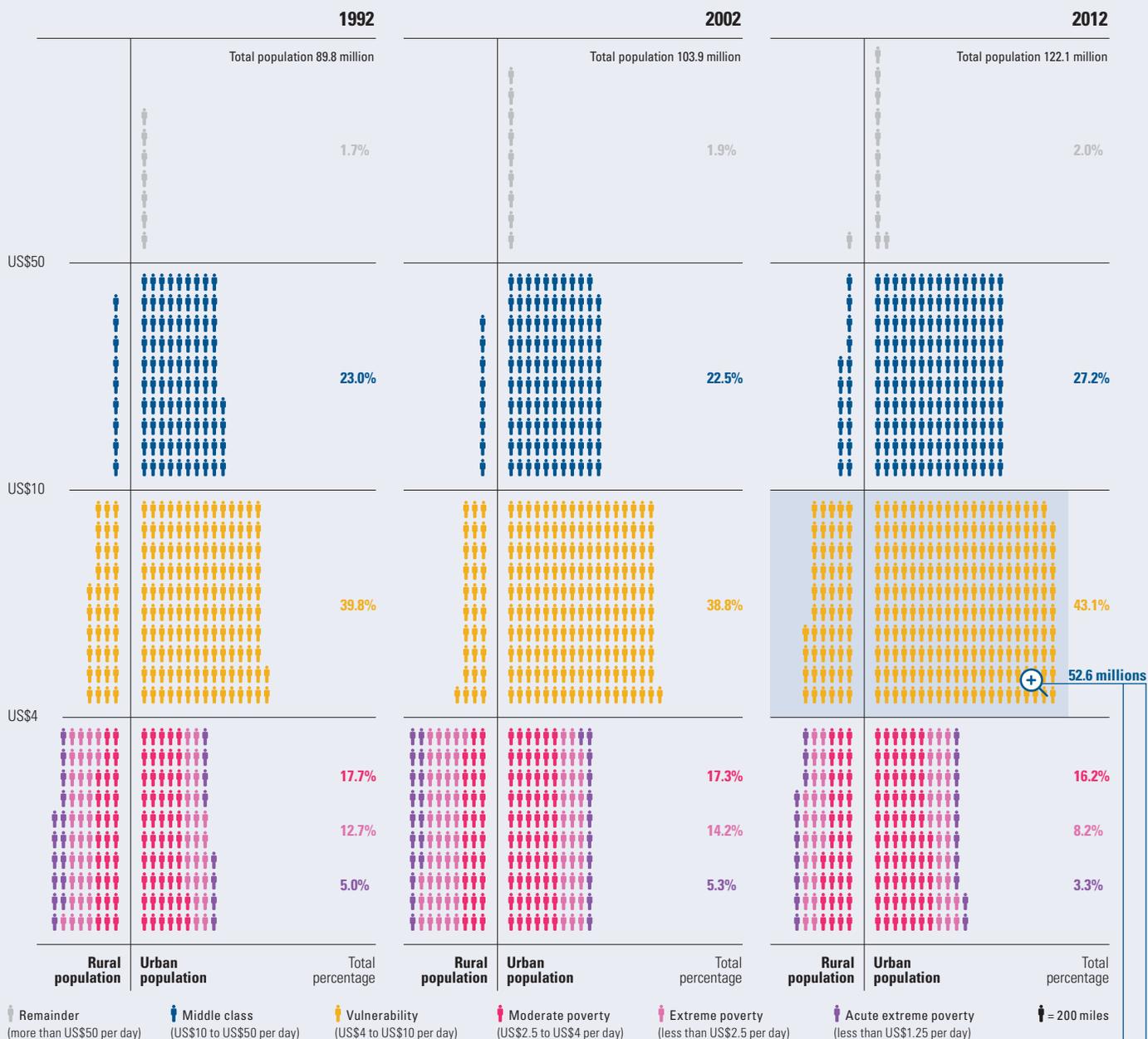


Basket of resilience

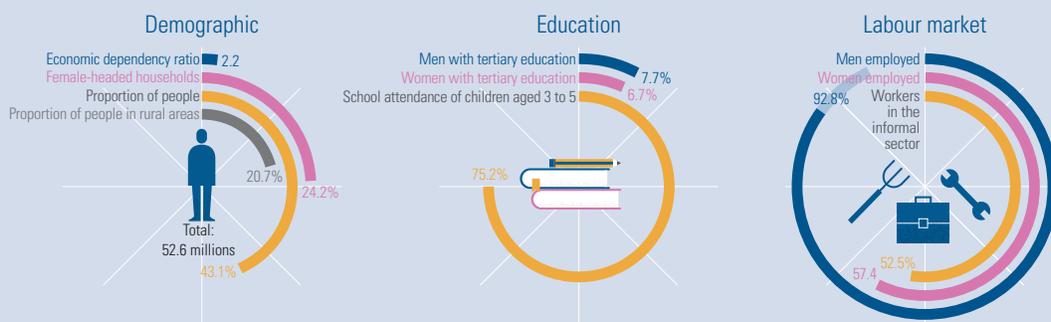


Public policy interventions focused on strengthening baskets of resilience may potentially prevent **229 to 298 thousand** people facing economic vulnerability from falling into income poverty.

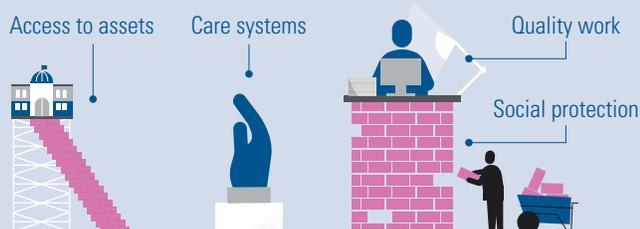
### Distribution of the population by income groups



#### Characteristics of population facing economic vulnerability, 2012



#### Basket of resilience

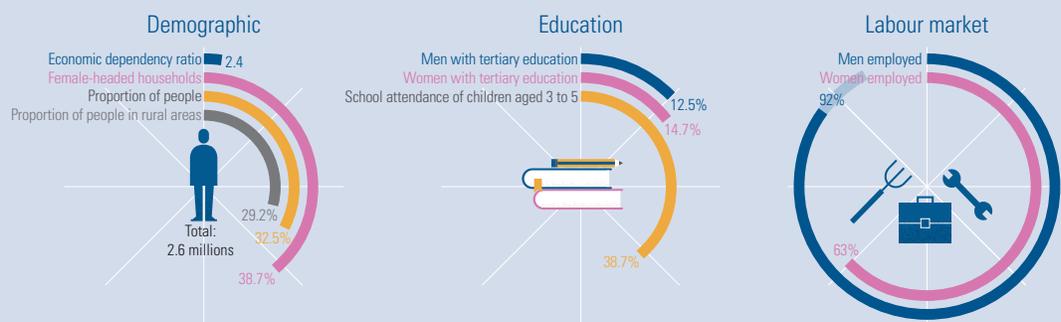


Public policy interventions focused on strengthening baskets of resilience may potentially prevent **5.2 to 6.8 million** people facing economic vulnerability from falling into income poverty.

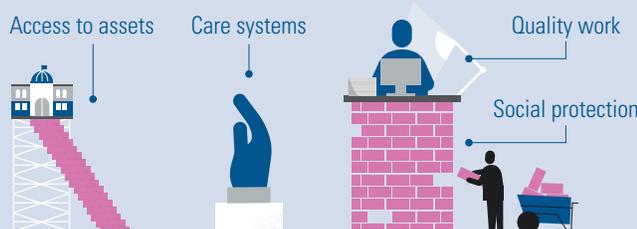
Distribution of the population by income groups



Characteristics of population facing economic vulnerability, 2009

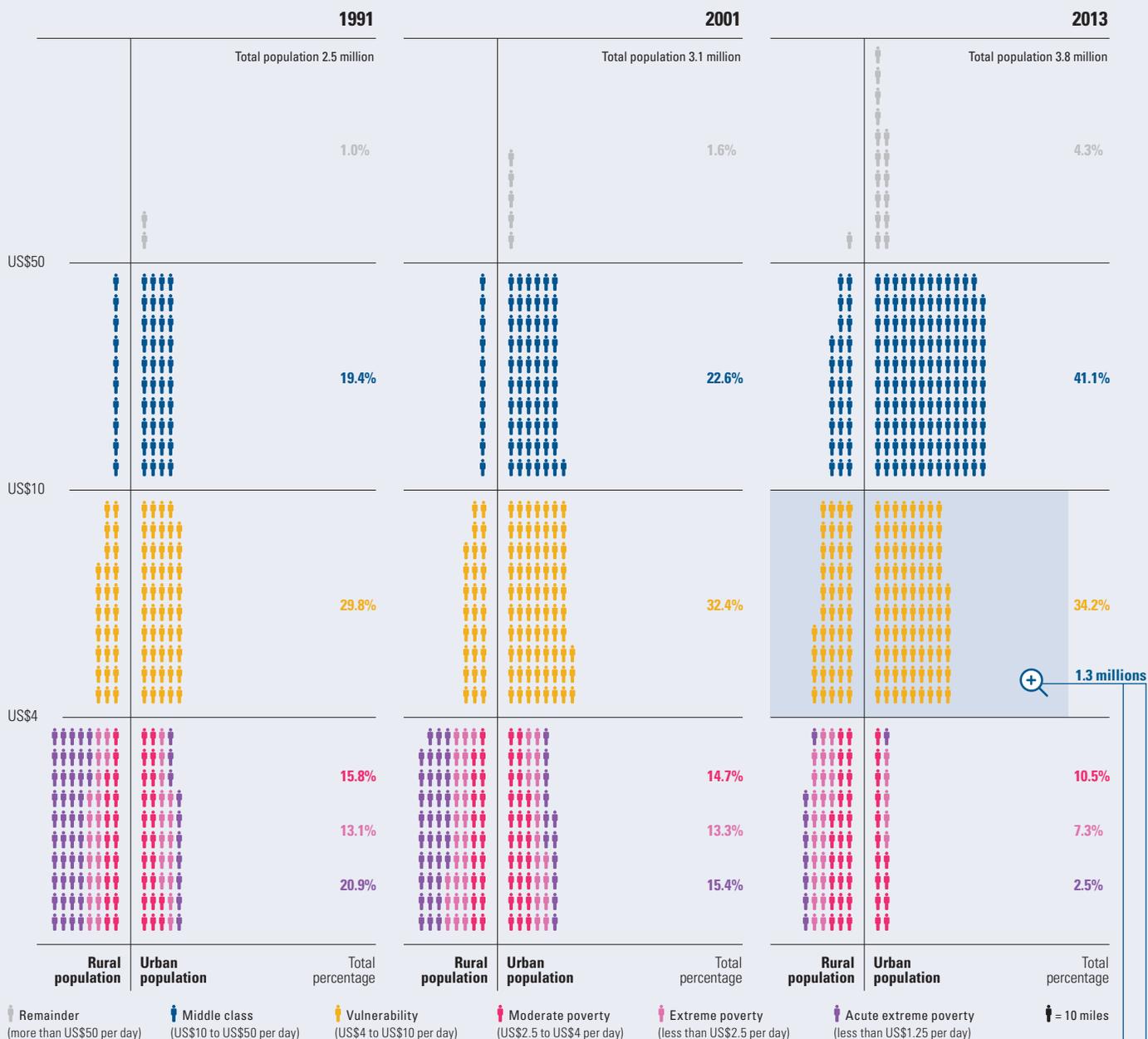


Basket of resilience

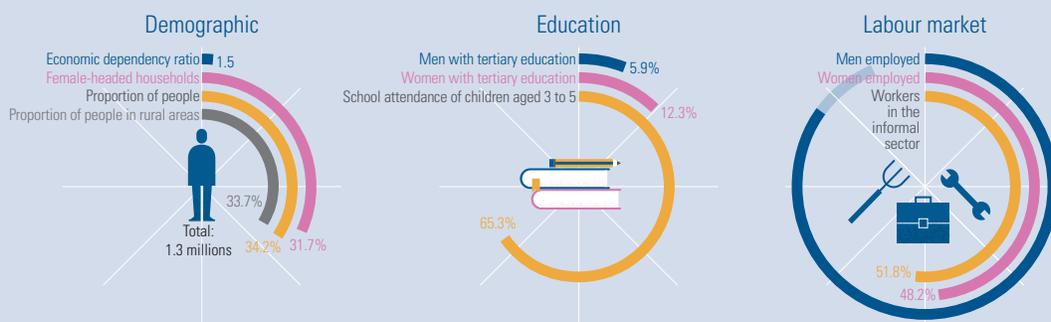


Public policy interventions focused on strengthening baskets of resilience may potentially prevent **184 to 239 thousand** people facing economic vulnerability from falling into income poverty.

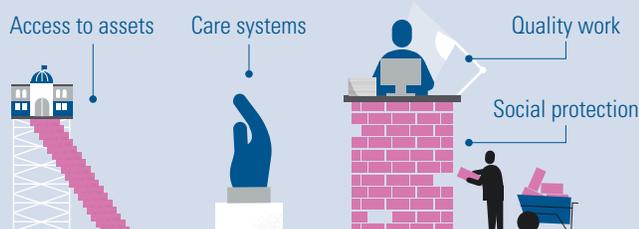
### Distribution of the population by income groups



### Characteristics of population facing economic vulnerability, 2013

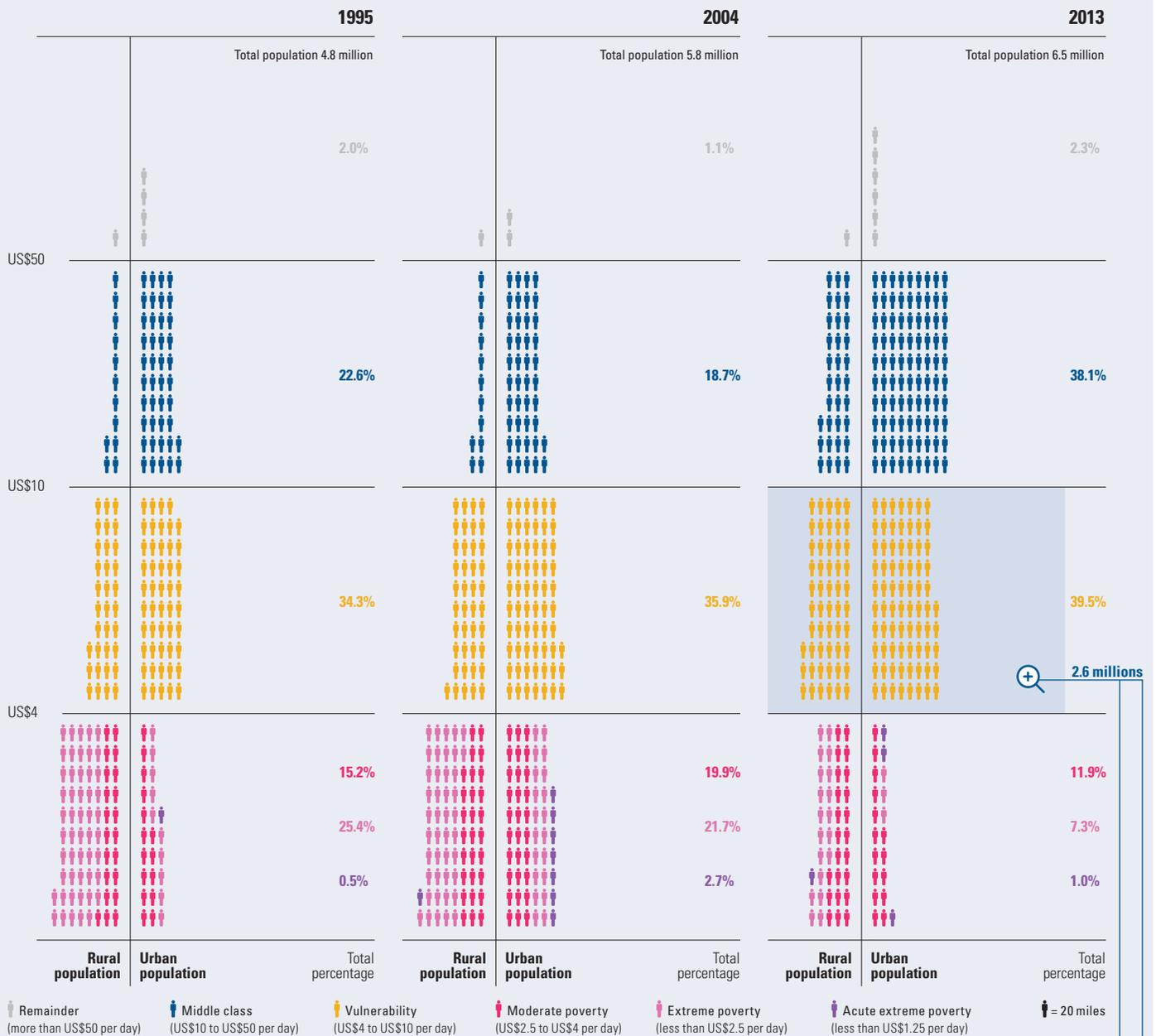


### Basket of resilience

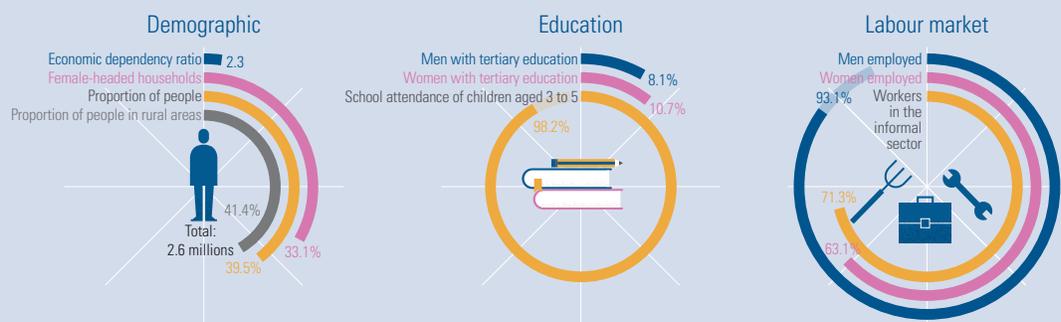


Public policy interventions focused on strengthening baskets of resilience may potentially prevent **130 to 169 thousand** people facing economic vulnerability from falling into income poverty.

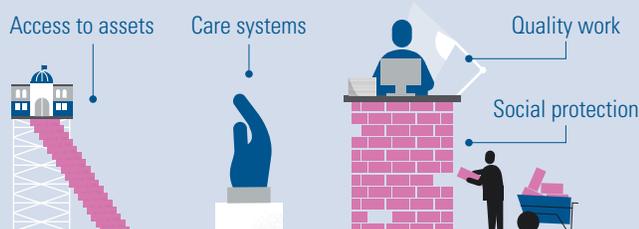
### Distribution of the population by income groups



### Characteristics of population facing economic vulnerability, 2013

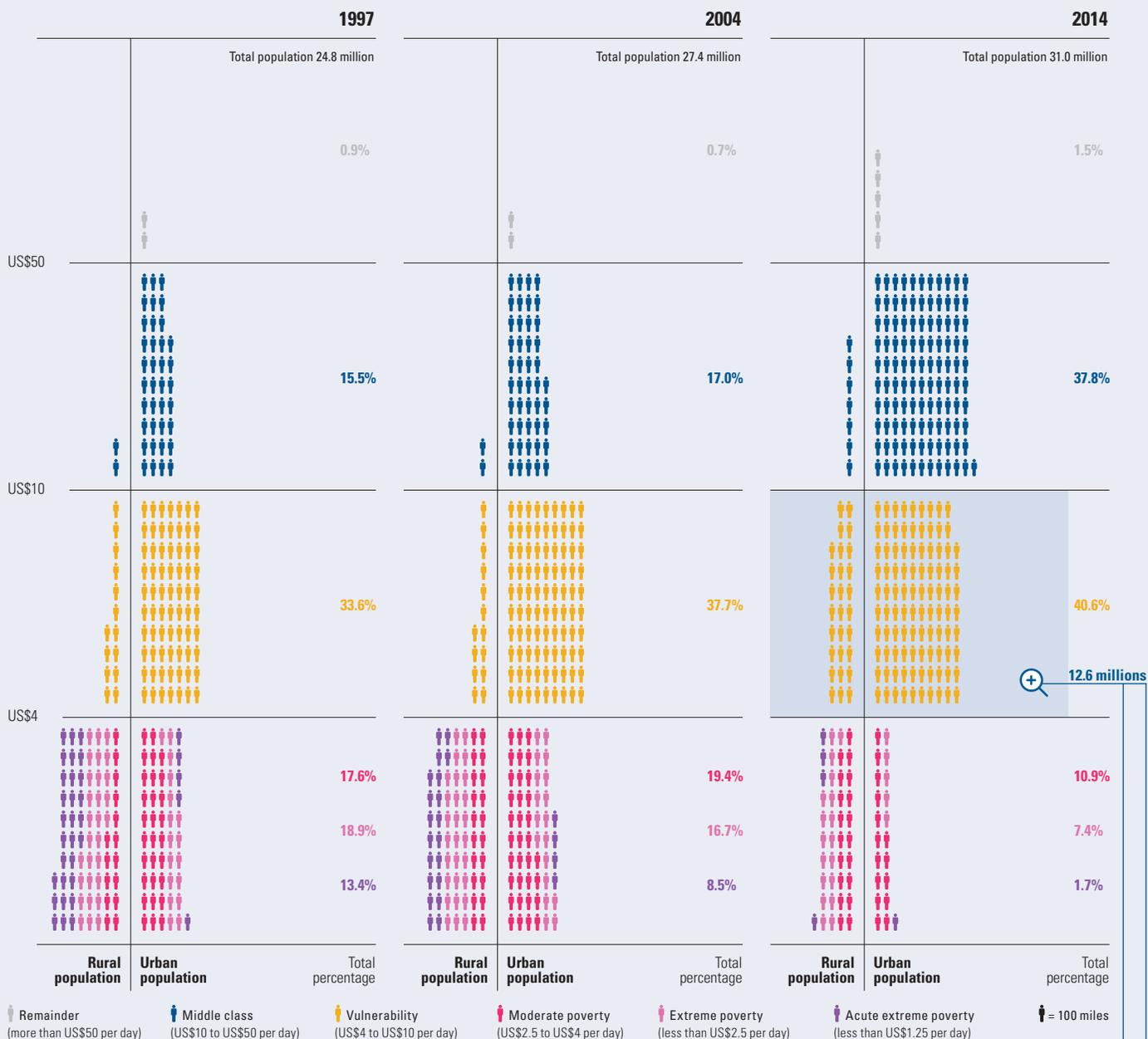


### Basket of resilience

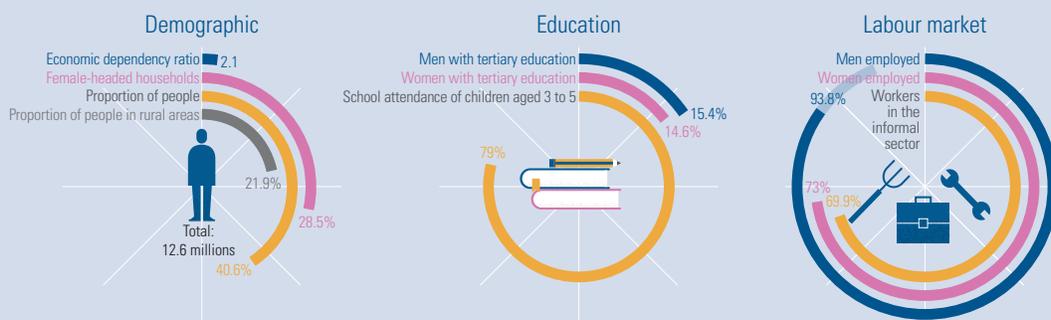


Public policy interventions focused on strengthening baskets of resilience may potentially prevent **255 to 331 thousand** people facing economic vulnerability from falling into income poverty.

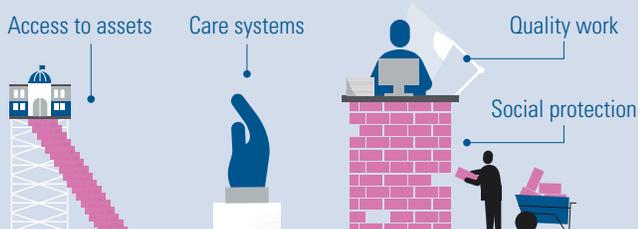
### Distribution of the population by income groups



### Characteristics of population facing economic vulnerability, 2014

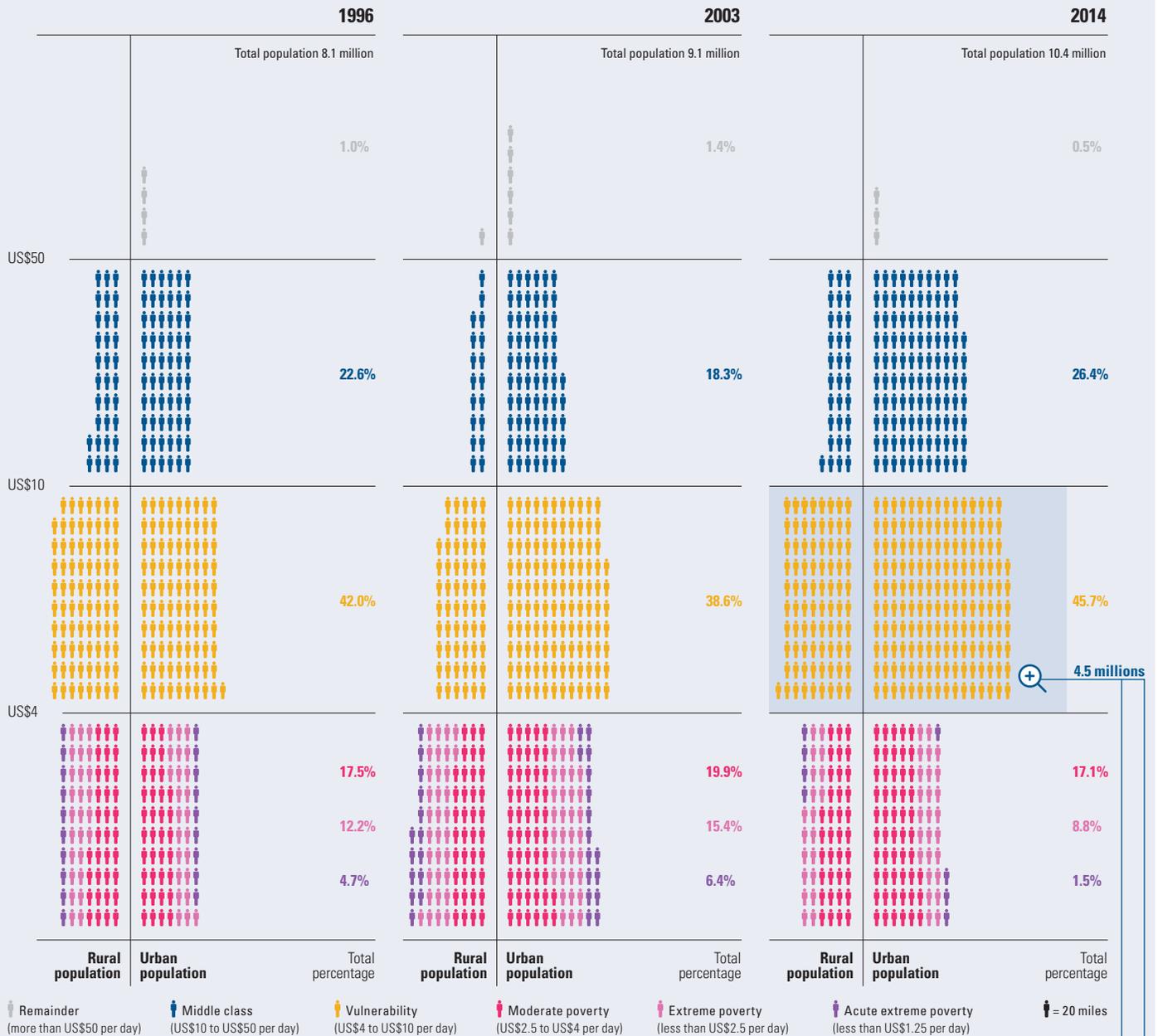


### Basket of resilience

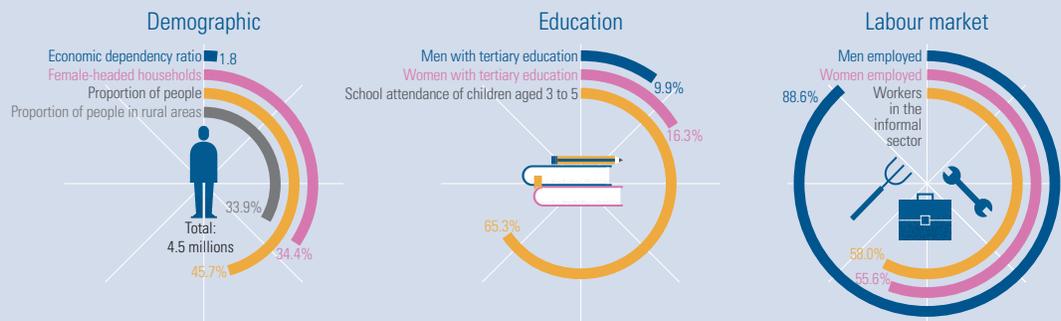


Public policy interventions focused on strengthening baskets of resilience may potentially prevent **1.2 to 1.6 million** people facing economic vulnerability from falling into income poverty.

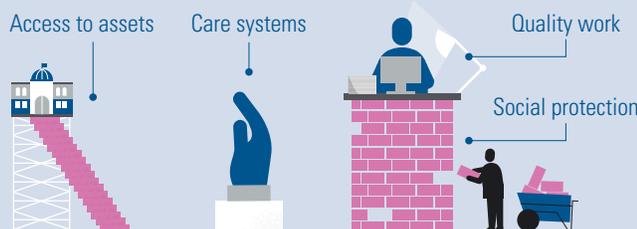
Distribution of the population by income groups



Characteristics of population facing economic vulnerability, 2014



Basket of resilience

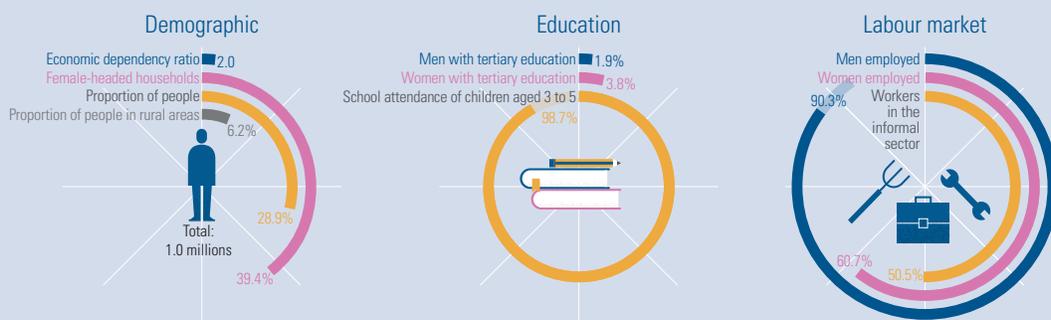


Public policy interventions focused on strengthening baskets of resilience may potentially prevent **475 to 618 thousand** people facing economic vulnerability from falling into income poverty.

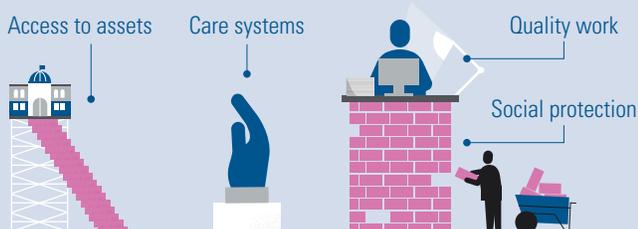
### Distribution of the population by income groups



### Characteristics of population facing economic vulnerability, 2014



### Basket of resilience

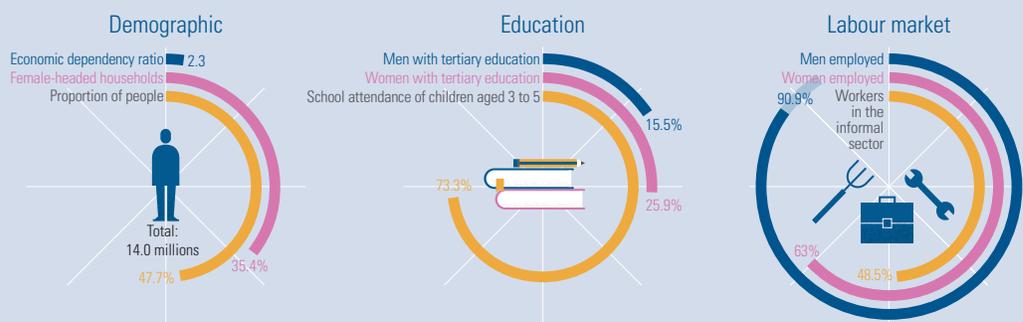


Public policy interventions focused on strengthening baskets of resilience may potentially prevent **98 to 128 thousand** people facing economic vulnerability from falling into income poverty.

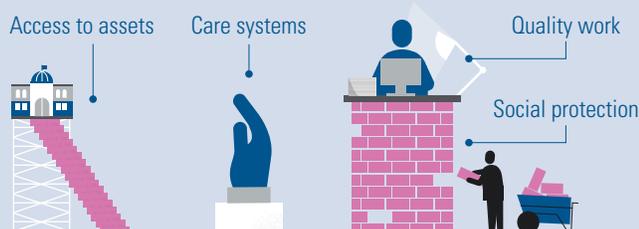
Distribution of the population by income groups



Characteristics of population facing economic vulnerability, 2011



Basket of resilience



Public policy interventions focused on strengthening baskets of resilience may potentially prevent **1.4 to 1.8 million** people facing economic vulnerability from falling into income poverty.

## Distribution of the population by income group

**Source:** Prepared by the authors based on Center for Distributive, Labor and Social Studies (CEDLAS) estimates using information obtained from the Socio-Economic Database for Latin America and the Caribbean - SEDLAC (CEDLAS and the World Bank).

**Note:** Monetary lines separating each group are expressed in US dollars (US\$) per person per day, adjusted by purchasing power parity. This methodology allows comparisons to be made between countries of the region. However, these monetary lines are not comparable with each country's own poverty estimates. Each person on the each chart represents the amount of people indicated in each annex and the total of people in each pyramid represents the total population of each country in that specific year. Figures presented in the three pyramids of Argentina and Uruguay only reflect urban population. Figures presented in the three pyramids of the Bolivarian Republic of Venezuela reflect its total population, without urban-rural distinction. The 2014 pyramid of Nicaragua is based on the 2014 National Household Living Standards Survey, whereas the 1993 and 2001 pyramids are based on Center for Distributive, Labor and Social Studies (CEDLAS) estimates obtained from SEDLAC (CEDLAS and the World Bank). Thus, the 2014 pyramid is not strictly comparable to the previous period, given that the former follow the CEDLAS methodology, while the 2014 one was built based on official income data from the National Institute of Development Information (INIDE). 2005 purchasing power parity and 2005 to 2014 price index factors were applied to adjust international monetary lines to cordobas in order to obtain these results.

## Characteristics of population facing economic vulnerability

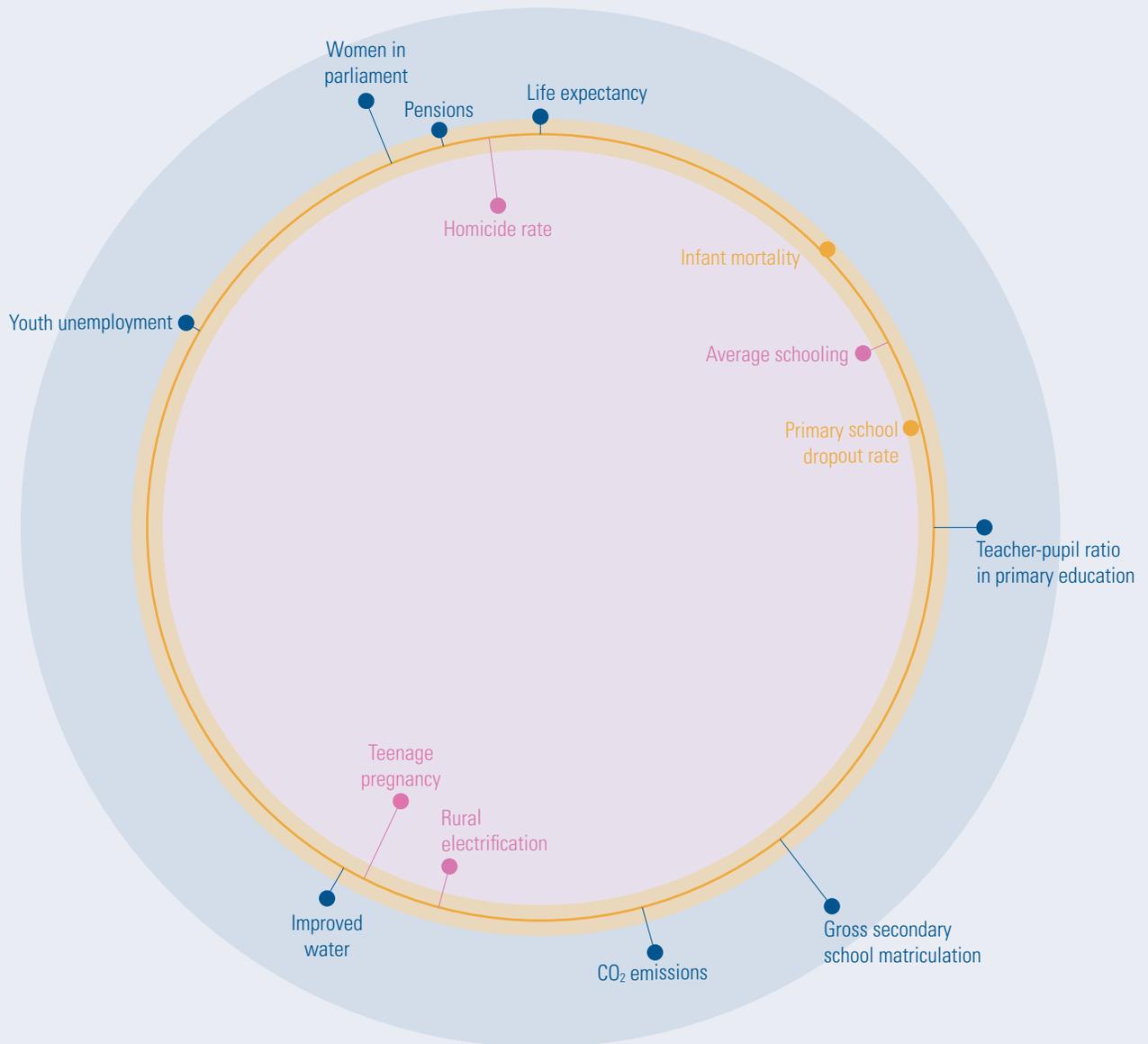
**Source:** Prepared by the authors based on Center for Distributive, Labor and Social Studies (CEDLAS) estimates using information obtained from the Socio-Economic Database for Latin America and the Caribbean - SEDLAC (CEDLAS and the World Bank).

**Note:** The economic dependency ratio is defined as the share of income earners relative to the total members of each household. School attendance reflects the gross enrolment rate of the population aged 3 to 5. The proportion of men and women with tertiary education is computed in relation to the adult population aged 25 to 65 who have more than 13 years of schooling. The proportion of employed men and women is computed in relation to the adult population aged 25 to 55. The proportion of workers in the informal sector covers workers in firms with less than 5 employees, self-employed and unskilled workers, and workers with no regular income.

## Basket of resilience

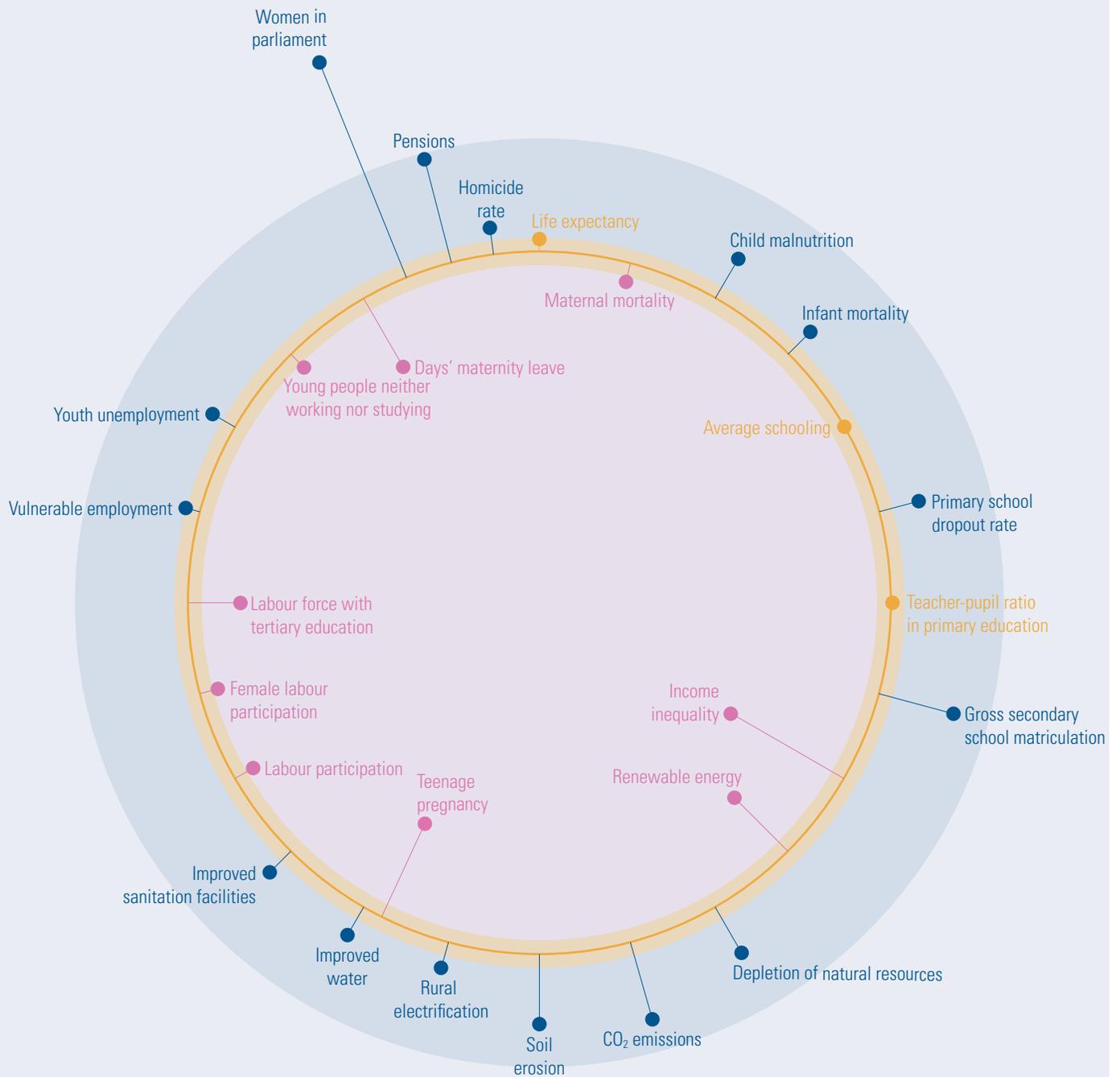
**Note:** The amount of vulnerable people at high risk of sliding into income poverty is based on 2000-2013 estimates using synthetic panels (Stampini, Marco, Marcos Robles, Mayra Sáenz, Pablo Ibararán, and Nadin Medellín. 2015. Poverty, Vulnerability and the Middle Class in Latin America. Working paper No. 591. Inter-American Development Bank (IDB), and using longitudinal surveys, 1996-2009 in the case of Chile, 2002-2005 in the case of Mexico and 2007-2010 in the case of Peru (Abud, María José, George Gray Molina, and Eduardo Ortiz-Juárez. 2015. "Out-of-Poverty and Back-to-Poverty Transitions using Panel Data". Supporting document to the Regional Human Development Report for Latin America and the Caribbean 2016 of the United Nations Development Programme (UNDP). These estimates show that 10% to 13% of the vulnerable population is likely to fall into income poverty. Extrapolating this ratio to the total amount of vulnerable people in each country provides a rough estimate of people facing high risk of sliding back into income poverty.

**Achievements in multiple dimensions of wellbeing in Antigua and Barbuda are undervalued by the gross national income**



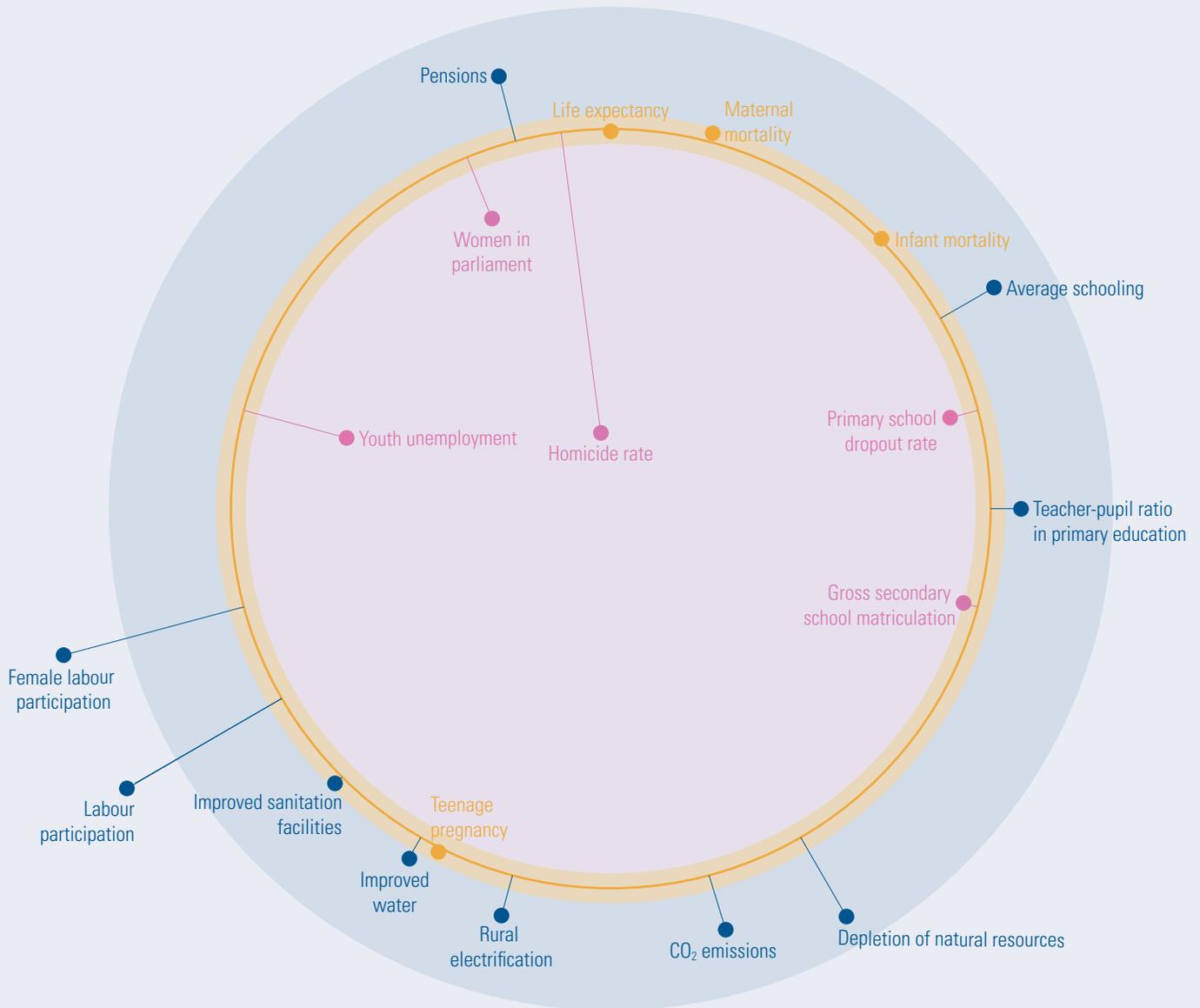
■ Better than expected performance (given the region's level of income)
 ■ Expected performance
 ■ Worse than expected performance

**Achievements in multiple dimensions of wellbeing in Argentina are undervalued by the gross national income**



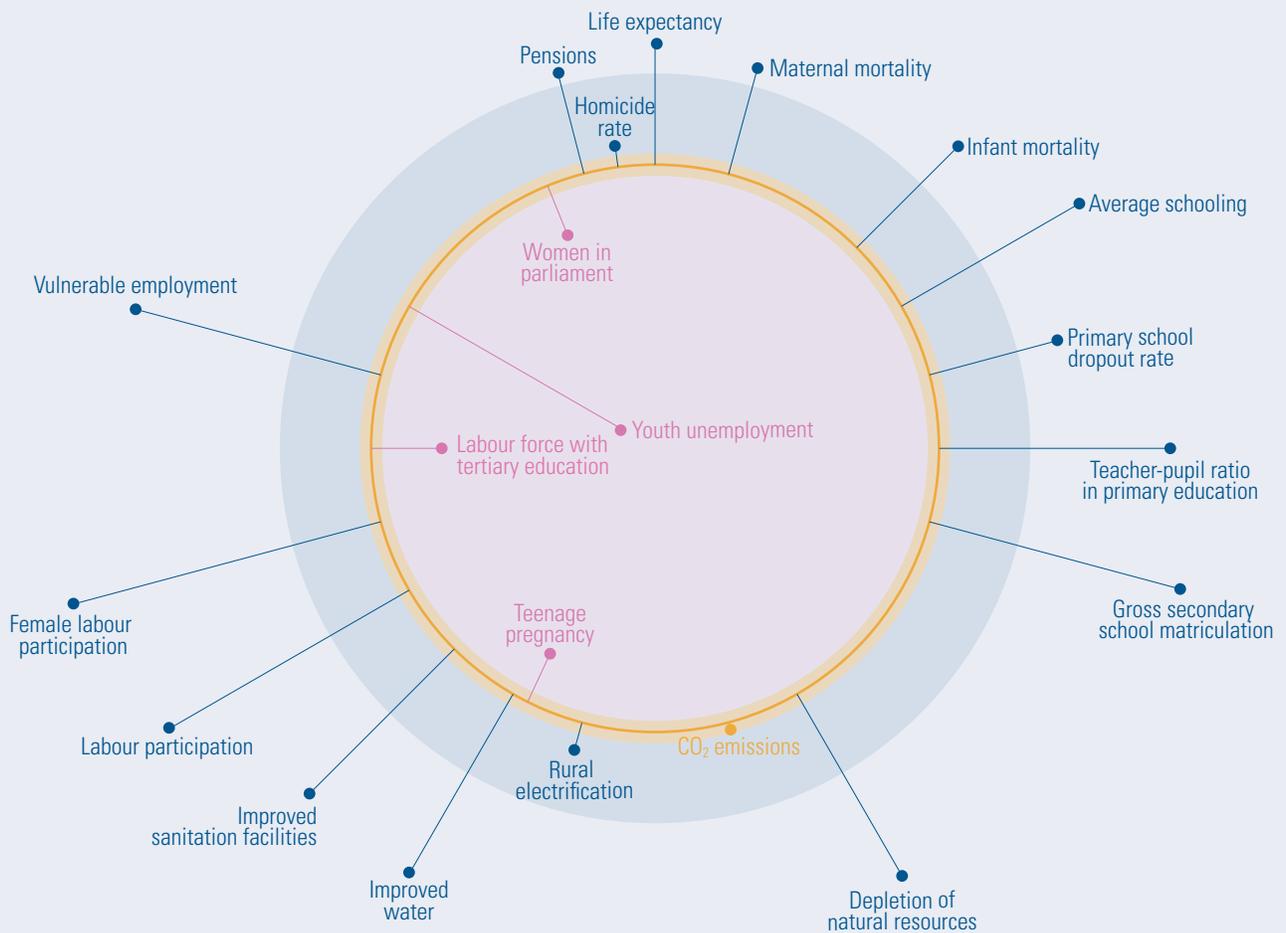
■ Better than expected performance  
■ Expected performance  
■ Worse than expected performance  
 (given the region's level of income)

**Achievements in multiple dimensions of wellbeing in The Bahamas are undervalued by the gross national income**



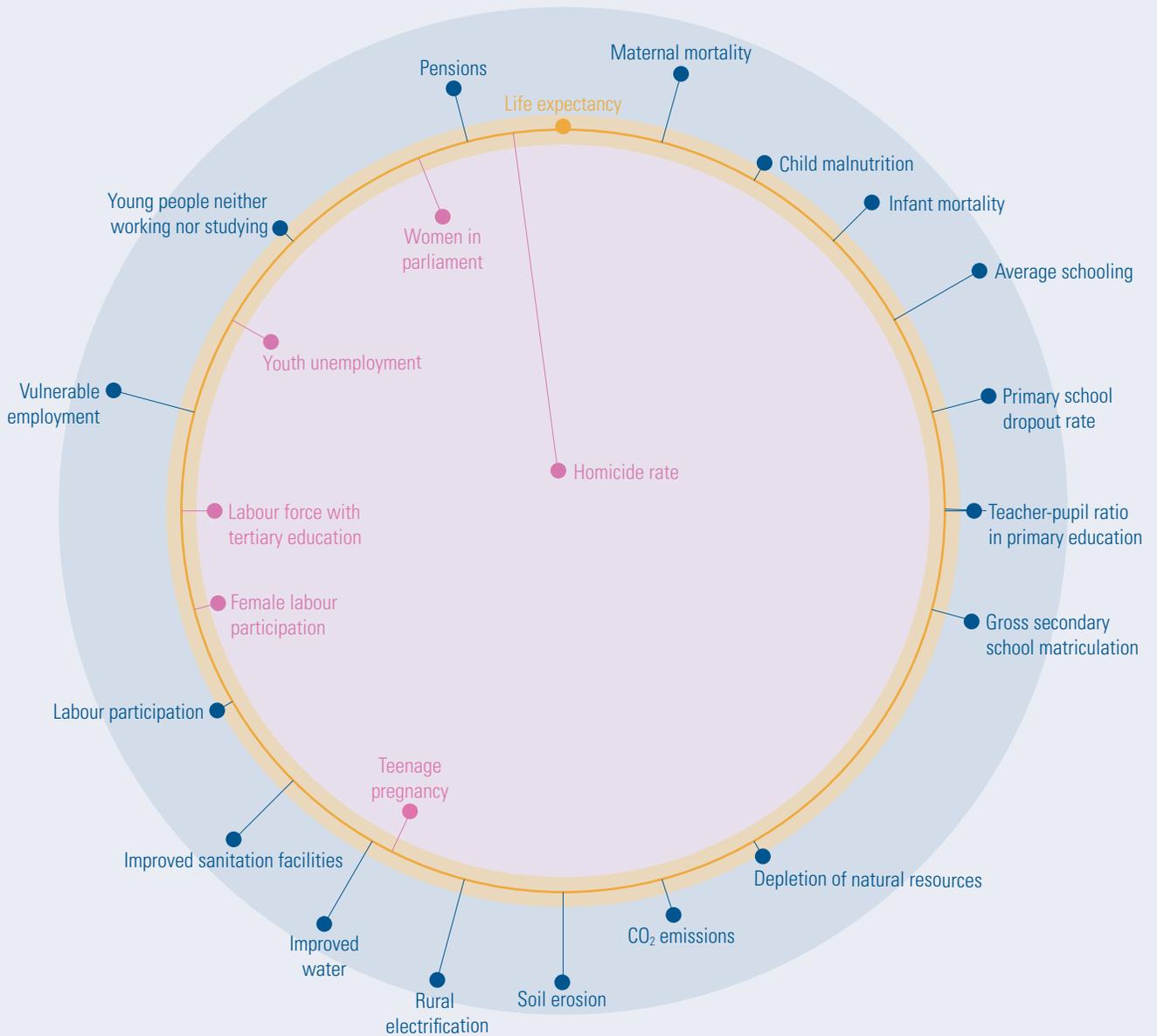
■ Better than expected performance (given the region's level of income)
 ■ Expected performance
 ■ Worse than expected performance

**Achievements in multiple dimensions of wellbeing in Barbados are undervalued by the gross national income**



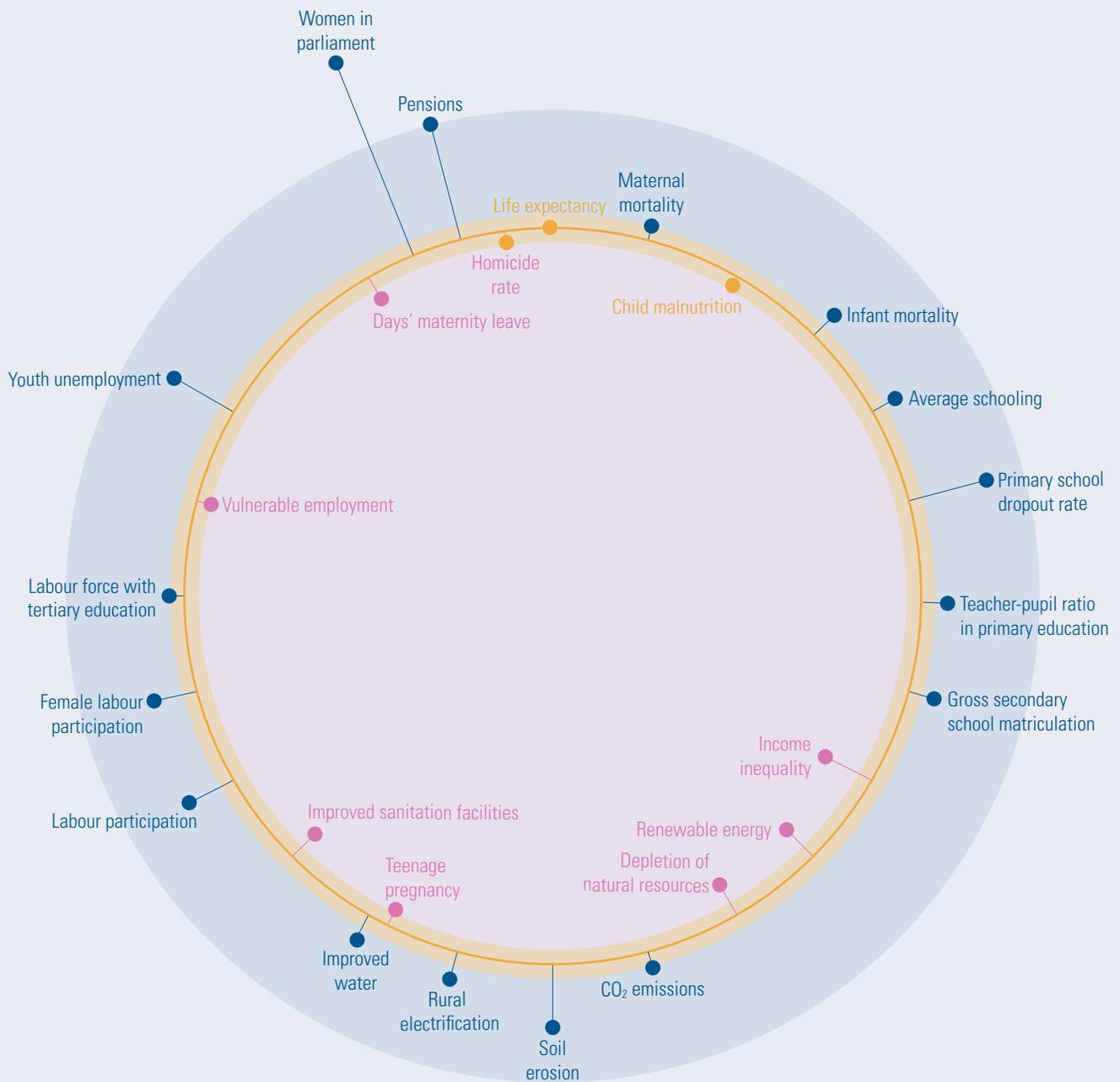
■ Better than expected performance  
■ Expected performance  
■ Worse than expected performance  
(given the region's level of income)

**Achievements in multiple dimensions of wellbeing in Belice are undervalued by the gross national income**



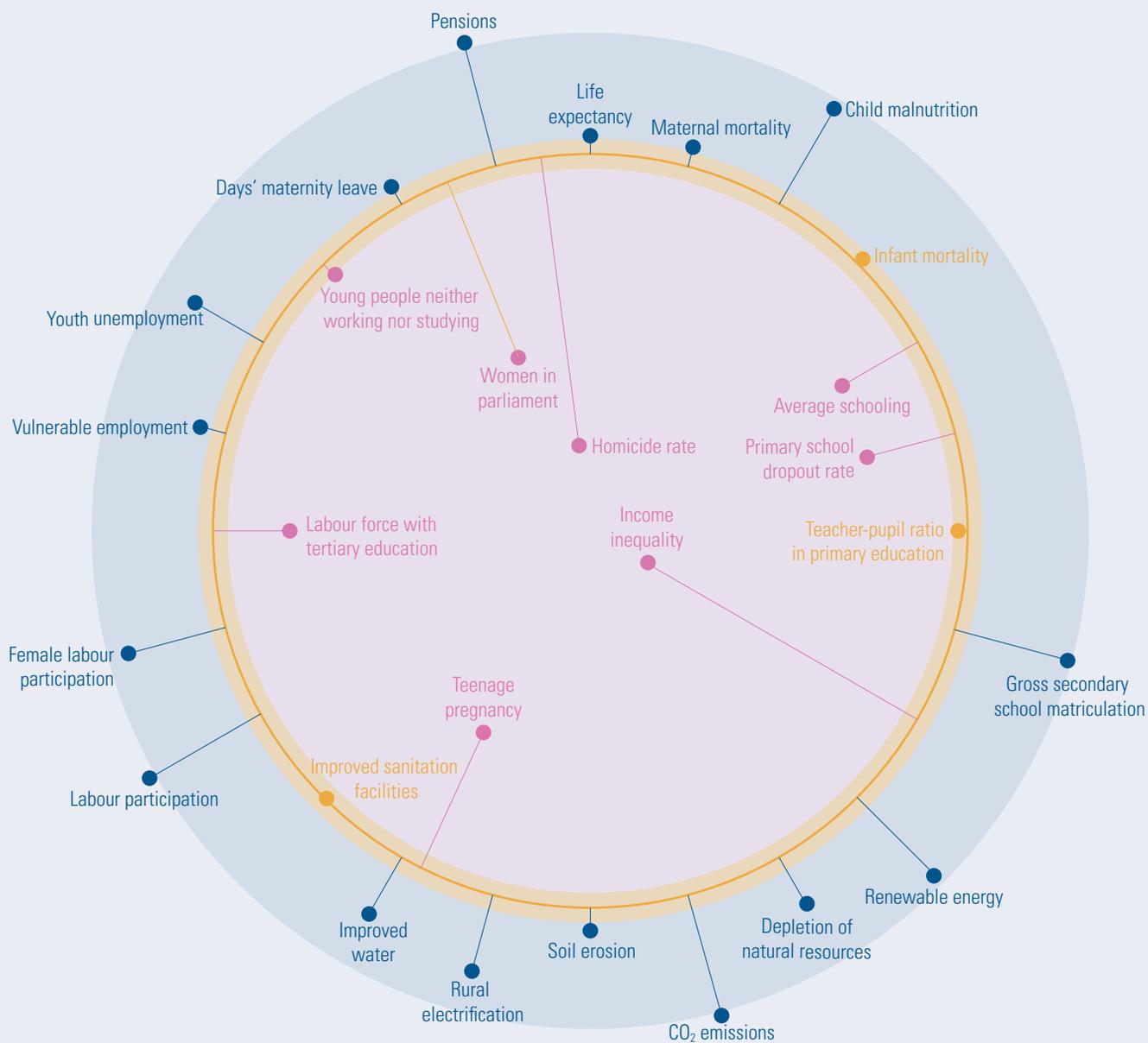
■ Better than expected performance (given the region's level of income)
 ■ Expected performance
 ■ Worse than expected performance

**Achievements in multiple dimensions of wellbeing in Bolivia are undervalued by the gross national income**



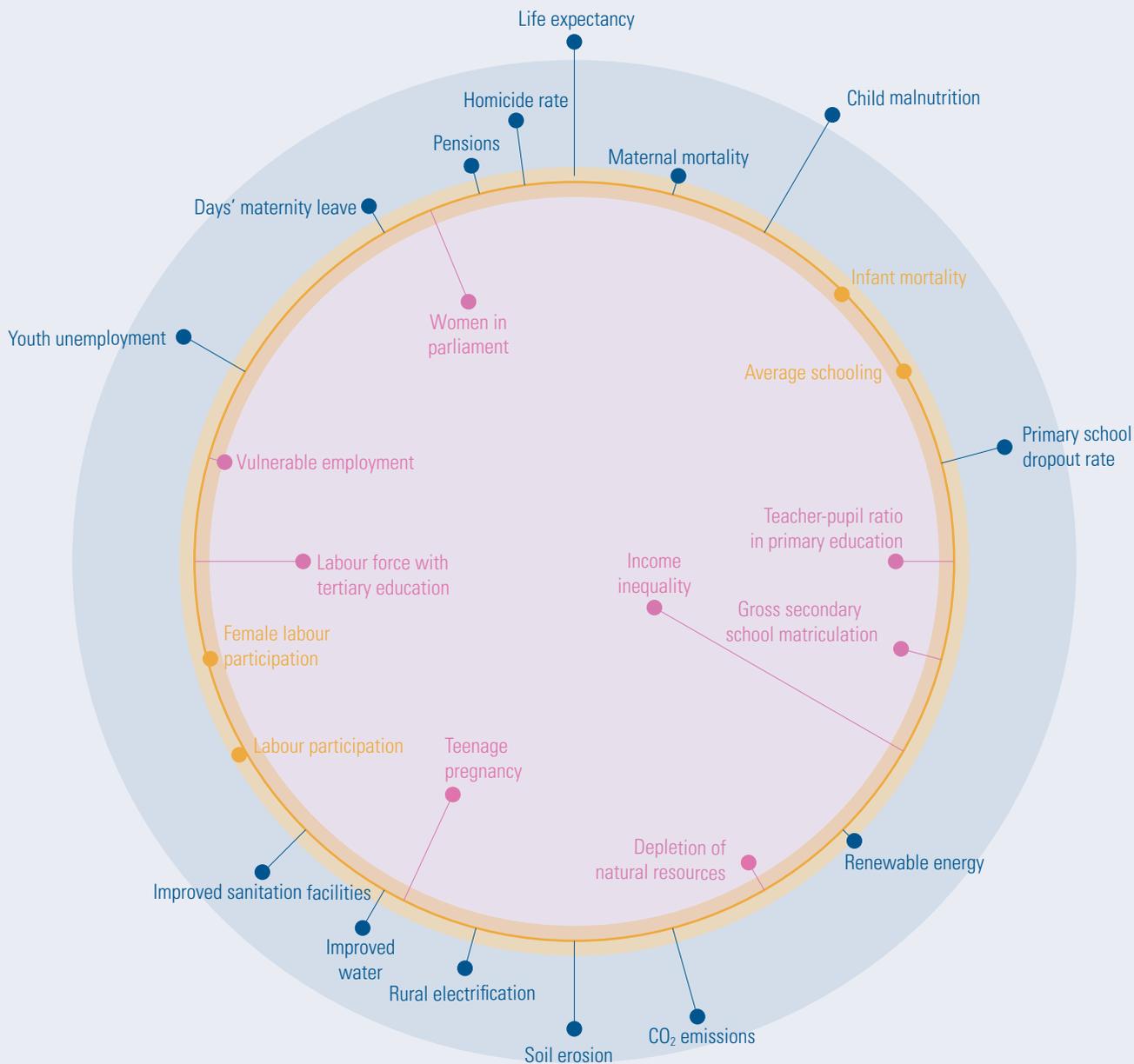
■ Better than expected performance  
■ Expected performance  
■ Worse than expected performance  
 (given the region's level of income)

**Achievements in multiple dimensions of wellbeing in Brazil are undervalued by the gross national income**



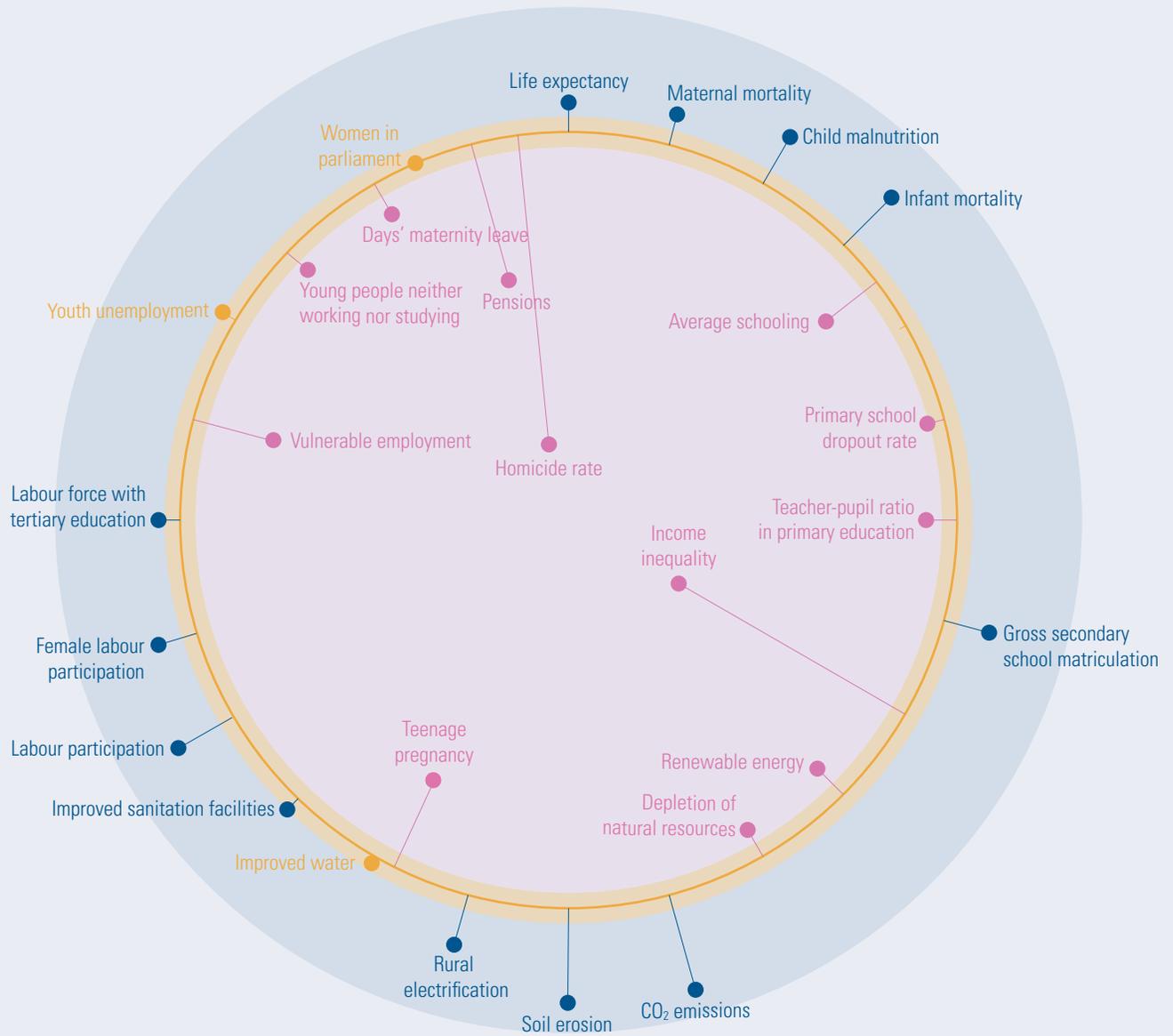
■ Better than expected performance (given the region's level of income)
 ■ Expected performance
 ■ Worse than expected performance

**Achievements in multiple dimensions of wellbeing in Chile are undervalued by the gross national income**



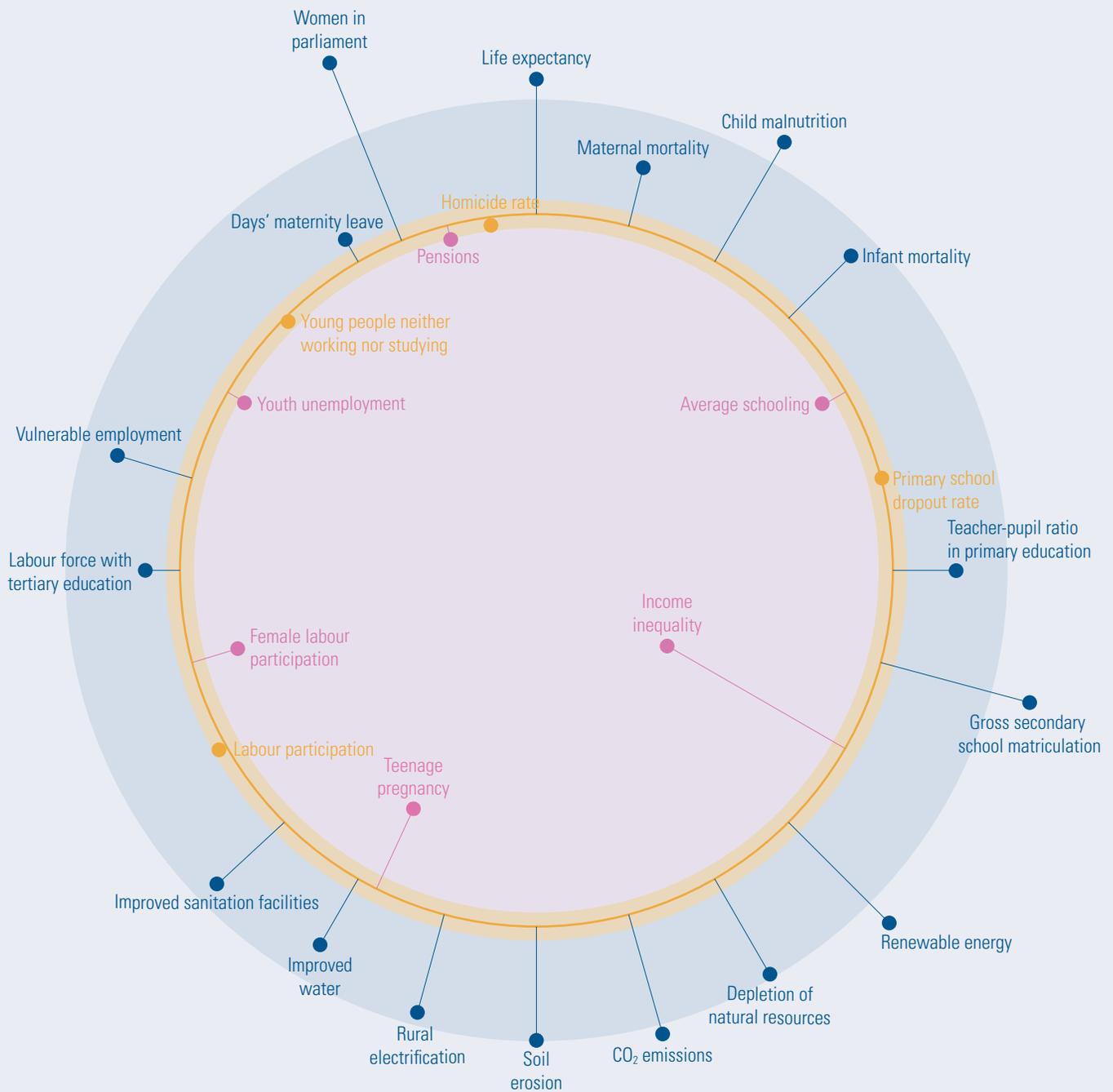
■ Better than expected performance   ■ Expected performance   ■ Worse than expected performance  
(given the region's level of income)

**Achievements in multiple dimensions of wellbeing in Colombia are undervalued by the gross national income**



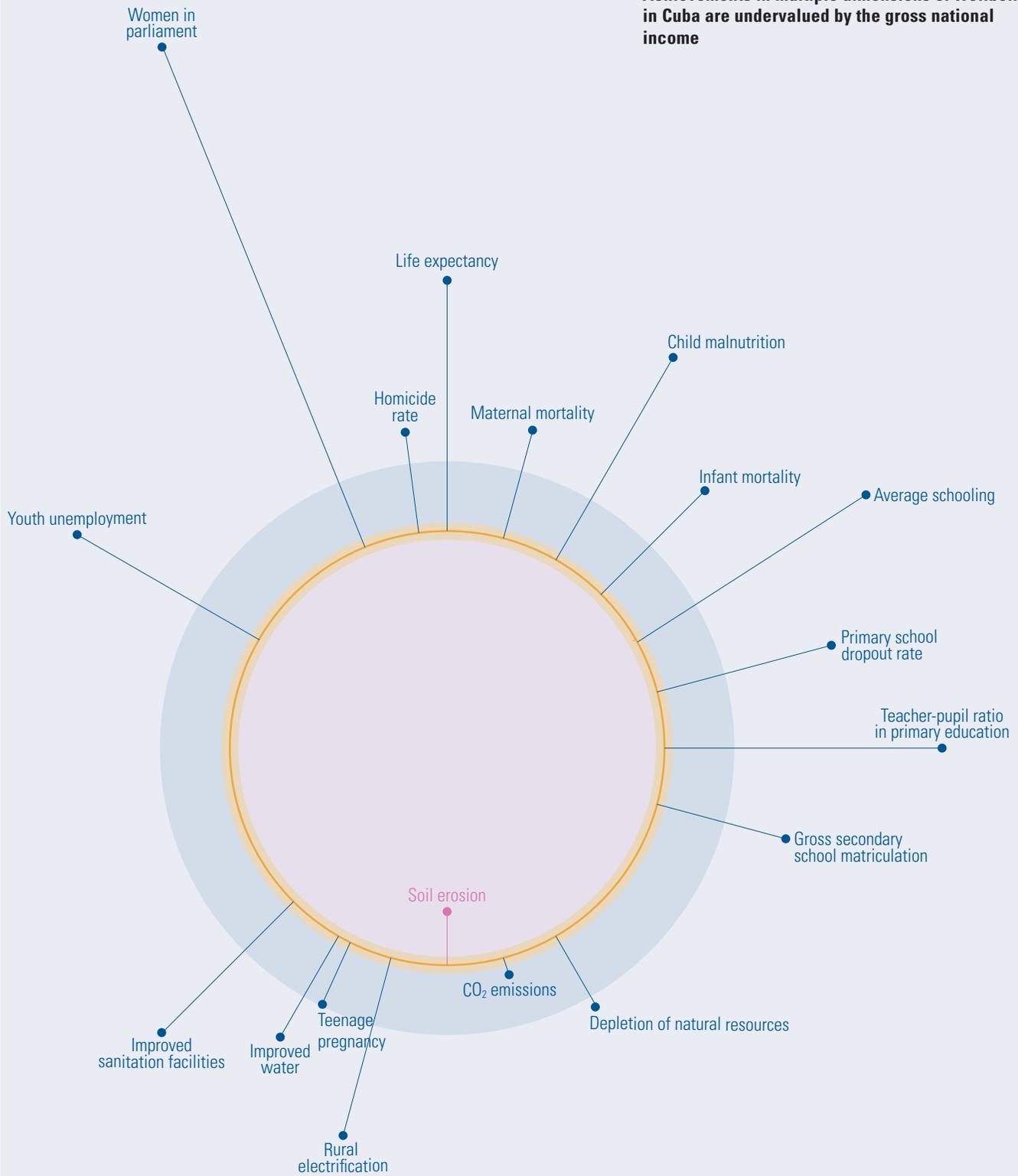
■ Better than expected performance (given the region's level of income)
 ■ Expected performance
 ■ Worse than expected performance

**Achievements in multiple dimensions of wellbeing in Costa Rica are undervalued by the gross national income**



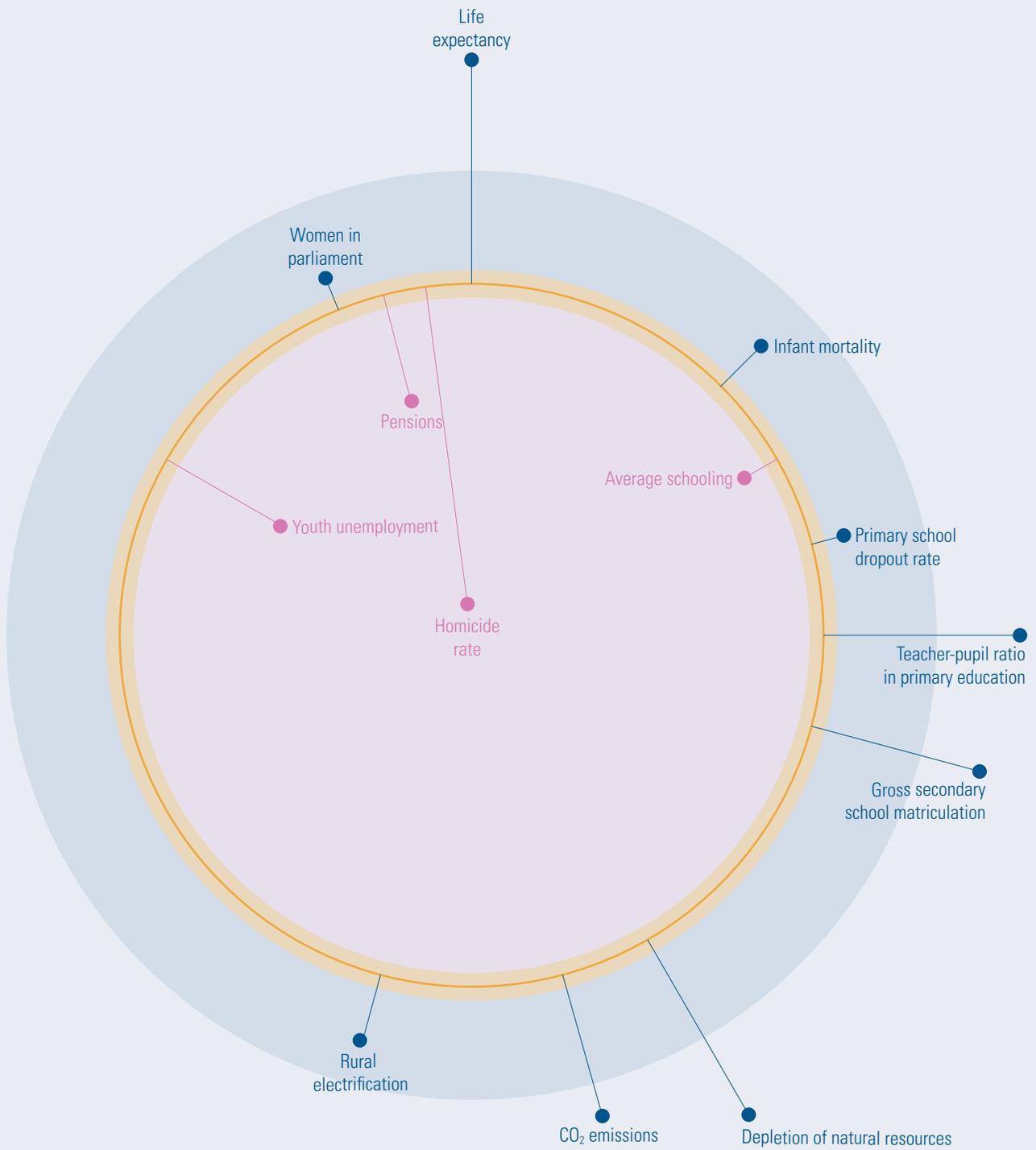
■ Better than expected performance (given the region's level of income)
 ■ Expected performance
 ■ Worse than expected performance

**Achievements in multiple dimensions of wellbeing in Cuba are undervalued by the gross national income**



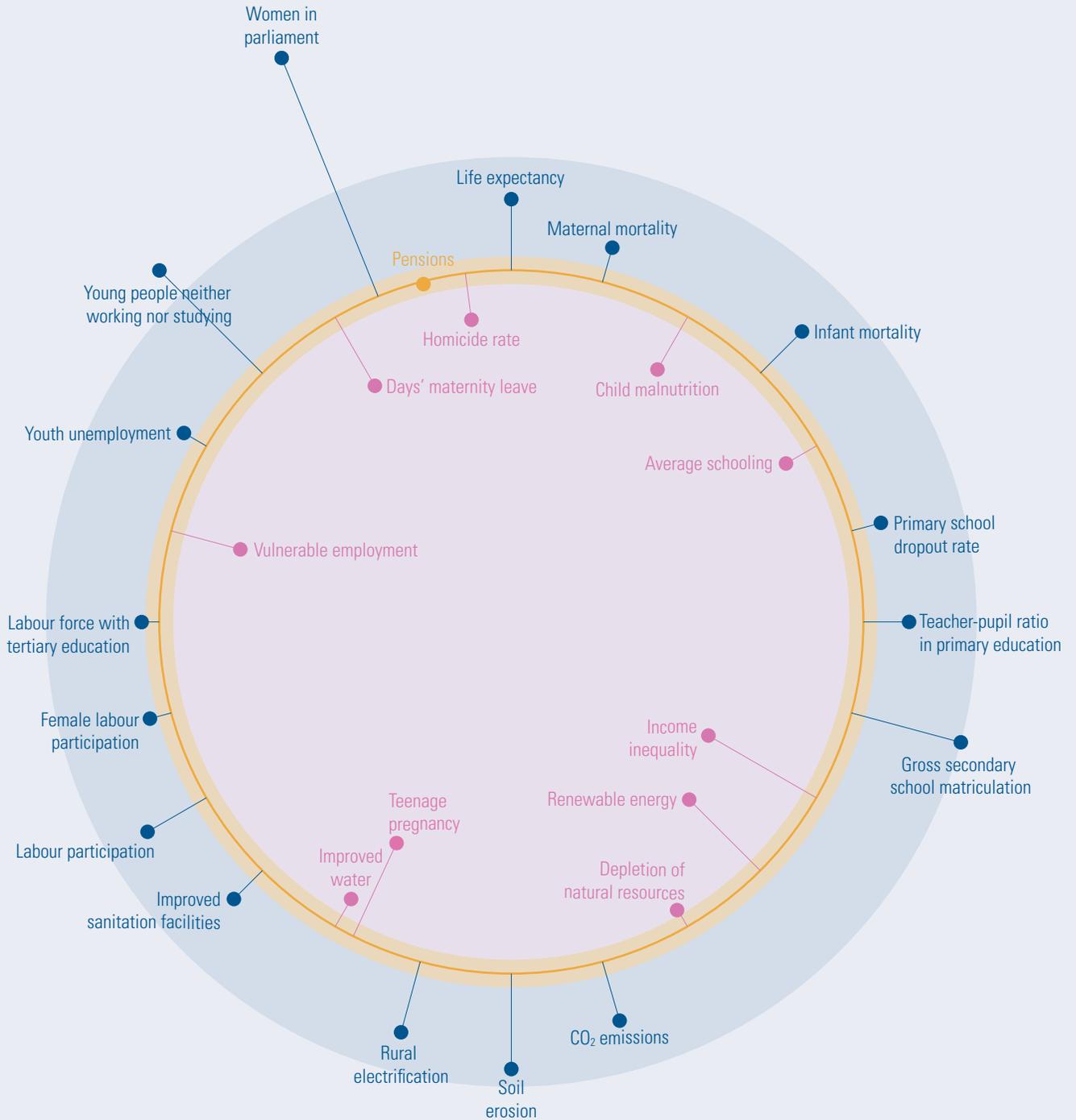
■ Better than expected performance (given the region's level of income)
 ■ Expected performance
 ■ Worse than expected performance

**Achievements in multiple dimensions of wellbeing in Dominica are undervalued by the gross national income**



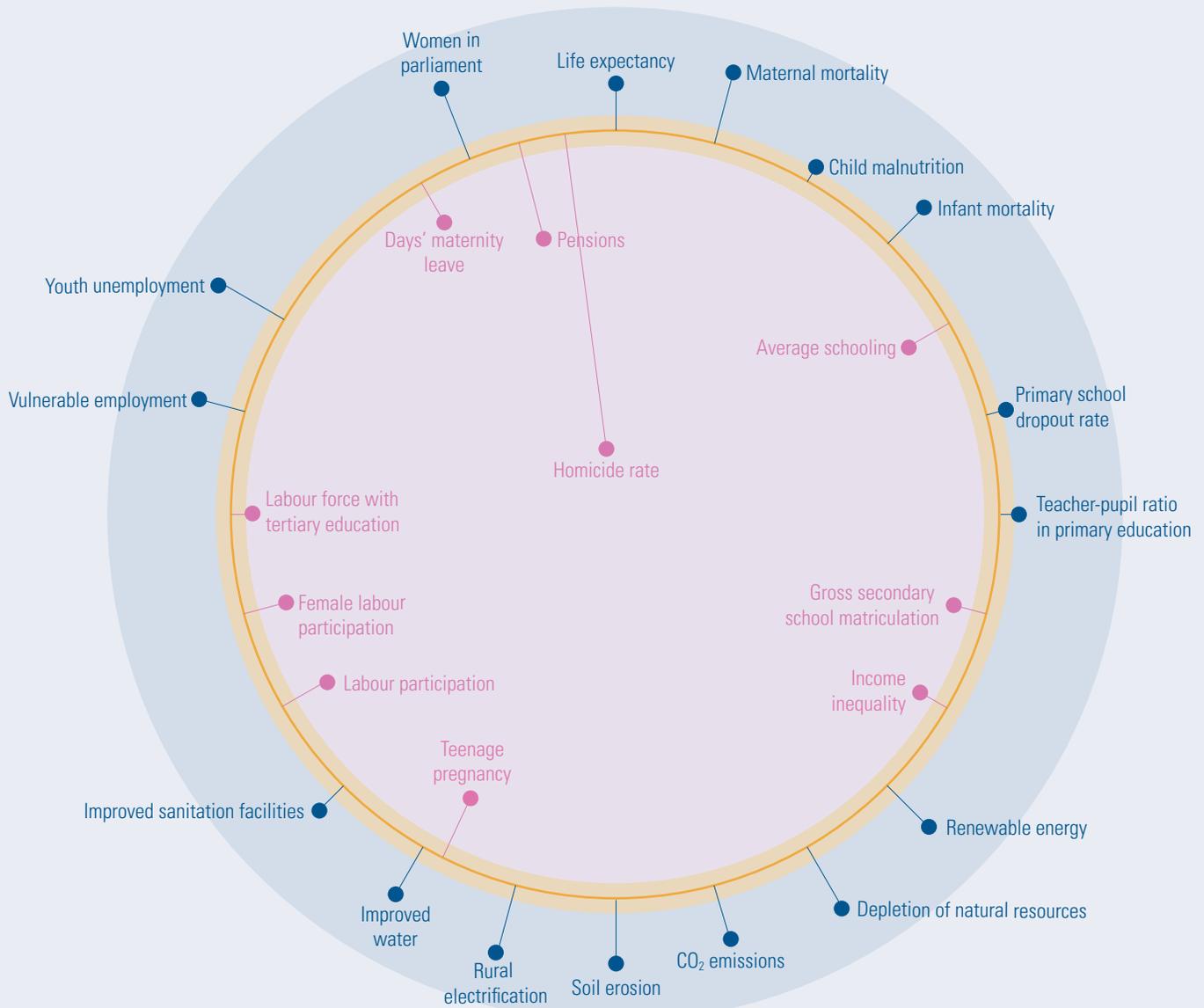
■ Better than expected performance (given the region's level of income)
 ■ Expected performance
 ■ Worse than expected performance

**Achievements in multiple dimensions of wellbeing in Ecuador are undervalued by the gross national income**



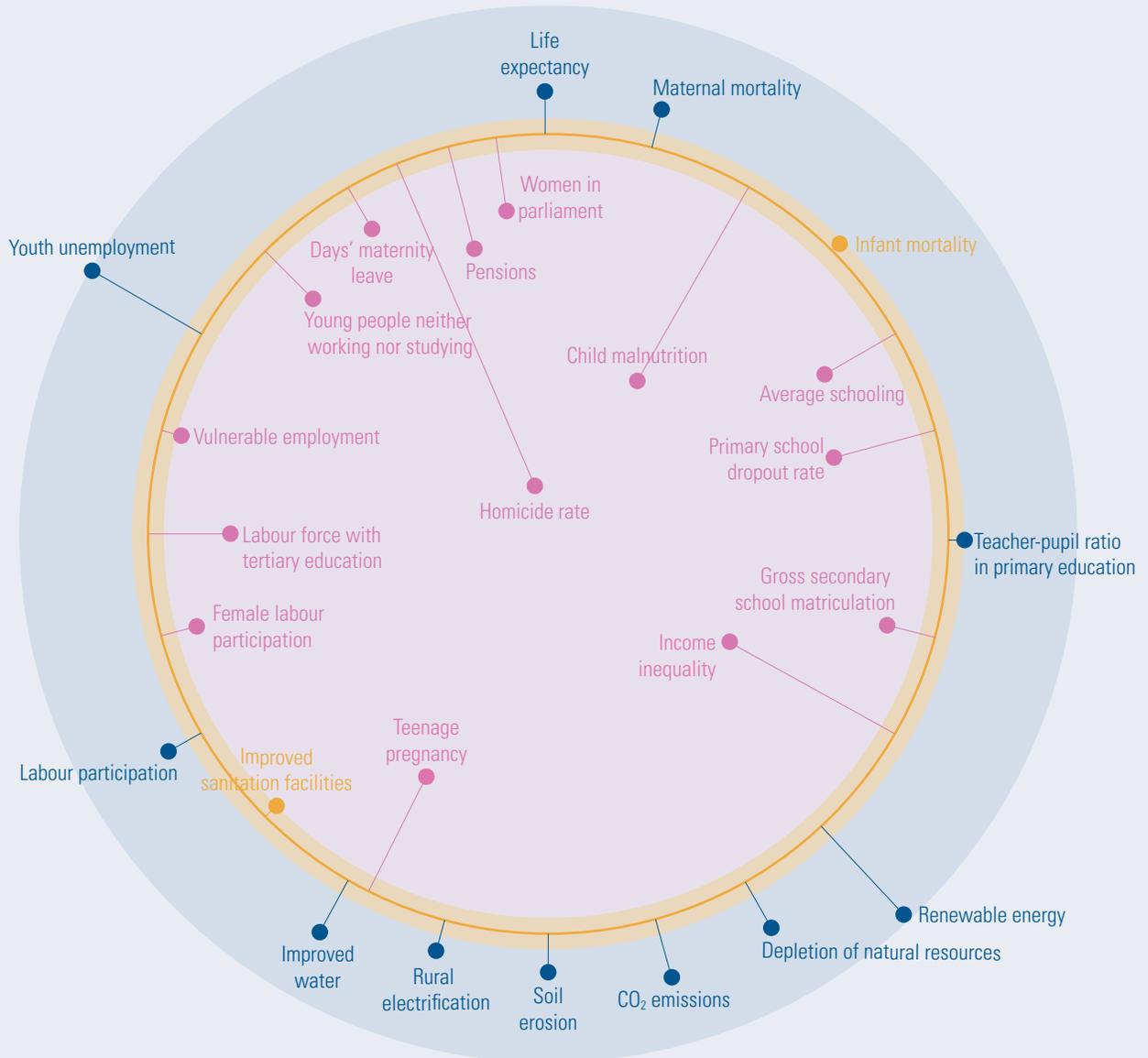
■ Better than expected performance (given the region's level of income)
 ■ Expected performance
 ■ Worse than expected performance

**Achievements in multiple dimensions of wellbeing in El Salvador are undervalued by the gross national income**



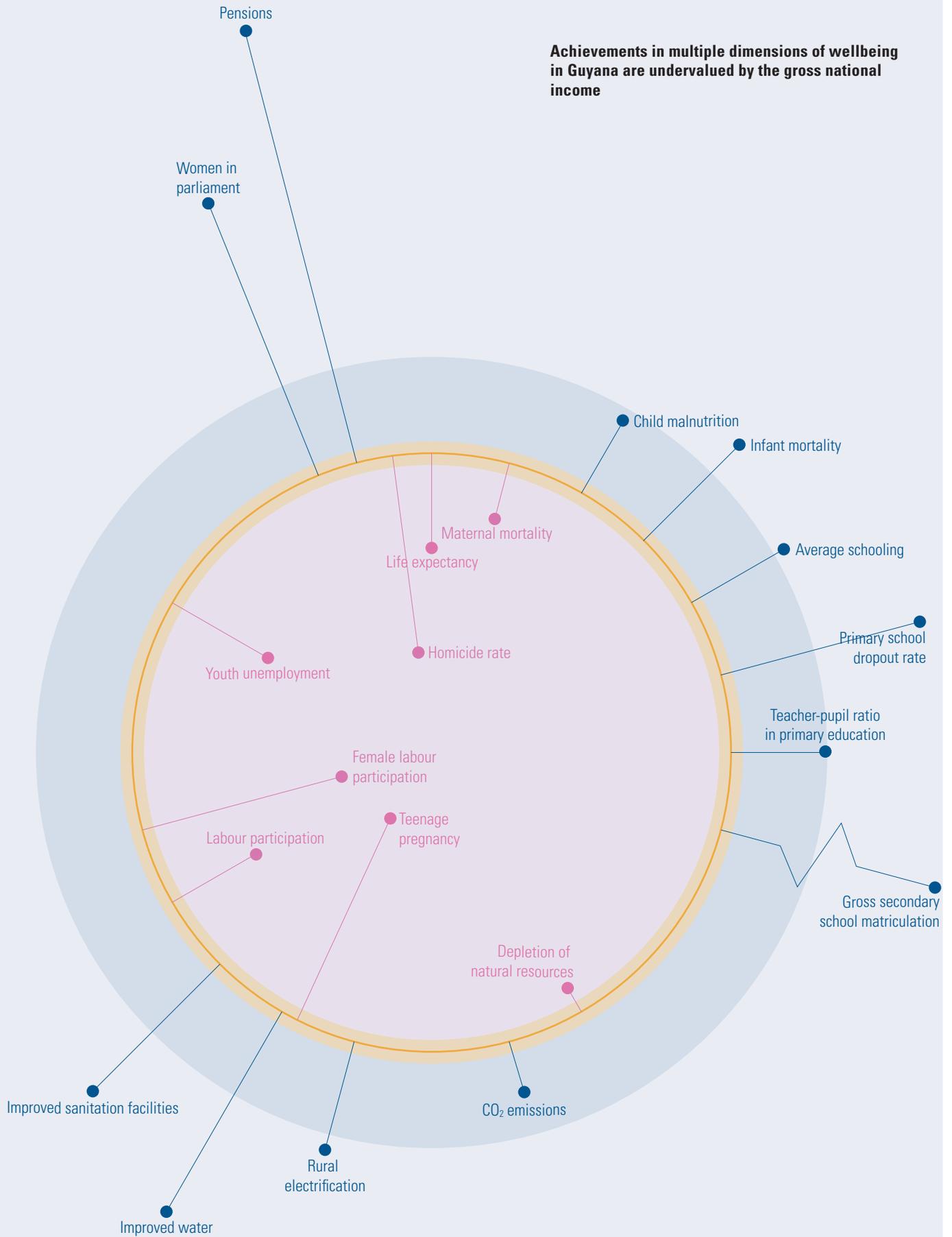
■ Better than expected performance (given the region's level of income)
 ■ Expected performance
 ■ Worse than expected performance

**Achievements in multiple dimensions of wellbeing in Guatemala are undervalued by the gross national income**



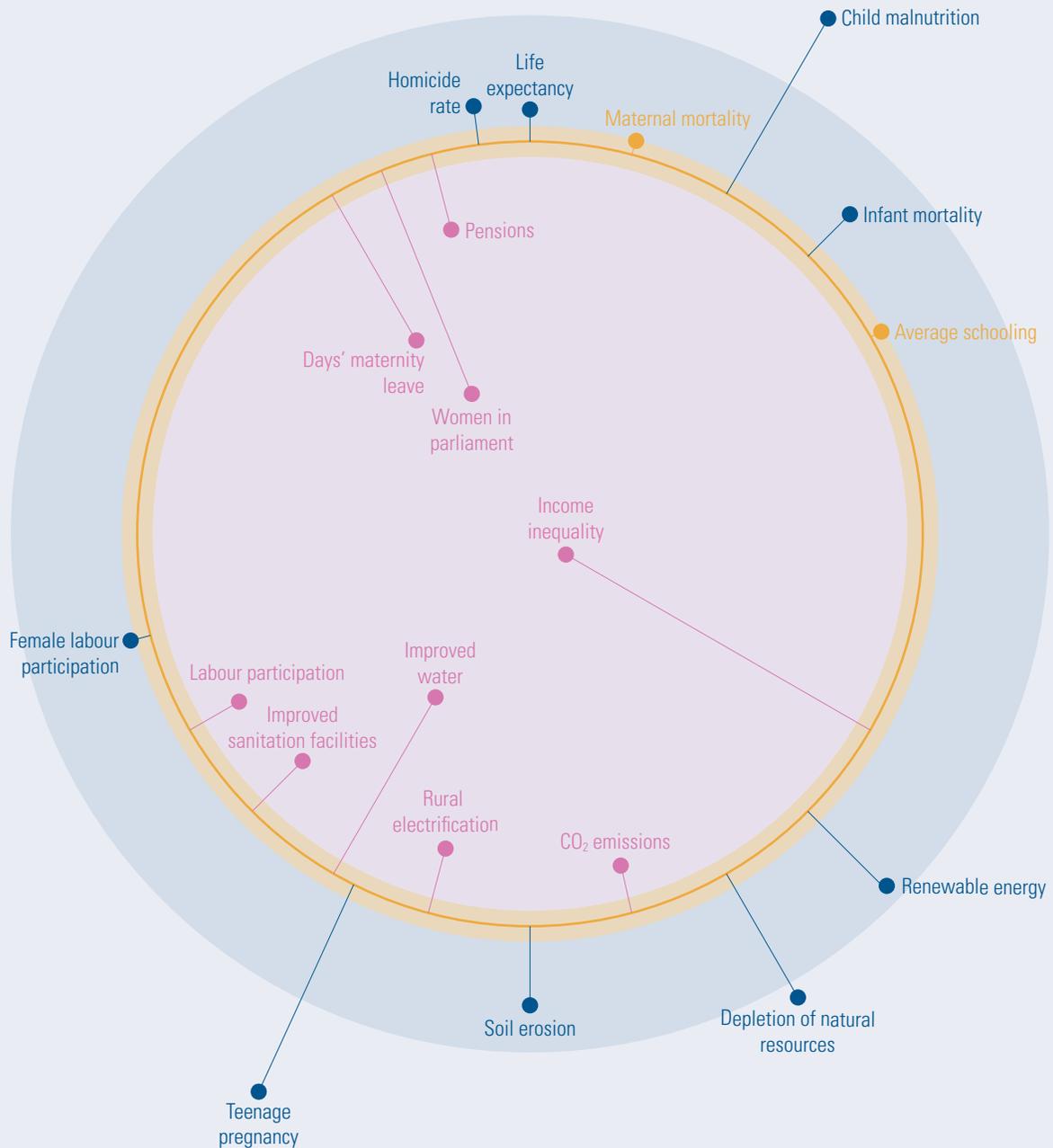
■ Better than expected performance (given the region's level of income) ■ Expected performance ■ Worse than expected performance

**Achievements in multiple dimensions of wellbeing in Guyana are undervalued by the gross national income**



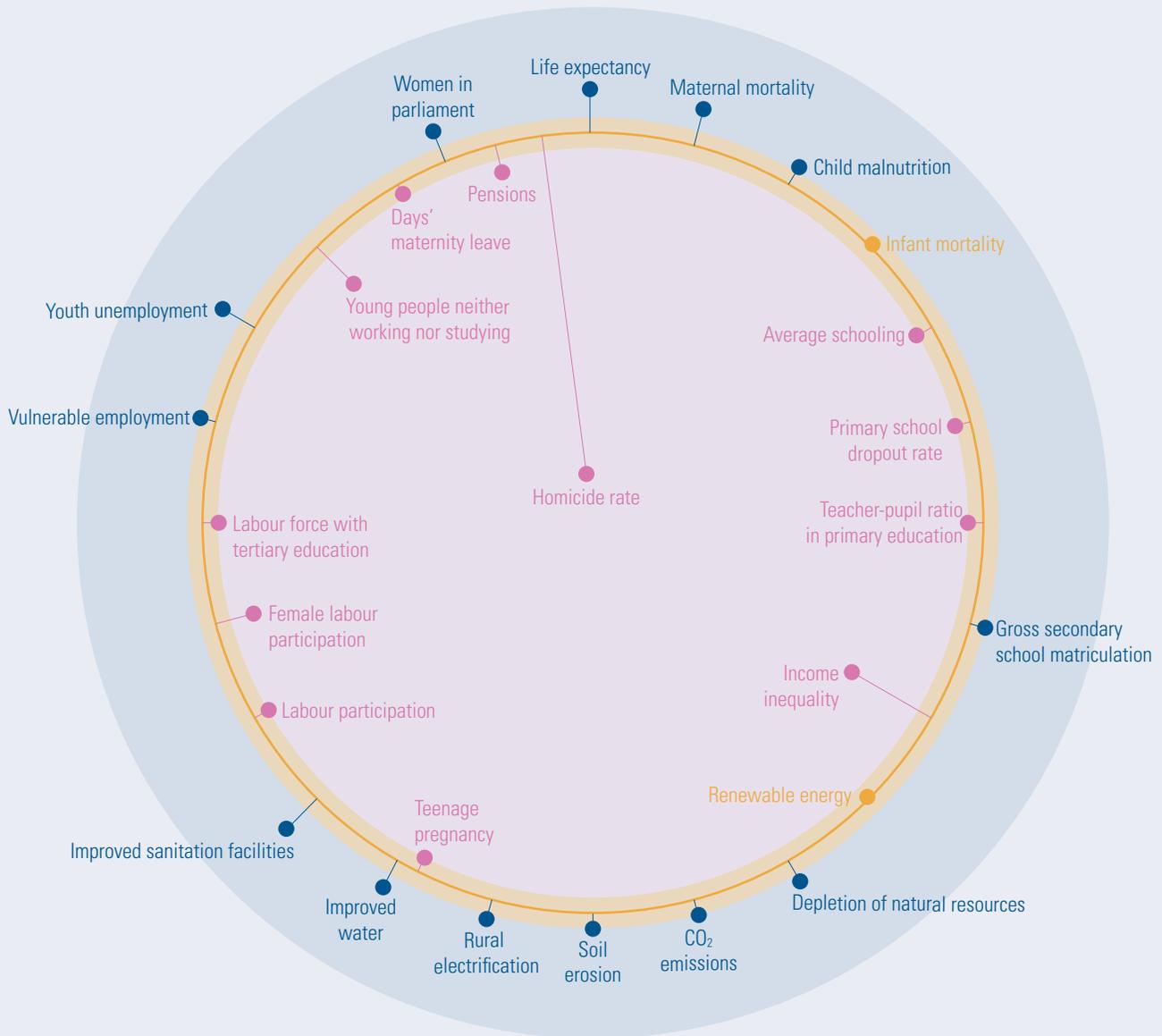
■ Better than expected performance  
■ Expected performance  
■ Worse than expected performance  
(given the region's level of income)

**Achievements in multiple dimensions of wellbeing in Haiti are undervalued by the gross national income**



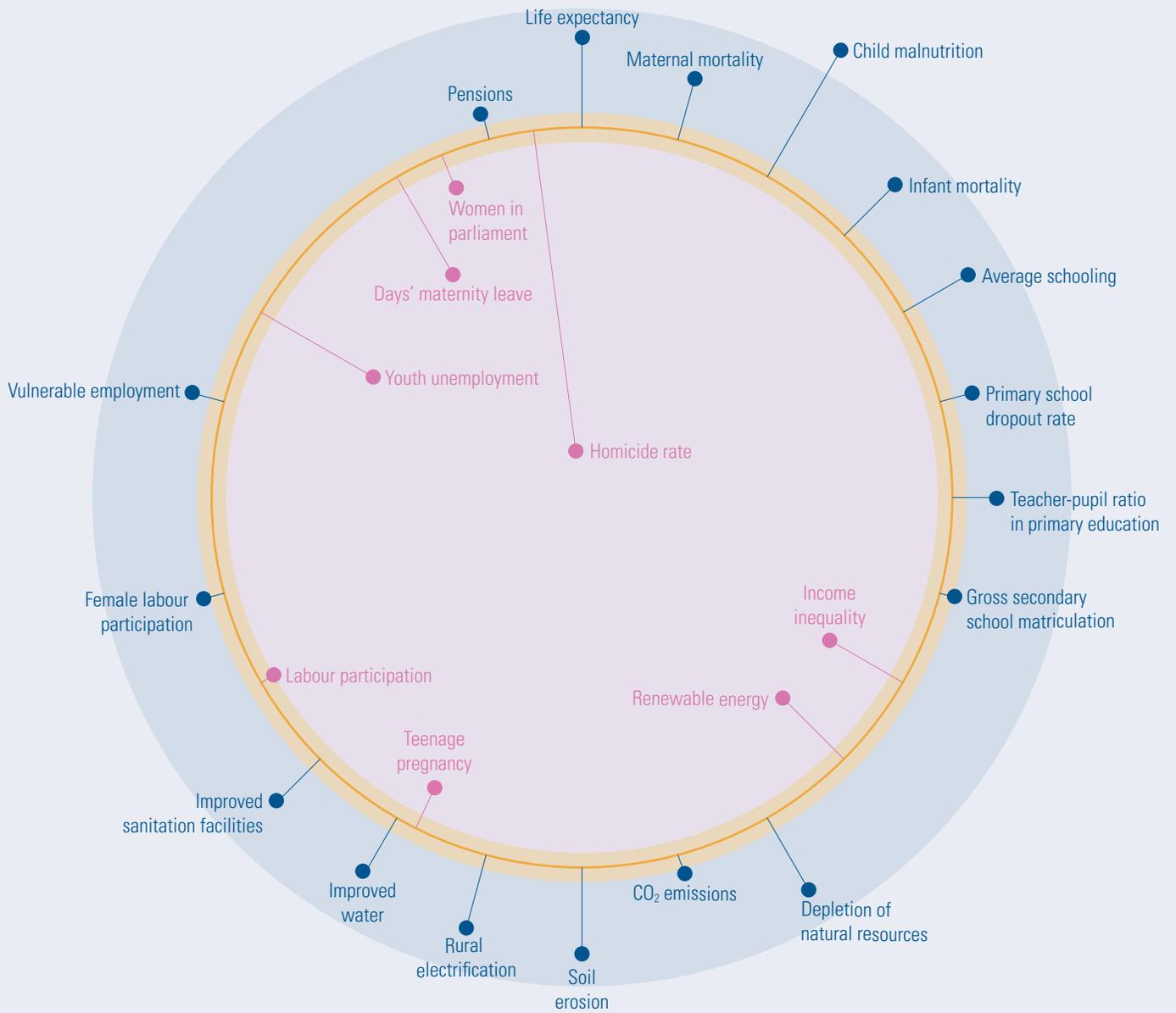
■ Better than expected performance (given the region's level of income)
 ■ Expected performance
 ■ Worse than expected performance

**Achievements in multiple dimensions of wellbeing in Honduras are undervalued by the gross national income**



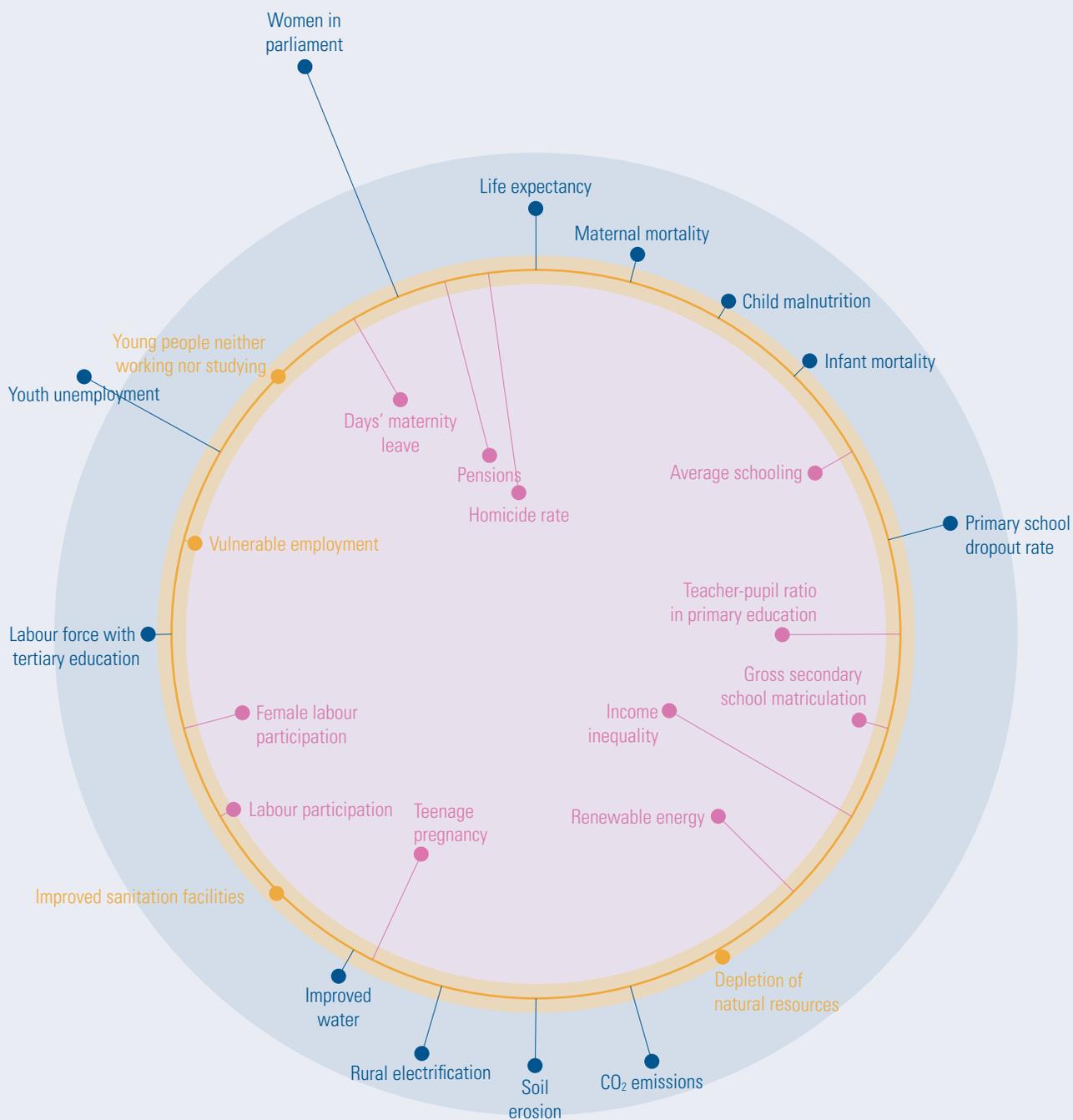
■ Better than expected performance  
■ Expected performance  
■ Worse than expected performance  
 (given the region's level of income)

**Achievements in multiple dimensions of wellbeing in Jamaica are undervalued by the gross national income**



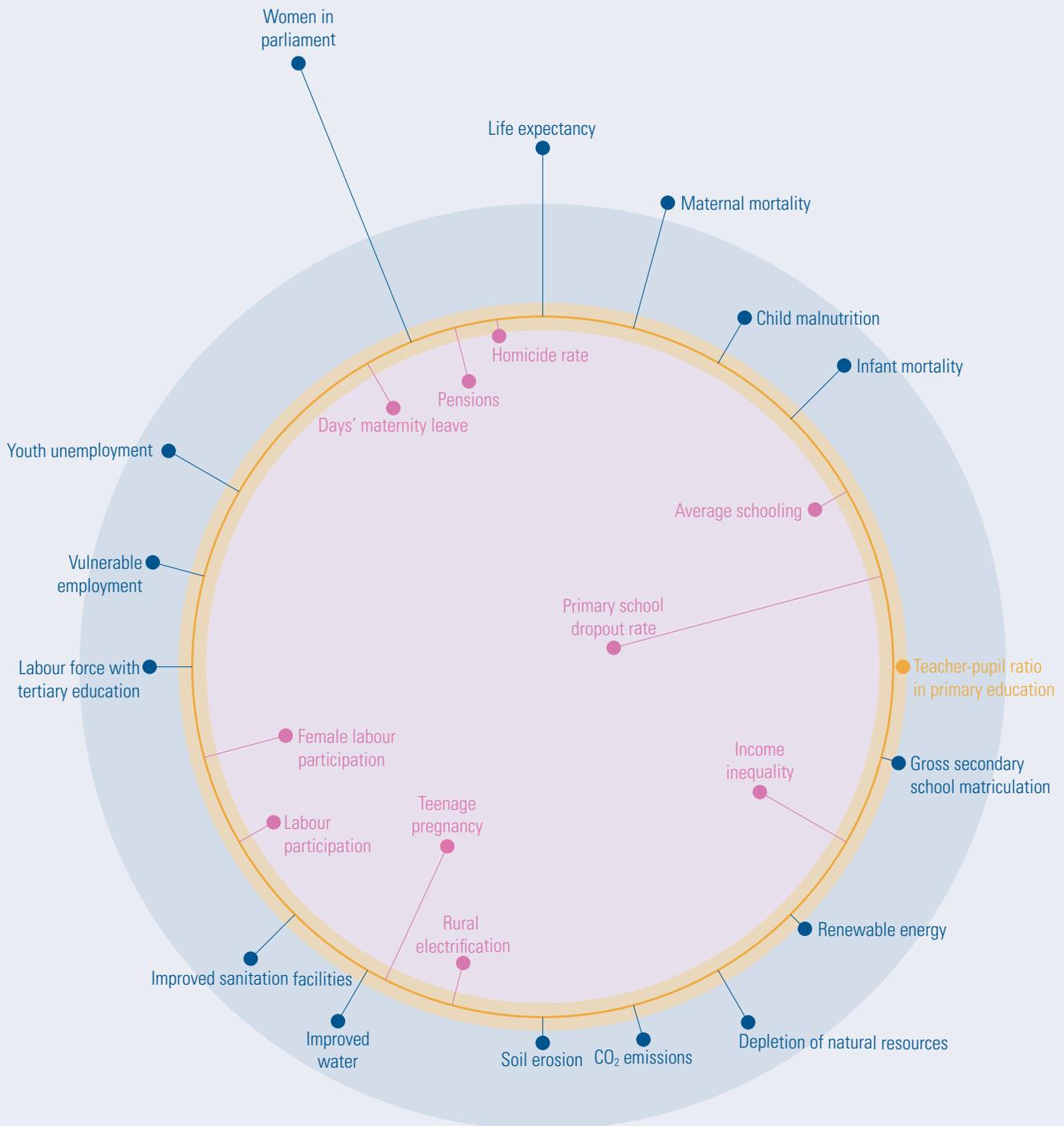
■ Better than expected performance  
■ Expected performance  
■ Worse than expected performance  
(given the region's level of income)

**Achievements in multiple dimensions of wellbeing in Mexico are undervalued by the gross national income**



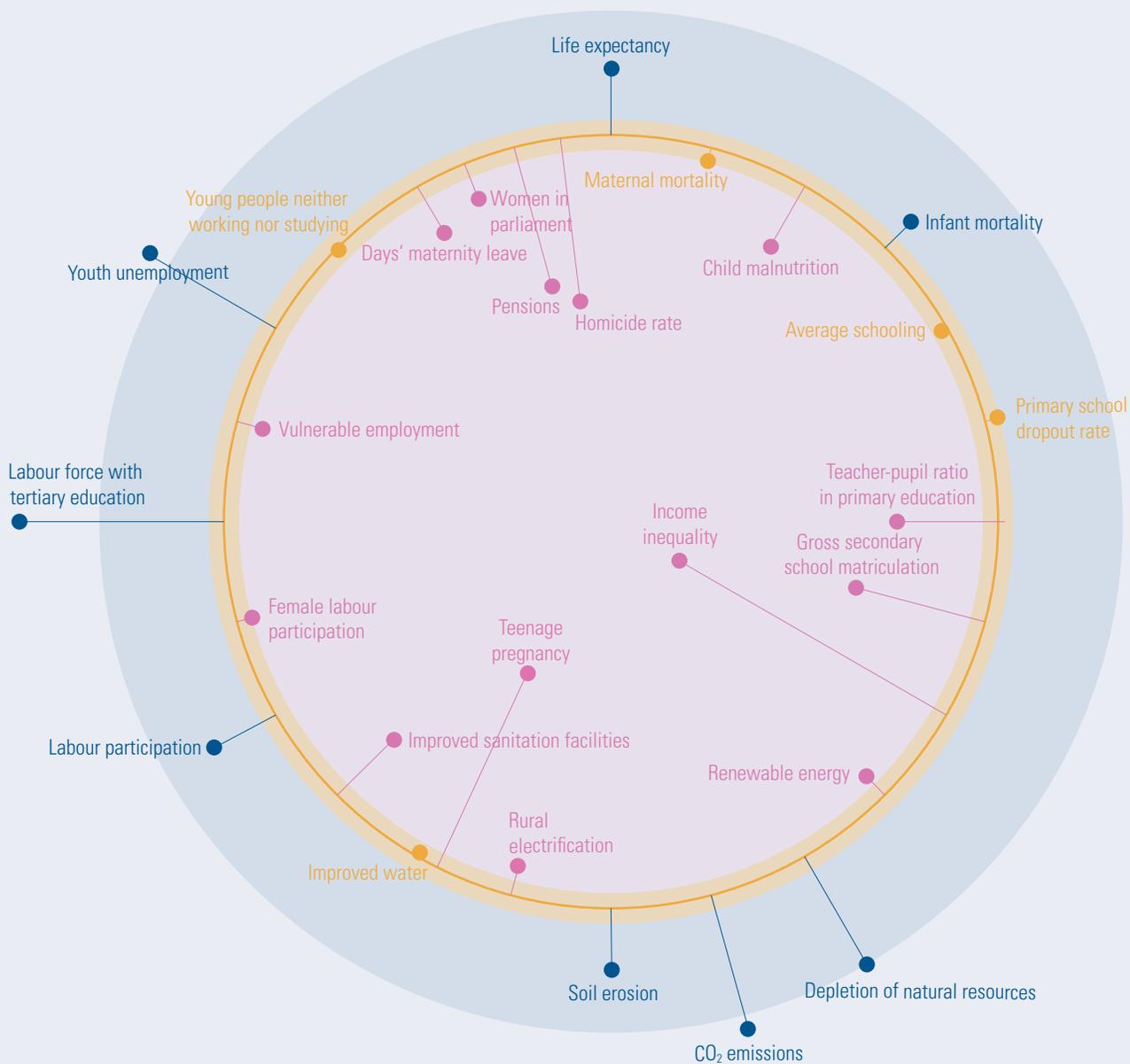
■ Better than expected performance  
■ Expected performance  
■ Worse than expected performance  
 (given the region's level of income)

**Achievements in multiple dimensions of wellbeing in Nicaragua are undervalued by the gross national income**



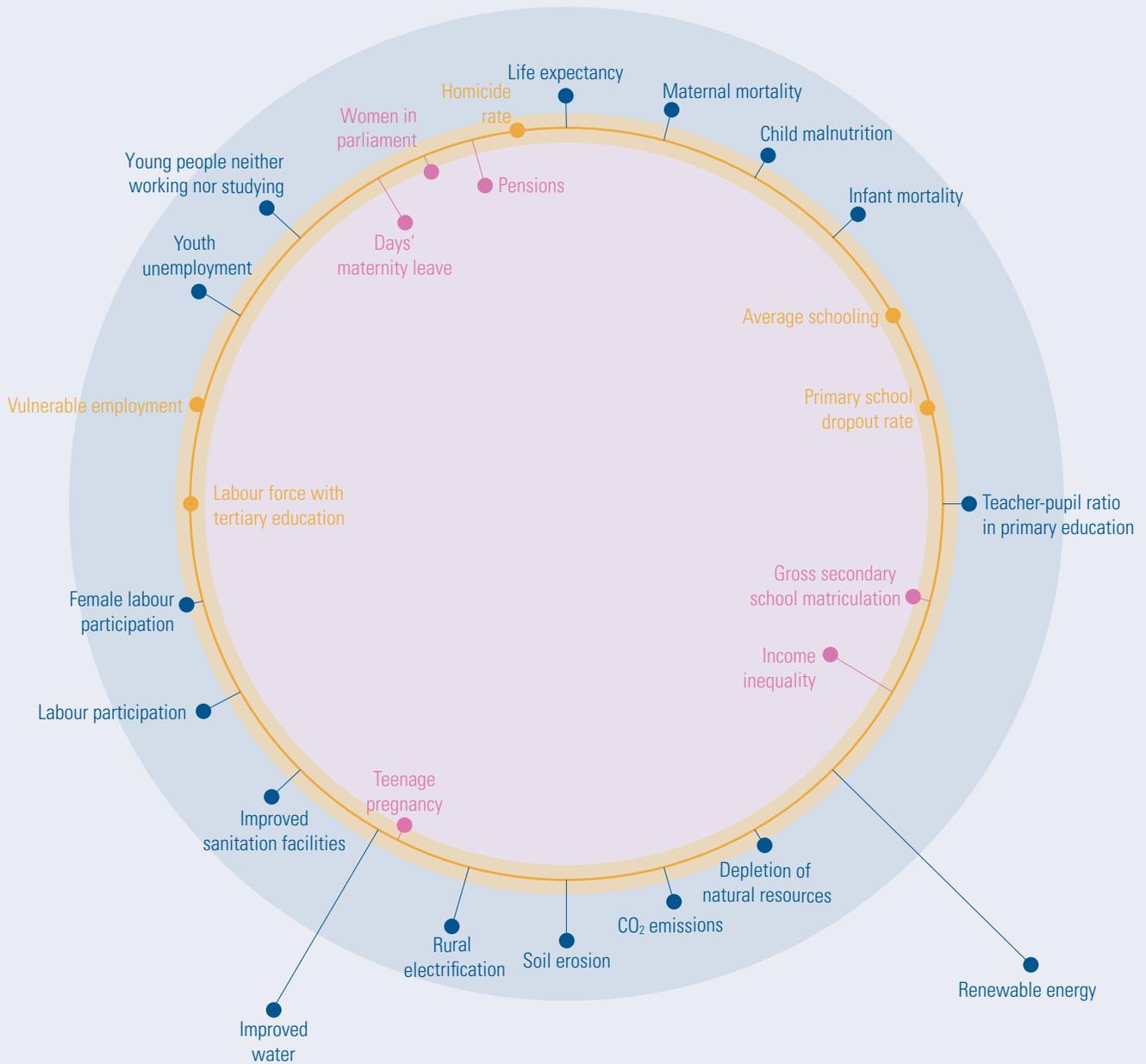
■ Better than expected performance (given the region's level of income)
 ■ Expected performance
 ■ Worse than expected performance

**Achievements in multiple dimensions of wellbeing in Panama are undervalued by the gross national income**



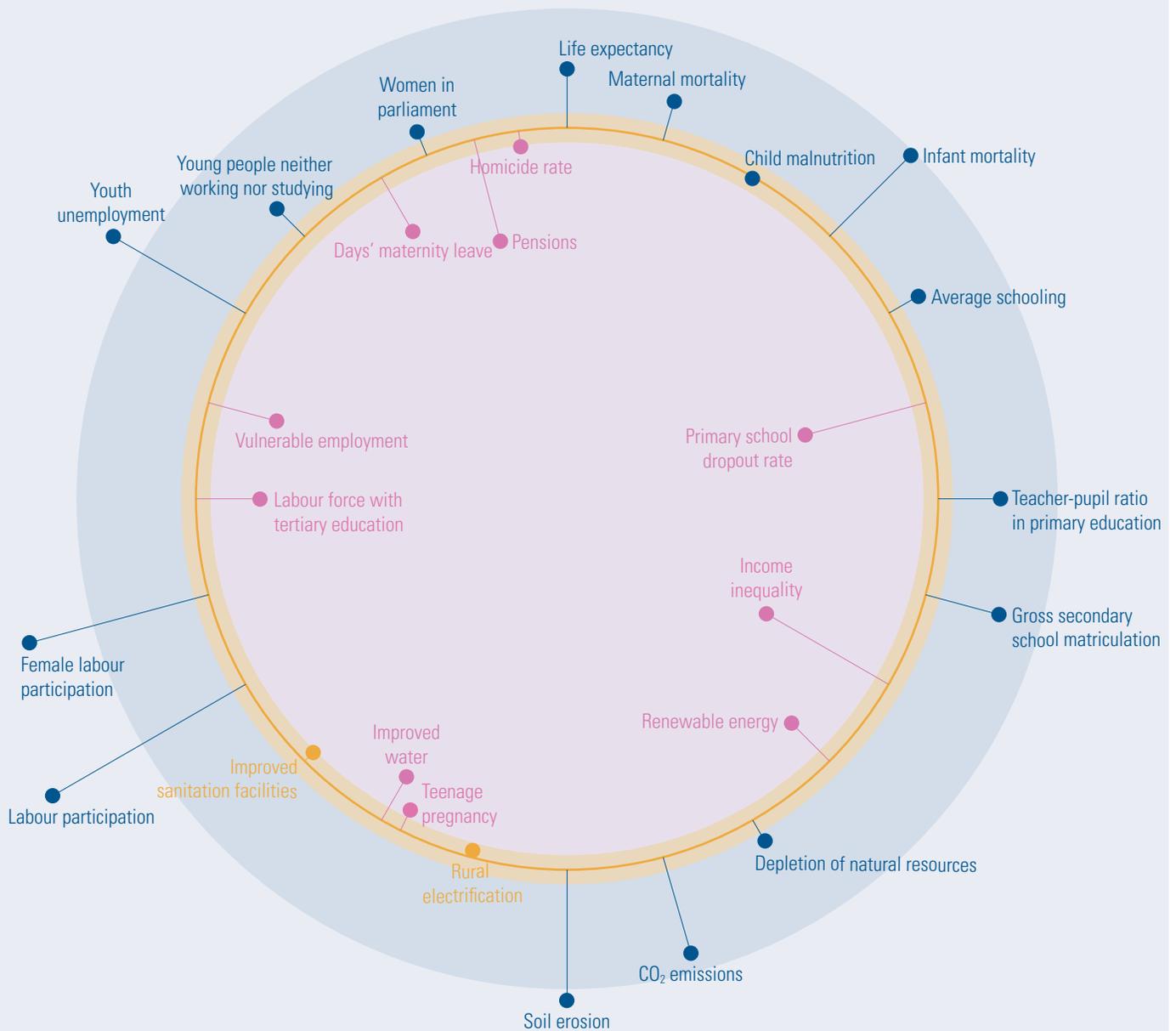
■ Better than expected performance  
■ Expected performance  
■ Worse than expected performance  
 (given the region's level of income)

**Achievements in multiple dimensions of wellbeing in Paraguay are undervalued by the gross national income**



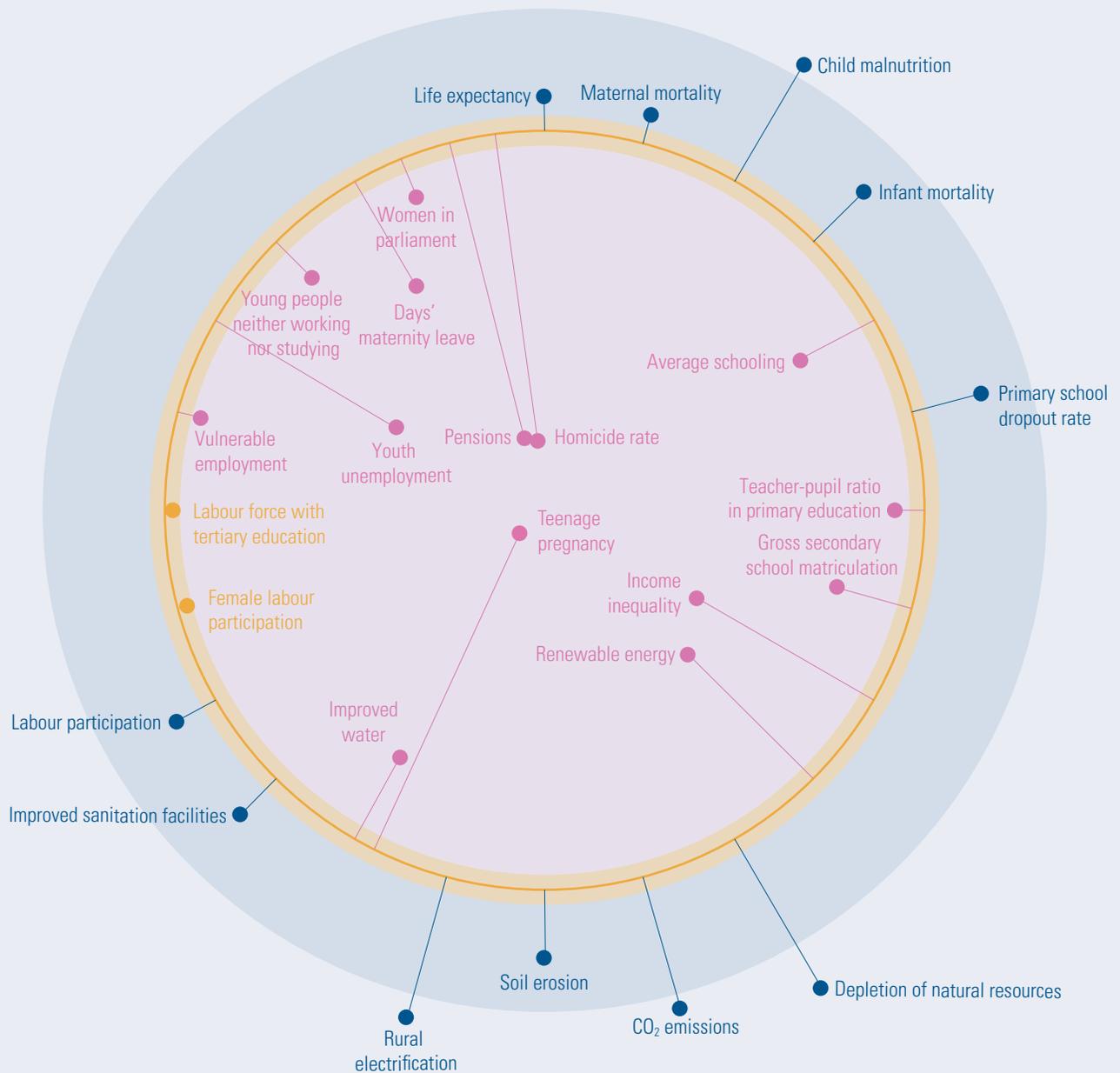
■ Better than expected performance (given the region's level of income)
 ■ Expected performance
 ■ Worse than expected performance

**Achievements in multiple dimensions of wellbeing in Peru are undervalued by the gross national income**



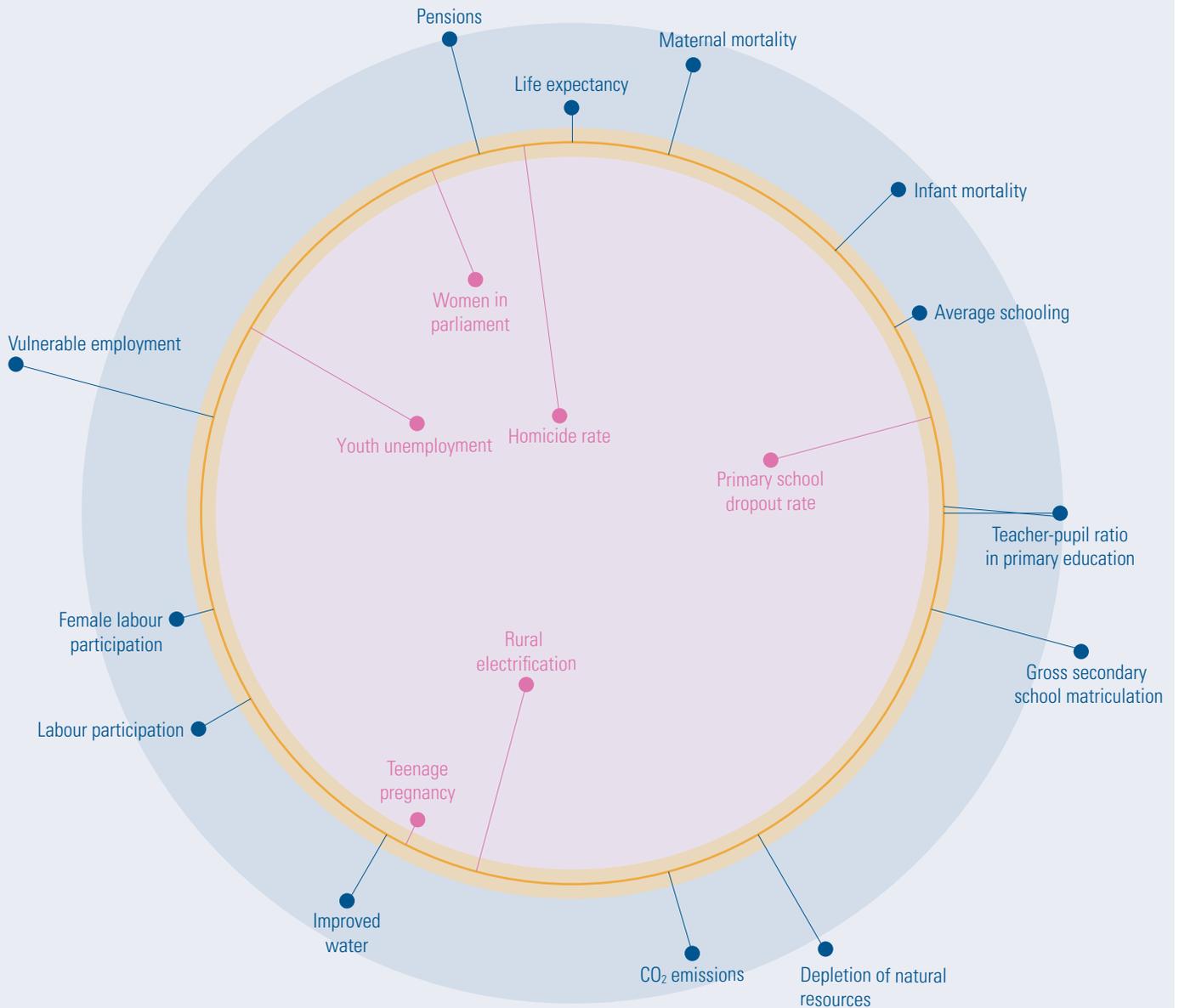
■ Better than expected performance   ■ Expected performance   ■ Worse than expected performance  
(given the region's level of income)

**Achievements in multiple dimensions of wellbeing in Dominican Republic are undervalued by the gross national income**



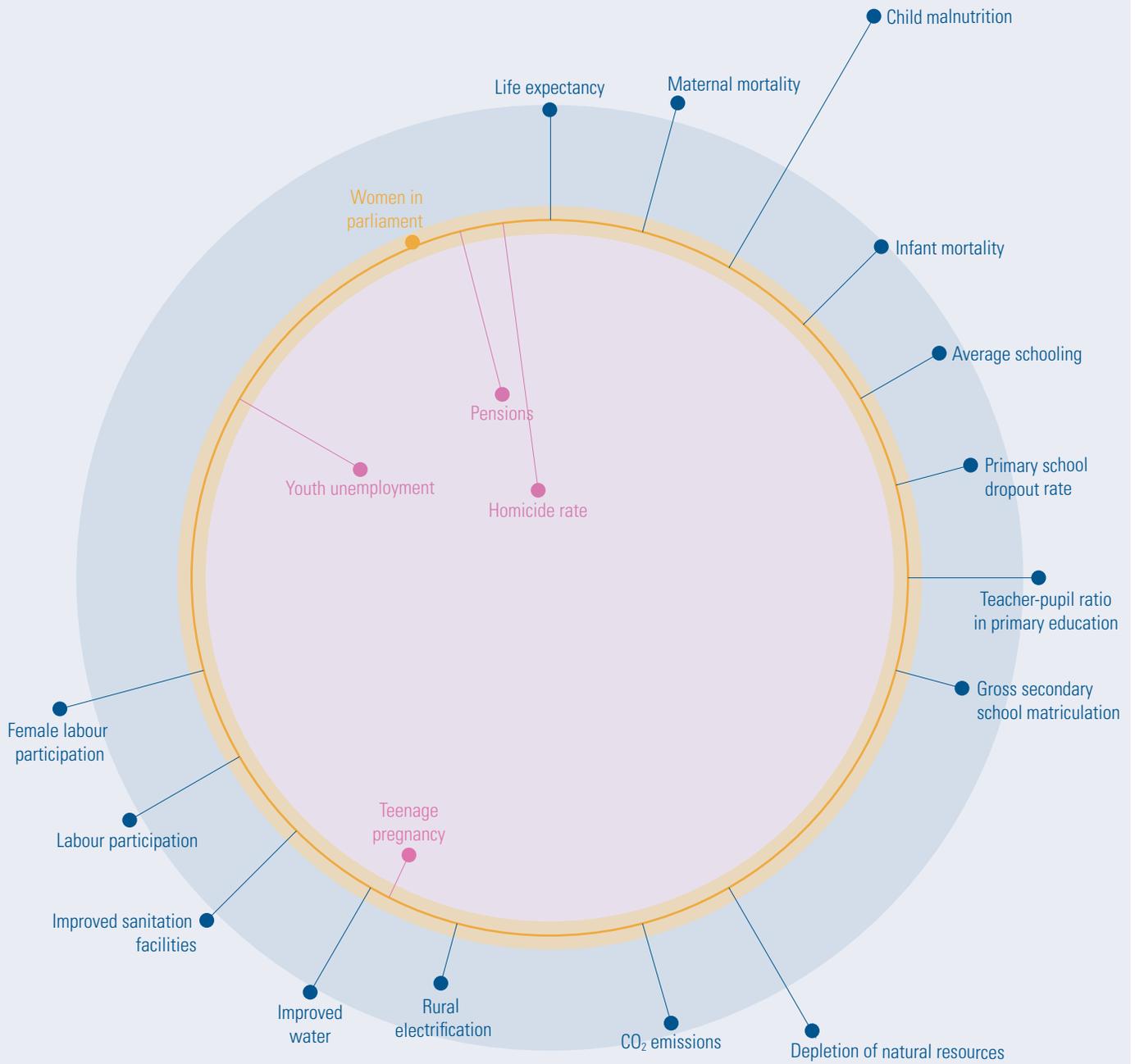
■ Better than expected performance (given the region's level of income)
 ■ Expected performance
 ■ Worse than expected performance

**Achievements in multiple dimensions of wellbeing in Saint Vincent and the Grenadines are undervalued by the gross national income**



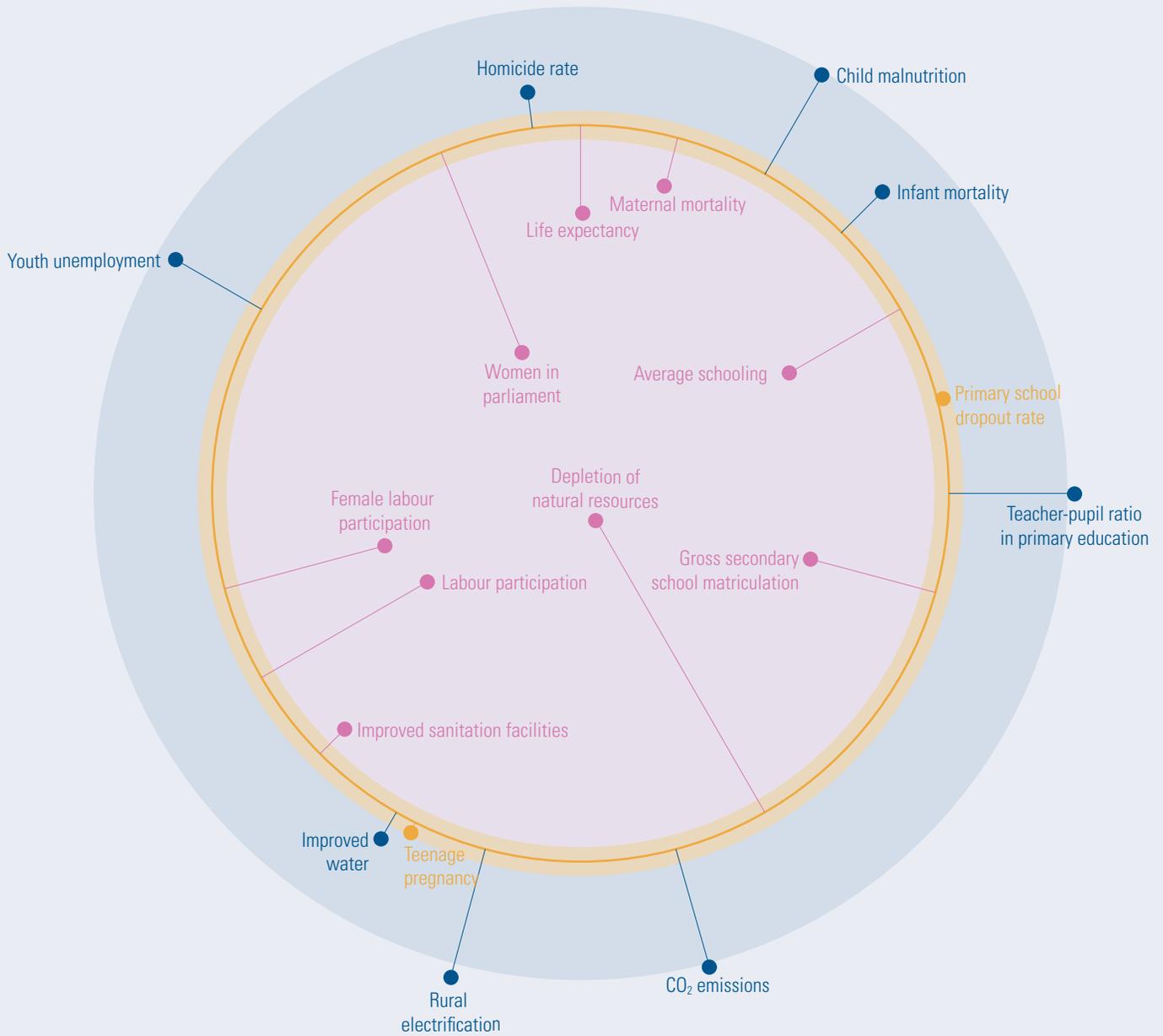
■ Better than expected performance (given the region's level of income)
 ■ Expected performance
 ■ Worse than expected performance

**Achievements in multiple dimensions of wellbeing in Saint Lucia are undervalued by the gross national income**



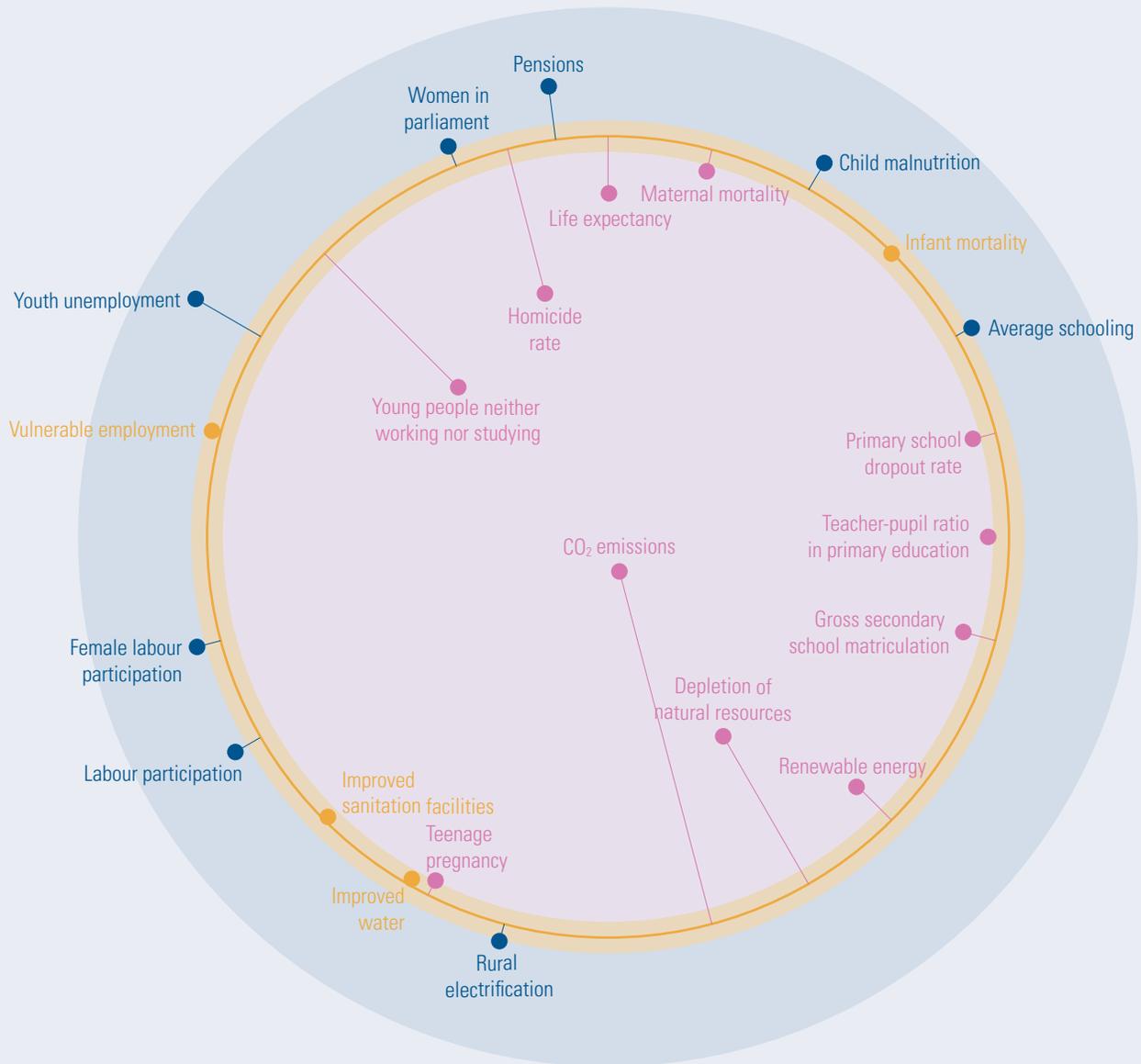
■ Better than expected performance (given the region's level of income)
 ■ Expected performance
 ■ Worse than expected performance

**Achievements in multiple dimensions of wellbeing in Suriname are undervalued by the gross national income**



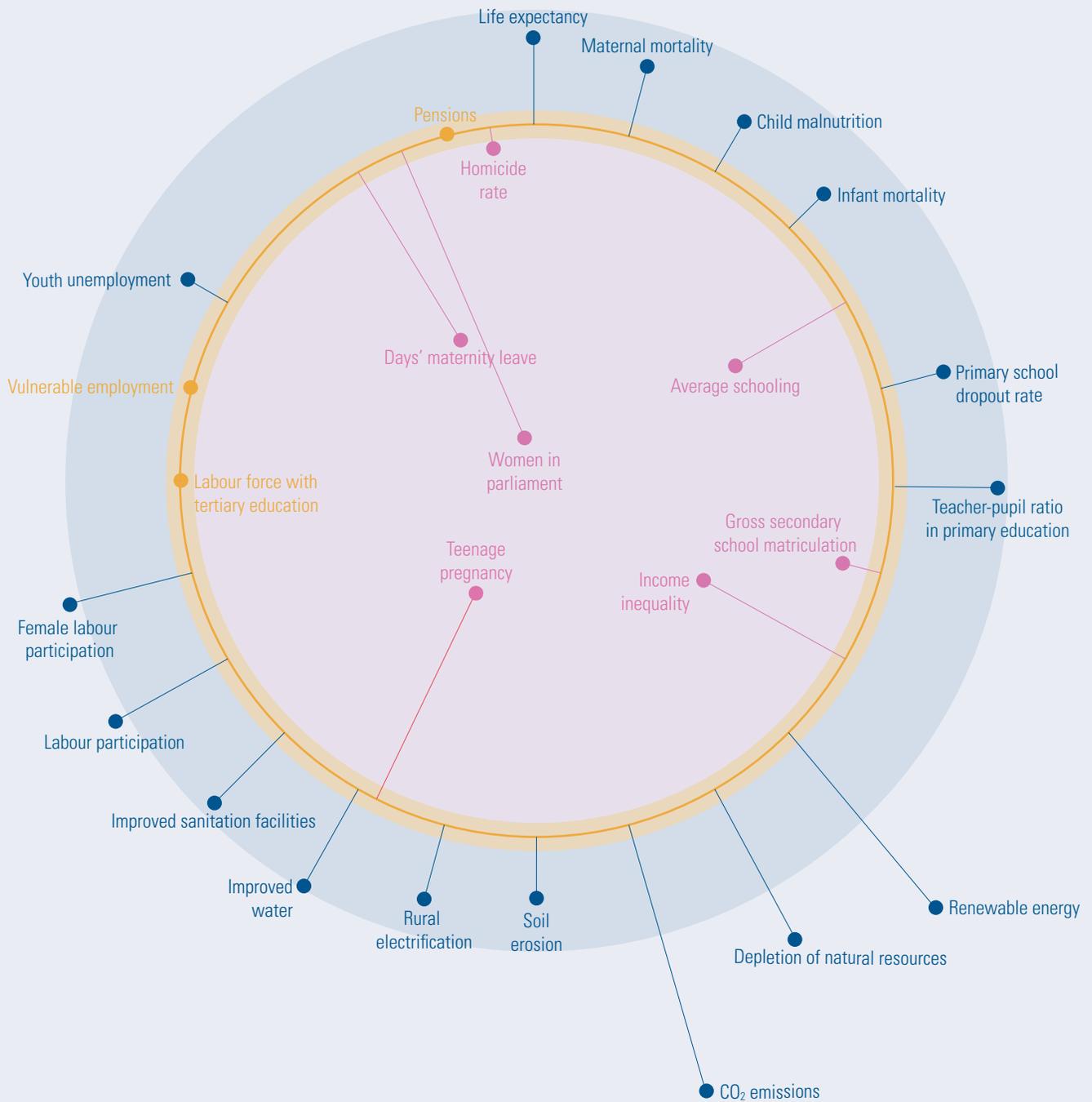
■ Better than expected performance (given the region's level of income)
 ■ Expected performance
 ■ Worse than expected performance

**Achievements in multiple dimensions of wellbeing in Trinidad and Tobago are undervalued by the gross national income**



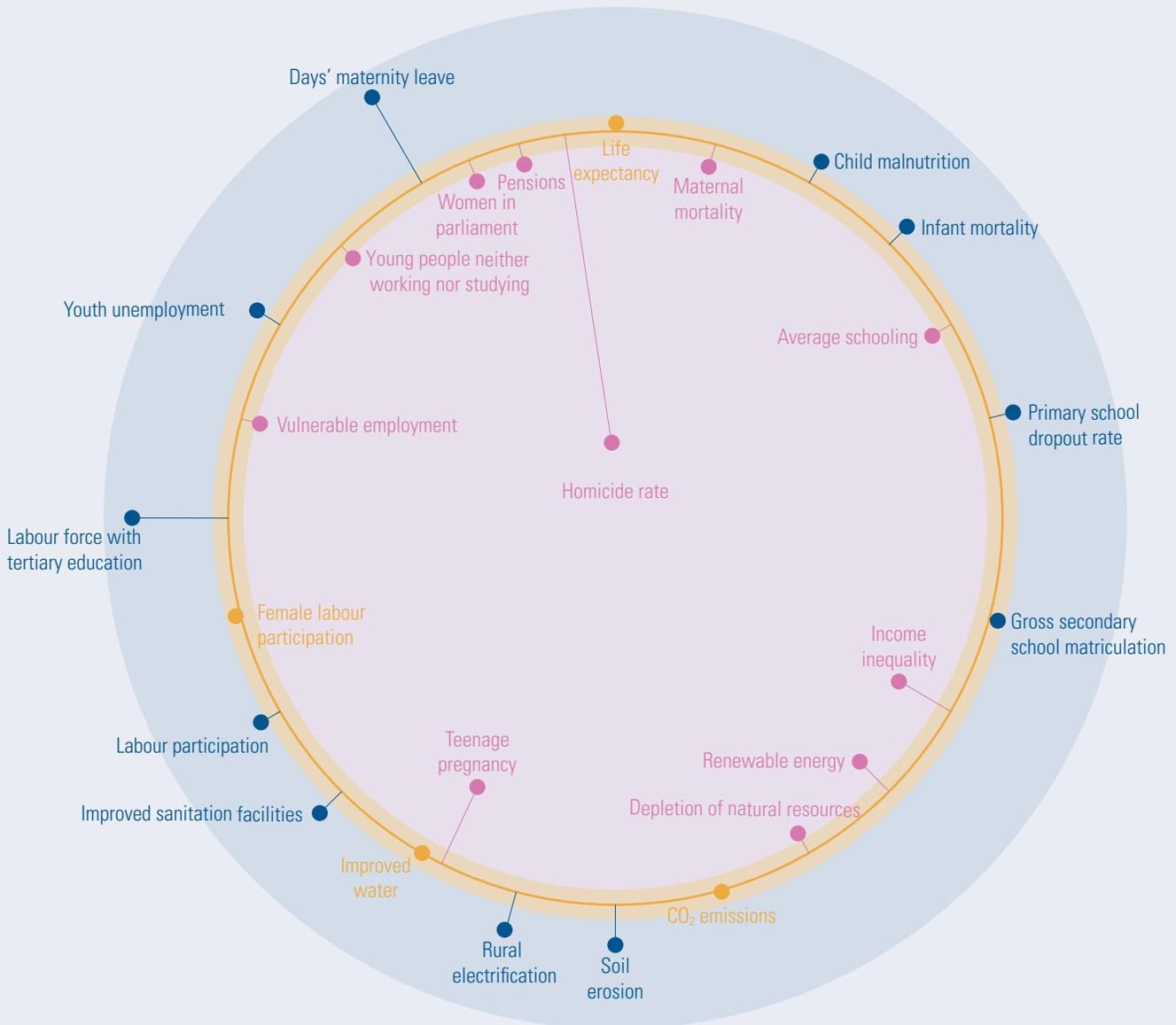
■ Better than expected performance  
■ Expected performance  
■ Worse than expected performance  
(given the region's level of income)

**Achievements in multiple dimensions of wellbeing in Uruguay are undervalued by the gross national income**



■ Better than expected performance  
■ Expected performance  
■ Worse than expected performance  
 (given the region's level of income)

**Achievements in multiple dimensions of wellbeing in Venezuela are undervalued by the gross national income**



■ Better than expected performance (given the region's level of income)
 ■ Expected performance
 ■ Worse than expected performance

**Source:** Prepared by the authors based on data from the Human Development Report Office of the United Nations Development Programme (UNDP) and the World Bank's World Development Indicators (WDI) database.

**Note:** The indicators outside the circle are those that have shown better than expected development according to gross per capita income for the region, while the indicators situated inside the circle are those that have shown poorer performance than expected. The results shown in the figure on Latin America and the Caribbean should be interpreted in the context of a world comparison. In other words, the data is obtained from a regression based on information on 188 countries in which the dependent variable is the value observed for each of the 27 indicators taken into consideration, and is explained by the logarithm of gross national income per capita. Based on the coefficient obtained from each regression, an expected value is calculated for each of the 27 indicators for each country. The difference between the values observed and those expected is then standardized based on the standard deviation of the observed value for each indicator. This methodology follows three steps. First, define the relevant indicator  $j$  as the **dependent variable** (for example, **maternity days**) and the **logarithm of the gross national income per capita** as the **independent variable**. Each regression will provide a constant term and a coefficient value. For example, the constant for **maternity days** is 19.85 and the coefficient 9.80. The second step consists on building an expected value for every country in the sample. In order to obtain the **expected value** for each country  $i$ : **expected value  $i = 19.85 + (9.80 * \text{logarithm of national gross income per capita})$** . Third, once the **expected value** is known, it should be compared to the **observed value** in each country. The difference between these two values is standardized using the standard deviation of indicator  $j$ . For example, standard deviation regarding the maternity days indicator in the 188 countries is 56.9. If a given country has an **observed value** of 90 maternity days and an **expected value** of 117.9 days calculated in its regression (based on its national gross income per capita), the **standardized difference** equals -0.49 ( $-0.49 = (90 - 117.9) / 56.9$ ). According to this result, the country in the example, the performance regarding maternity days is -0.49 standard deviations below the expected performance given its income, which places the indicator inside the circle. This exercise is repeated for each indicator in each country. The exercise follows the method employed by the Organisation for Economic Cooperation and Development (OECD) in their series of country diagnostic studies entitled Development Pathways. It should be noted that an indicator located outside of the circle *does not mean that challenges are over* regarding that indicator - gaps related to ethnicity, gender or area of residence, for instance-. It simply means that in that country that indicator shows better performance than expected based on its income. Likewise, an indicator located inside the circle *does not mean that there has been no progress* in that country regarding that indicator; it means that current level of achievement is lower than expected based on the income of that country. The following data comes from the UNDP Human Development Report Office: gross national income per capita at 2011 prices adjusted to purchasing power parity (2014); life expectancy at birth measured in years (2014); maternal mortality measured as the number of maternal deaths registered in a year for every 100,000 births (2013); child malnutrition, which corresponds to the indicator on chronic malnutrition, measured as a percentage of children aged under five with a low height-for-age (2008-2013); child mortality, measured as the number of deaths in under-fives registered in a year per 1,000 live births (2013); average schooling, measured as a mean of accumulated years of education (2014); primary school dropout rates, defined as the percentage school dropout rate for the education level in question (2008-2014); the pupil-teacher ratio in primary education, measured as the number of pupils per teacher at this education level (2008-2014); gross enrolment rates at secondary school, defined as the total enrolment corresponding to this education level, regardless of age, as a percentage of the school-age population at this education level (2008-2014); the indicator of renewable energy, defined as the percentage of total energy coming from natural resources that are constantly renewed, including solar, wind, geothermal, hydroelectric, biomass, and ocean resources, as well as some energies from waste, excepting nuclear energy (2012); income inequality, corresponding to the Gini coefficient (2005-2013); the indicator on the depletion of natural resources, measured as a proportion of gross national income (2008-2013); CO2 emissions, measured as the volume of carbon dioxide emissions per capita in tonnes (2011); soil erosion, measured as the percentage of the population living on degraded land (2010); rural electrification, measured as the proportion of the rural population with an electricity supply (2012); the labour force with tertiary education, measured as the proportion of the workforce with some level of tertiary education (2007-2012); female labour participation, measured as the proportion of the female population aged 15 years or over that is economically active (2013); youth unemployment, measured as a proportion of the workforce aged between 15 and 24 that is unemployed (2008-2014); vulnerable employment, measured as a proportion of the people working as unpaid family workers and self-employed workers (2008-2013); young people who neither work nor study, measured as the percentage of young people aged between 15 and 24 who are neither in work nor in education (2008-2013); homicide rate, measured as the number of homicides registered per year per 100,000 people (2008-2012); days' maternity leave, measured as the number of days of paid maternity leave (2014); pensions indicator, measured

as a percentage of legal beneficiaries of old-age pensions of an age to receive these pensions (2004-2012); teenage pregnancy, measured as the number of births registered per year per 1,000 women aged between 15 and 19 (2010-2015); and the position of women in parliament, measured as the proportion of parliamentary seats held by women (2014). The WDI database created by the World Bank provides data on improved sanitation and water indicators, measured as the percentage of the population with access to these services (2013). The number of indicators used for each country is dependent on availability.

## Annex 3

### Methodology used in the qualitative research referred to in Chapter 8

#### 1. Objectives of the qualitative research

The testimonies set out in Chapter 8 were gathered in the context of qualitative research conducted with the aim of better understanding the different collective imaginaries coexisting in the region. This exercise was an initial approach that has enabled: i) a more in-depth understanding of the reasons behind how people assess their lives; ii) the concept and components of theoretical analysis to be compared with people's perceptions of progress, and iii) restrictions and barriers to the collective regional imaginary to be identified with regard to the new prevailing social construct in the 2030 Agenda for Sustainable Development.

The research questions were formulated in such a way as to find out whether or not people living in a situation of poverty or vulnerability and middle-class people have common perceptions of life, progress and how to achieve it.

The specific objectives of the research were as follows:

- i) To find out how people generally use the term *progress* in their daily life, what it means for them and which terms they consider to be synonymous with it, and particularly to find out how it is used, with what meaning and which synonyms are used among different population groups: men and women, young people, adults and older adults.
- ii) To draw out the stories that underpin people's aspirations and achievements, based on the experiences of people living in a situation of poverty or vulnerability, people who have suffered a sudden decline in their well-being or people whose level of well-being is stable.
- iii) To identify, on the basis of people's experiences generally and, in particular, on the basis of the experiences of men and women, young people, adults and older adults, the determining factors<sup>1</sup> in escaping poverty or falling back into it, or into a situation of vulnerability.
- iv) To analyse how these determining factors are experienced by men, women, young people, adults, older adults, indigenous and Afrodescendant peoples and other population groups, and the relationships of power and interactions between them.
- v) To identify the dimensions noted in the perceptions, feelings of dignity, well-being and quality of life.

In addition to serving as an input to this report, this qualitative research has strengthened the national processes that are currently under way in relation to multidimensional measuring, whether of progress, poverty or well-being — processes in which the region's UNDP country offices are participating.

It is important to note in this regard that, in addition to understanding progress from the people's perspective, this qualitative research has enabled the representations and meanings of poverty to be explored from the position of those who are experiencing it, along with its social practices, manifestations and expressions, the factors and actors involved in its creation and continuation, as well as possible ways of overcoming it.

<sup>1</sup> For example, determining factors such as gender, class, age or ethnicity.

## 2. Guidelines and questions of the qualitative research

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The following explains the guidelines<sup>2</sup> established in order to systematize assumptions and questions around the notion of progress and related concepts. These guidelines served as a frame of reference when producing the questionnaire that was shared with the countries in which the focus groups were conducted, and which was adapted to the specific features of each context and reality.

### Guideline 1: The meaning people give to the concept of progress and its use as a common category of analysis seem to vary considerably.

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- Do people use this term on a daily basis? To refer to what? In particular, is it a term that people use to refer to an improvement in their life?
- What aspects encapsulate the idea that progress exists (dimensions)? What intangible aspects are linked to the idea of progress?
- In what context is the term used?
- Who is it used by?
- What are the synonyms for the term? (e.g. living well)
- Do women and men use it in the same way? Do young people, adults and older adults use it in the same way? What does progress/good living/living well mean for indigenous and Afrodescendant peoples?

### Guideline 2: We are not sure how people understand the link between progress and poverty.

---

- To what extent is progress associated with poverty eradication or reduction?
- How is poverty defined and how is this distinguished from the existence of progress? Is the absence of poverty considered to be synonymous with progress? Are there different definitions of poverty-progress among men and women, young people and adults? What are the differences?
- Is stagnation associated with poverty, vulnerability or a lack of progress?

### Guideline 3: We believe that progress and escaping poverty are not linear processes.

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- What lies behind people's successes (educational, work, etc.)?
- What are the typical sacrifices/challenges facing a person if they are to see improvements in their life? What would the sacrifices/challenges be for a woman and for a man?
- What would illustrate the non-linearity of progress and escaping poverty?

### Guideline 4: The dynamic of progress, the possibility of stagnation and a situation of poverty are not solely linked to a person's level of income.

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- What other aspects do people feel are linked to progress and poverty, or to remaining in a situation of stagnation or vulnerability? (Specific question to women, men, young people, adults, older adults).
- Can these aspects be prioritized? How?
- What level of achievement do people identify and associate with the overall idea of progress, and what level of achievement do people identify and associate with being in a situation of poverty, escaping poverty or being in a state of vulnerability or stagnation?

<sup>2</sup> The term refers to the set of signs or indications that were useful in the research.

### **Guideline 5: There may be some common dimensions to progress across the different population groups.**

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- What dimensions do all the population groups refer to?

### **Guideline 6: The phenomena of progress and poverty have different meanings and are experienced differently by men and women, urban and rural populations, and people from different age groups (young people, adults and older adults).**

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- What dimensions or aspects differentiate progress across the different population groups consulted?
- How does the experience of poverty differ across the different population groups consulted?

### **Guideline 7: We suspect that progress may occur even among people in a situation of poverty.**

---

- Are experiences such as having assets (a pig, some sacks of maize, etc.) seen as progress by people in a situation of poverty?
- What levels of poverty identify the population in a situation of poverty?

### **Guideline 8: Progress, escaping poverty, marginalization and exclusion do not depend solely on individuals.**

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- What support is necessary to progress, to escape poverty and to escape vulnerability?
- Who do people typically rely on (Government, NGOs, family, community/neighbours, friends, acquaintances)? What order of importance do they give to these different kinds of support?
- What are the most commonly used strategies for achieving their dreams and aspirations? Do men and women have different strategies by which to achieve their dreams and aspirations?

### **Guideline 9: We know very little about the ethics or speed of progress.**

---

- Does the end justify the means? What are “easy” paths?
- What timescale is associated with progress and escaping poverty?

### **Guideline 10: People are exposed to a great deal of political discourse.**

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- What is there in this discourse that motivates people?
- Is there some notion of progress, of a better future, in this discourse? Does this discourse make any reference to how to achieve progress? If so, what?

### 3. Techniques and tools used in the qualitative research

The analytical tools used in the qualitative research were focus groups and in-depth interviews and the analytical techniques were discourse analysis and grounded theory.

In the case of the **focus groups**,<sup>3</sup> these were mostly used to obtain the perceptions of people in a situation of poverty or vulnerability, as well as to ascertain the perceptions of specific population groups, such as indigenous and Afrodescendant peoples. The following table shows the number of focus groups conducted in each country, where they were held and the features of the group consulted, as well as the estimated number of participants and the names of people working on this research.

**Table 1. Summary of focus groups**

Country	Number of focus groups	Place	Features of the population consulted	Total estimated no. of participants	Staff
Antigua and Barbuda	6	Antigua: St. George St. John's St. Mary St. Peter Barbuda	Rural and urban young people and adults	75	Janine Chase Cherise Adjodha Nathalie Thomas Claudia Chambers
Barbados	8	St. George St. James St. John St. Lucy St. Michael St. Peter St. Thomas	Urban and rural population in a situation of poverty,  urban and rural population not in a situation of poverty	62	Janine Chase Cherise Adjodha Nathalie Thomas Deborah Carrington
Plurinational State of Bolivia	8	La Paz Santa Cruz El Alto Cochabamba	Young people and adults	64	Ernesto Pérez
Brazil	10	Río de Janeiro Quingoma Vila Esperança Caxias do Sul Federal District Padre Bernardo	Population in a situation of poverty, social programme beneficiaries, vulnerable groups	80	Andrea Bolzon Vanessa Gomez
Chile	8	Santiago	High-income professionals, middle, lower-middle and low income workers, domestic workers, young graduates and students, and middle and lower-middle income workers.	64	Rodrigo Márquez Maya Zilveti Juan Jiménez Álvaro León Jorge Morales Soledad Godoy Julio Troncoso Pamela Tapia Tamara Mundaca

<sup>3</sup> In the cases of El Salvador and Costa Rica, the inputs were the result of previous work undertaken: UNDP, El Salvador: *La pobreza en El Salvador. Desde la mirada de sus protagonistas* [Poverty in El Salvador: through the eyes of those experiencing it], San Salvador, UNDP, 2014, and UNDP Costa Rica, *Como gato panza arriba. Historias de vida de personas en condición de pobreza* [Clawing a way out. Real-life stories of people living in poverty], UNDP, forthcoming in 2016.

Colombia	6	Valledupar San Bernardo del Viento Los Moñitos Barcelona Los Córdoba Fundación	People displaced by the armed conflict	49	Fernando Herrera Paola Benítez
Ecuador	21	Quito Tena Cayambe Cuenca Portoviejo Quito suburbs Guayas Loja Manabí	Women, LGBTI, indigenous people (Amazonia and Sierra), peasant farmers, fisherpeople and resettled populations	168	Fernando Pachano Celia Salazar
Grenada	8	St Andrew's St. George's St. David's St. Patrick's St. John's St Paul's Carriacou	Urban and rural population in a situation of poverty and people with low, middle, and upper-middle incomes; young people and adults	67	Janine Chase Dianne Roberts
Guyana	11	Georgetown Linden Annai Rupununi North Rose Hall Anna Regina	Young people, women, mixed group of rural and urban population from Alta Demerara, disabled people, indigenous leaders, popular organizations of indigenous women, mixed group of rural and urban population from Berbice, mixed group of rural and urban population from Essequibo, children, human rights defenders, politicians/parliamentarians.	165	Vanda Radzik Patrick Chesney
Haiti	8	Carice Quinimanthe Dajabón	Young people, women and adults, most in a situation of poverty	100	Marie Doucey Piere Levigneron
Honduras	12	La Esperanza Choloma San Pedro Sula Tela Tornabé Puerto Lempira Tegucigalpa	Emigrants, remittance recipients, single mothers, young people, adults, Afrodescendant people, returnees	96	Edo Stork Norma García Luis Gradiz
Jamaica	10	St. Andrew St. Catherine Kingston St. Ann Trelawny Portland	Urban population, rural population, young people, adults and older adults; people of upper, middle and lower socio-economic status, including people in a situation of poverty; peasant farmers; higher education students	68	Elsie Laurence-Chonoune Richard Kelly Novia McKay Claudia Chambers

Nicaragua	11	Bilwi Bluefields Managua Mozonte San Lucas	Indigenous people, graduates, Afrodescendant people, men and women living with HIV/AIDS	95	María Rosa Renzi Leonel Pérez
Peru	9	Nauta Chiclayo Cuzco Arequipa Lima	Disabled people, older adults (retired), young people, migrants, adults, farmers, peasant farmers	63	María Eugenia Mujica
Dominican Republic	8	Lago Enriquillo Periurban area of Greater Santo Domingo	Young people and adults from urban areas on low incomes, and young people and adults from vulnerable rural areas	64	Candy Sibeli Medina Melissa Breton Sócrates Barinas Luciana Mermet
St. Kitts and Nieves	6	Saint Kitts: St. George St. Peter St. Mary Nieves	Rural and urban young people and adults	36	Janine Chase Claudia Chambers
St. Vincent and the Grenadines	10	Arnos Vale Bequia Fitz Hughes Georgetown Owia Penniston	Rural and urban population; young people and adults; people in a situation of poverty; middle-class people, displaced adult population.	101	Janine Chase Cherise Adjodha Nathalie Thomas Christobel Ashton
Trinidad and Tobago	5	Trinidad North-Puerto España Trinidad Central Trinidad- Chaguanas Trinidad South-San Fernando East Tobago-Glamorgan West Tobago-Camden	Rural and urban population	55	Stacy Richards Kennedy Isele Robinson- Coper Sharla Elcock Benedict Bryan Ashaki Alexis Eugene Larsen- Hallock
Diaspora living in the United States	11	Chicago New York	People who emigrated (with and without papers) from Mexico, Guatemala, Honduras, El Salvador, Cuba, Colombia, Ecuador and Argentina.  People who emigrated in the 1960s, 70s, 80s, 90s, 2000s and 2010s.  Participants of low and lower-middle socio-economic status (the indicator chosen to establish socio-economic status was education).	115	Miguel Huezo Alianza América José Luis Gutiérrez Zorayda Ávila (Chicago) Javier Bosque (Southside Community Mission, Brooklyn, New York)
Uruguay	12	Montevideo Tacuarembó Minas de Corrales	Adults and young people of low, middle and high socio-economic status, Afrodescendant people, LGBTI	96	Virginia Varela Laura Rivero

The **in-depth interviews** were conducted with community leaders in Nicaragua, Brazil, Peru and Haiti.

The testimonies gathered from the different groups were analysed using **discourse analysis**, and the following steps were systematically and rigorously followed:

- i) Audio transcription of focus groups as an audiovisual support to the written format, respecting each group's way of speaking and expressing itself. If a term or expression needed clarification so that the reader or analyst was able to understand its context or meaning, the contribution of the translator or person responsible for the transcription was clearly indicated.
- ii) Detailed reading by each focus group to familiarize themselves with the content.
- iii) Coding, by identifying words, phrases, themes or concepts in the data in order to identify and analyse the underlying patterns.
- iv) Construction of categories in accordance with the guidelines.
- v) Integration of categories to describe the relationships between them and identify common connections or issues in the data.

Alongside this, as a parallel analytical tool, the Atlas.ti software was used because of its facility for **grounded theory** analysis. The steps taken to conduct the analysis were as follows:

- i) **Families of documents:** initially, documents were grouped into families in order to be able to undertake a crosscutting analysis of both the specific features of each country and the features of the groups broken down by sex, age, socio-economic status and ethnicity, such that families were created across countries and subgroups of analytical interest (Afrodescendant people, working classes, middle classes, indigenous people, young people, LGBTI, women, professionals and graduates, rural population, urban population and people living with HIV/AIDS.)
- ii) **Open coding:** consisted of reading the texts line by line and breaking them down, across focus groups and interviews, into units of meaning.
  - *Coding the categories that were pre-established in the objectives:* fragments of text that responded to the objectives set for the research were identified and coded: i) meaning of progress; ii) living in poverty; iii) dimensions of progress; iv) strategies for progressing; v) sliding backwards into or returning to poverty; and vi) future projections.
  - *Word counts:* using the Atlas.ti software, an initial word count was conducted with the aim of identifying key terms in order to be able to code occurrences based on this count.
  - *Coding occurrences:* alongside coding the categories that were pre-established in the objectives, coding each occurrence, idea and observation with a name.
  - *Axial coding:* rearranging the data that was broken down in the open coding, linking codes with one another in order to create categories of meaning.
  - *Table of co-occurrences:* enabling interrelated codes to be determined (both in pre-established categories relating to the objectives and in the coding of occurrences). This is an essential step in code linking.
  - *Code linking:* using graphs to link the relationships that exist between the codes and identifying the reasons for these links. This is an essential step in creating categories of meaning.
  - *Table of frequency:* identifying the codes that appear most frequently and identifying the family of documents in which they appear (by country, sex, age, socio-economic status or ethnicity).
  - *Linking categories to create families:* searching for codes or occurrences that connect the different categories of meanings into families. Production of reports explaining the link between categories and how each family is constructed.
- iii) **Selective coding:** identifying key categories with which to explain the phenomenon of progress. Seeking structures that explain the idea of progress.
  - *Review of reports, tables, co-occurrences and graphs:* identifying those linked concepts (codes, entire categories or families) which, given their relevance and connection with other codes and categories, explain the phenomenon of progress.



In September 2015, the 193 Member States of the United Nations took a historic step with the approval of the 2030 Agenda for Sustainable Development. At the heart of this agenda lies a simple but radical imperative: the elimination of poverty in all its forms, while caring for and protecting the planet.

This universal and holistic agenda will have a specific application in each country, in line with the priorities established in national plans and policies. As a multidimensional agenda par excellence, this Report can contribute to helping adapt this agenda to the specific circumstances of individual countries.

The Report describes three steps to avoid the fragmentation of the 2030 Agenda, which contains 17 goals and 169 targets.

The first involves using a multidimensional approach to develop the connections between indicators of well-being and the drivers of economic, social and environmental transformation. Secondly, constellations of sustainable development goals (SDGs) must be built around the strategic objectives established by the authorities in each country to avoid piling global agendas on top of national ones. Thirdly, based on the examples in this Report, it is possible to conduct a microsimulation of the impacts of closing intersectoral and inter-territorial gaps for a set of targets, breaking the impact of these measures down by programme or population group.



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Why **multidimensional progress**? Firstly, because it is essential to go beyond the use of per capita income, economic growth and GDP as the sole criteria for measuring the level of development of middle-income countries and Small Island Developing States (SIDS). Countries do not “graduate” when they overcome a certain income threshold.

Secondly, because the time has come to build intersectoral, holistic and universal policies that respond to the multidimensional problems of development. The period since the first publication of the Human Development Report in 1990 through to the recent approval of the 2030 Agenda for Sustainable Development has seen the emergence of a demand for more integrated policy activities. It is not enough to advance gap by gap; instead it is necessary to adopt a multidimensional approach.

In Latin America and the Caribbean, the concept of **multidimensional progress** aims to respond to development

problems that go beyond overcoming minimum income thresholds and basic needs or shortfalls. Among other objectives, it entails guaranteeing social protection systems throughout the life cycle, increasing the employment standards of workers, improving the quality of social services, expanding access to care systems for children and older persons, guaranteeing gender equality inside and outside the home, recognizing the multicultural and plurinational rights of peoples and communities, improving citizen security inside and outside the community, protecting the environment, ensuring access to renewable energy and strengthening resilience to natural disasters.

Nothing that diminishes the rights of people and communities or risks the environmental sustainability of the planet can be regarded as progress.

*“Since 1990, each Human Development Report has focused, in one way or another, on well-being that goes ‘beyond income’. This Regional Report takes this focus to an unimagined level. It invites us to expand the way we think about progress from a multidimensional perspective, which is applied to tackle the new challenges facing middle-income countries and Small Island Developing States.”*

Helen Clark  
Administrator of  
the United Nations Development Programme (UNDP)

“In Latin America and the Caribbean, between 25 and 30 million people are at risk of falling back into poverty and tens of millions suffer from exclusion linked to ethnicity, race, gender and sexual identity. It is not enough to ‘return to growth’. We must work towards a multidimensional progress.”

Jessica Faieta  
United Nations Assistant Secretary-General and Regional Director  
for the United Nations Development Programme in Latin America  
and the Caribbean (UNDPLAC)

*“At a time in which Latin America and the Caribbean are faced with a sharp economic slowdown, this innovative Report invites us to think about how to build the capacities of each household and community to avoid losing the gains of recent years by using universal policies that aim to secure multidimensional development. This is, without a doubt, a unique contribution by UNDP.”*

José Antonio Ocampo  
Professor of Professional Practice  
in International and Public Affairs  
Columbia University

*“This innovative Report emphasizes the need for multidimensional approaches to understanding poverty and well-being, and coordinated policies to guarantee simultaneous success on various fronts.”*

Sabina Alkire  
Director of the Oxford Poverty  
& Human Development Initiative (OPHI)  
University of Oxford