

Regional Human Development Report for  
Latin America and the Caribbean

# Multidimensional progress: well-being beyond income



*Empowered lives.  
Resilient nations.*



**EXECUTIVE SUMMARY**

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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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## **EXECUTIVE SUMMARY**



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# 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*  
United Nations Development Programme  
(UNDP)

# 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

comments, suggestions and guidance: Gisela Alonso, Ana Vilma Albanez de Escobar, Epsy Campbell Barr, Diego Cánepa, Marcelo Côtres Neri, Myrna Cunningham, Enrique González Tiburcio, Rebeca Grynspan, Nicola Harrington-Buhay, Didacus Jules, Claudia López, Heraldo Muñoz, José Henrique Paim Fernández, Michael Reid, José Ignacio Salafranca, Manorma Soeknandan y Cecilia Vaca Jones. The content of this Report does not necessarily reflect their views.

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Finally, I would like to acknowledge the highly professional work of the team responsible for preparing the Regional Report and thank them for their dedication and commitment to the production of an intellectual product that seeks to promote human development. In particular, my thanks to its lead author, George Gray Molina.



Jessica Faieta

UN Assistant Secretary General and Regional Director for Latin America and the Caribbean, United Nations Development Programme (UNDP)

# Acknowledgements

## United Nations Development Programme (UNDP)

---

**Helen Clark**  
Administrator, UNDP

## UNDP Regional Bureau for Latin America and the Caribbean (RBLAC)

---

**Jessica Faieta**  
United Nations Assistant Secretary-General and Regional Director for Latin America and the Caribbean, UNDP

**Susan McDade**  
Deputy Assistant Administrator and Deputy Regional Director for Latin America and the Caribbean, UNDP

**Rebeca Arias**  
Director, Panama Regional Hub, UNDP

## Human Development Report for Latin America and the Caribbean 2016 Team

---

General coordination and lead author

**George Gray Molina**  
Report Coordinator and Lead Author  
Chief Economist  
UNDP, New York

### Report Drafting Team

**María José Abud**  
Author

**Natalie Gómez Arteaga**  
Author

**Alfredo González**  
Author

**Eduardo Ortiz-Juárez**  
Author

**Javier Sagredo**  
Author, Democratic Governance and Citizen Security Advisor  
UNDP, New York

**Jimmy Vásquez**  
Author, Policy Advisor  
UNDP, El Salvador

### Strategic Planning Team

**Alejandro Pacheco**  
Strategic Advisor  
UNDP, New York

**Claudia Bresanovich**  
Programme Associate  
UNDP, New York

**Silvana Gramajo-Barboni**  
Consultant  
UNDP, New York

**Elena García-Ramos**  
Consultant  
UNDP, New York

**Leire Pajín Iraola**  
Consultant  
UNDP, New York

## Communications Team

**Carolina Azevedo**  
Communications Specialist  
UNDP, New York

**Vanessa Hidalgo**  
Consultant  
UNDP, New York

**Mariana Enghel**  
Consultant  
UNDP, New York

**Armando Carballido**  
Consultant  
UNDP, New York

**Nicolás Daziano**  
Consultant  
UNDP, New York

**Danielle Levkowitz**  
Consultant  
UNDP, New York

## Research contributions

José Aguilar, Sabina Alkire, Jaime David Ayala, Roberto Angulo, Paola Ballón, Ana Carcedo Cabañas, Claudia Chambers, Adriana Conconi, Guillermo Cruces, José Fernández Sáez, Leonardo Gasparini, Daniel Gayo Lafée, Marta Guijarro, John Hammock, Mirta Kennedy, José María Larru, Nora Lustig, Andira Hernández-Monzoy, Sofía Maier Blixen, Juliana Martínez Franzoni, Susana Martínez-Restrepo, Sandra Martínez, Martha Raquel Martínez, Jaime Mira Salama, Alice Mugnier, Mercedes Núñez Cuétara, Erick Iván Ortiz, Vanda Radzik, Laura Patricia Rivero, Gisela Robles Aguilar, ablo Rodas-Martini, Helena

Rovner, María Tenorio, Pablo Terán, Vanda Radzik, Lilian Soto, Ana Vaz, Andrea Vigorito, Diego Zavaleta Reyles

## Contributions

Liliane Arauz, Bárbara Auricchio, Jean Phillippe Bernardini, Carmen Canales, Yovanska Cumberbatch, Sergio Vladimir Domínguez, Alfonso Fernández, Tatiana Kraeher, Maribel Landau, Yesualda de León, Guillermina Martín, Johanna de Martínez, Paloma Morazo Pérez, Francesca Nardini, Ana del Carmen Ortega, Donerys Ramos, Marcelino Rodríguez, Marcela Romero, Karina Servellón, Belita Siu, Brenda Tagle, Álvaro Wong

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## UNDP Country Offices

**Argentina:** René Mauricio Valdés, Benigno Rodríguez, Gabriel Bottino, Gabriela Cattemberg, Rosicler Gómez, Rubén Mercado

**Barbados and OECS:** Stephen O'Malley, Chisa Mikami, Lara Blanco, Cherise Adjoha, Penny Bowen, Janine Chase, Nathalie Thomas

**Bolivia:** Mauricio Ramírez, Mireia Villar Forner, Milenka Figueroa, Milenka Ocampo, Maria José Oomen, Ernesto Pérez

**Brazil:** Niky Fabiancic, Didier Trebucq, Andréa Bolzon, André Luis da Silva Nunes, Samantha Dotto Salve, James Ferreira, Vanessa Gomes Zanella, Moura Junior, Danilo Mota Vieira, Jacob Said Netto, Rogério Schmidt Campos

**Chile:** Antonio Molpeceres, Gustavo Cabezas, Soledad Godoy, Rodrigo Herrera, Juan Jiménez, Alvaro León, Rodrigo Márquez, Jorge Morales, Tamara Mundaca, Pamela Tapia, Julio Troncoso, Maya Zilveti

**Colombia:** Fabrizio Hochschild, Arnaud Peral, Inka Mattila, Carlos Acosta, Lina Arbeláez, Yesica Fernández Malo, Neila Gill, Fernando Herrera, Oliverio Huertas, Sergio Rueda

**Costa Rica:** Alice H. Shackelford, Kryssia Brade, Gabriela Mata, Gerald Mora

**Cuba:** Myrta Kaulard, Claudio Tomasi, Edith Felipe

**Dominican Republic:** Lorenzo Jiménez de Luis, Luciana Mermet, Sócrates Barinas, Melisa Breton, Sibeli Medina, María Nicole Morillo, Marina Ortiz

**Ecuador:** Diego Zorrilla, Nuno Queiros, José Martino, Fernando Pachano, Celia Salazar

**El Salvador:** Christian Salazar, Roberto Valent, Stefano Pettinato, Nancy Argueta, Carolina Rovira

**Belize:** Karen Bernard, Diane Wade

**Guatemala:** Valerie Julliand, Igor Garafulic, Gustavo Arriola

**Guyana:** Khadija Musa, Shabnam Mallick, Patrick Chesney

**Haiti:** Mourad Wahba, Yvonne Helle, Martine Therer, Safiou Eso Ouro-Doni, Cassandre Bechoua, Rita Sciarra, Marie Doucey, Pierre Levigneron

**Honduras:** Consuelo Vidal-Bruce, Alissar Chaker, Karla Elvir, Norma García, Luis Gradiz, Julia Sánchez, José Sermeño

**Jamaica:** Arun Kashyap, Bruno Pouezat, Elsie-Laurence-Chounoune, Richard Kelly and the programme team

**Mexico:** Marcia de Castro, Katyna Argueta, Rodolfo de la Torre, Cynthia Valdés

**Nicaragua:** Silvia Rucks, Monica Merino, Leonel Perez, Maria Rosa Renzi

**Panama:** Martín Santiago, Fernando Hiraldo, Martin Fuentes Besoain

**Paraguay:** Cecilia Ugaz, Roberto Gálvez, Julio Fernández Frutos

**Peru:** María del Carmen Sacasa, Edo Stork, Álvaro Beltrán, Karim Capristán, María Eugenia Mujica, Juana Siles

**Trinidad and Tobago:** Richard Blewitt, Stacy Richards Kennedy, Ashaki Alexis, Benedict Bryan, Sharla Elcock, Eugene Larsen-Hallock, Isele Robinson-Cooper

**Suriname:** Armstrong Alexis, Ruben Martoredjo

**Uruguay:** Denise Cook, Aldo Garcia, Virginia Varela, Paula Veronelli

**Venezuela:** Peter Grohmann, Maribel Gutiérrez, Alejandra Cruz

## Advisory Panel

---

Gisela Alonso Domínguez  
Expert / Consultant on environmental issues, Cuba

Ana Vilma Albanez de Escobar  
Member of the Legislative Assembly, El Salvador

Epsy Campbell Barr  
Member of the Legislative Assembly on the International Affairs' Commission, Costa Rica

Diego Cánepa Baccino  
Former Pro-secretary to the Presidency, Uruguay

Mónica Colomer  
Director, Directorate for the Cooperation with Latin America and the Caribbean, Spanish Agency for International Development Cooperation (AECID), Spain

Marcelo Côrtes Neri  
Chief Economist and Founder of the Center for Social Policies for the Gertulio Vargas Foundation CPS/FGV), Brazil

Myrna Cunningham  
President, Center for Autonomy and Development of Indigenous Peoples (CADPI), Nicaragua

Enrique González Tiburcio  
Deputy Secretary of Territorial Development, Ministry of Agriculture, Territorial and Urban Development (SEDATU), Mexico

Rebeca Grynspan  
Secretary General, Ibero-American General Secretariat (SEGIB), Spain

Nicola Harrington-Buhay  
Deputy Director of the Development Centre, Organisation for Economic Co-operation and Development (OCDE), France

Didacus Jules  
Director General of the Organization of Eastern Caribbean States (OECS), Saint Lucía

Claudia López  
Senator, Chamber of Senators, Colombia

Heraldo Muñoz  
Minister, Ministry of Foreign Affairs, Chile

Jose Henrique Paim Fernandes  
Director, National Bank of Economic and Social development  
(BNDES), Brazil

Michael Reid  
Columnist and writer-at-large for Latin America, The  
Economist, Perú

Gonzalo Robles Orozco  
Former Secretary General, General Secretariat for International  
Cooperation for Development (SGCID), Spain

José Ignacio Salafranca  
Ambassador, Chief of the Delegation of the European Union,  
Argentina

Manorma Soeknandan  
Deputy Secretary-General, Caribbean Community Secretariat  
(CARICOM), Guyana

Cecilia Vaca Jones  
Former Minister, Ministry of Social Development, Ecuador

## Peer Reviewers

---

Cecilia Calderón  
Statistics Specialist, Human Development Report Office,  
UNDP, New York

Pedro Conceição  
Director, Chief of Profession, Bureau for Policy and Programme  
Support, UNDP, New York

Paloma Durán  
Director of the Sustainable Development Goals Fund  
(SDG-F), UNDP, New York

Hernando Gómez Buendía  
Director and General Editor of “Razón Pública” magazine,  
Colombia

Selim Jahan  
Director, Human Development Report Office, UNDP, New  
York

Paulo de Martino Januzzi  
Secretary of Evaluation and Information Management,  
Ministry of Social Development and Fight Against Hunger,  
Brazil

Eva Jespersen  
Deputy Director, Human Development Report Office, UNDP,  
New York

Bernardo Kliksberg  
Member of the Steering Committee for the High Level Panel  
of Experts on Food Security and Nutrition, International  
Adviser, Honorary Professor at the University of Buenos Aires,  
New York

Magdalena Lizardo  
Director of the Advisory Unit for Social and Economic Analysis  
of the Ministry of Economy, Planning and Development,  
Dominican Republic

Luis Felipe López-Calva  
Co-Director of the 2017 World Development Report (WDR)  
Governance and the Law, World Bank, Washington

Magdy Martínez-Solimán  
Assistant Secretary General  
Assistant Administrator and Director, Bureau for Policy and  
Programme Support, UNDP, New York

José Antonio Ocampo  
Professor of Professional Practice in International and  
Public Affairs and Director of the Economic and Political  
Development Concentration at the School of International  
and Public Affairs, Columbia University, New York

Heriberto Tapia  
Policy Specialist, Human Development Report Office, UNDP,  
New York

Silvia Trujillo  
Social Researcher and Professor, Rafael Landívar University,  
Guatemala

Enrique Vásquez Huamán  
Professor of the Department of Economics and member of the  
Research Center of Pacifico University, Peru

# 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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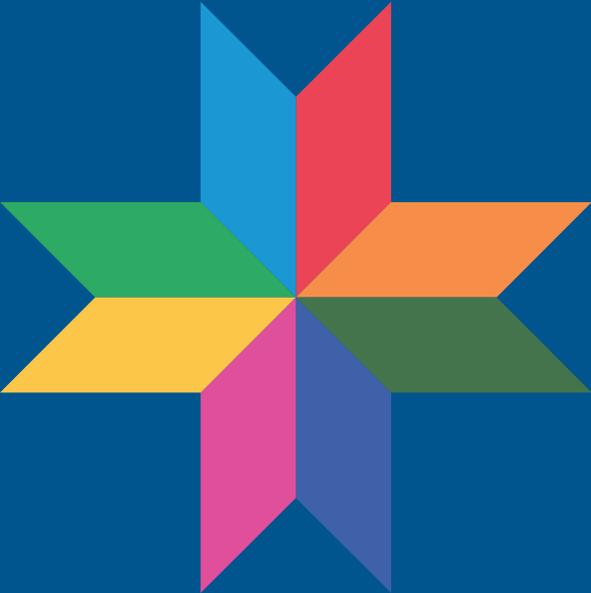
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# Executive Summary





# 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

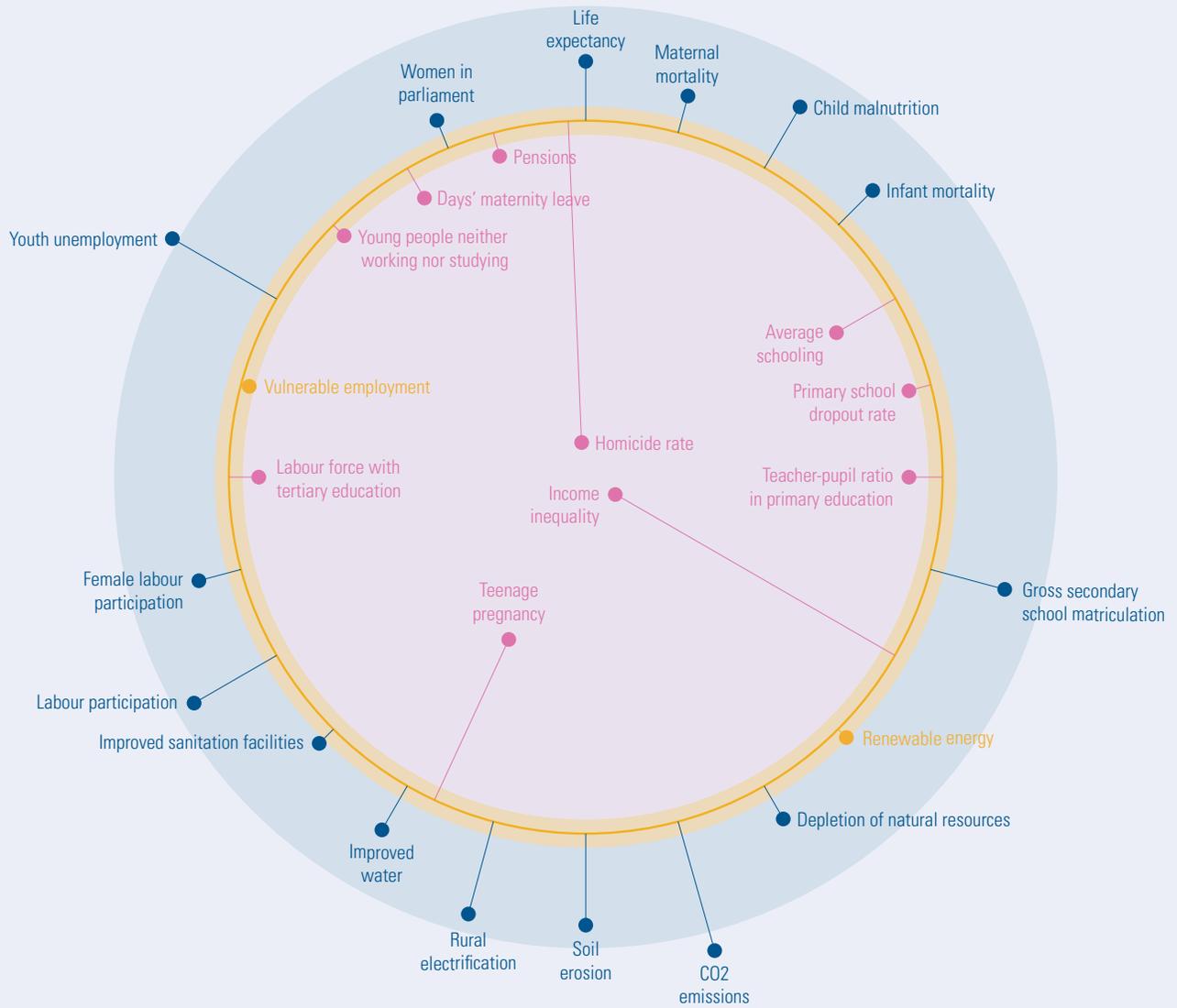
The following diagram confirms that social progress does not depend solely on the region's economic growth. Latin America and the Caribbean has shown *better performance than expected based on income* levels in all of the indicators outside the circle, such as maternal mortality, infant malnutrition, 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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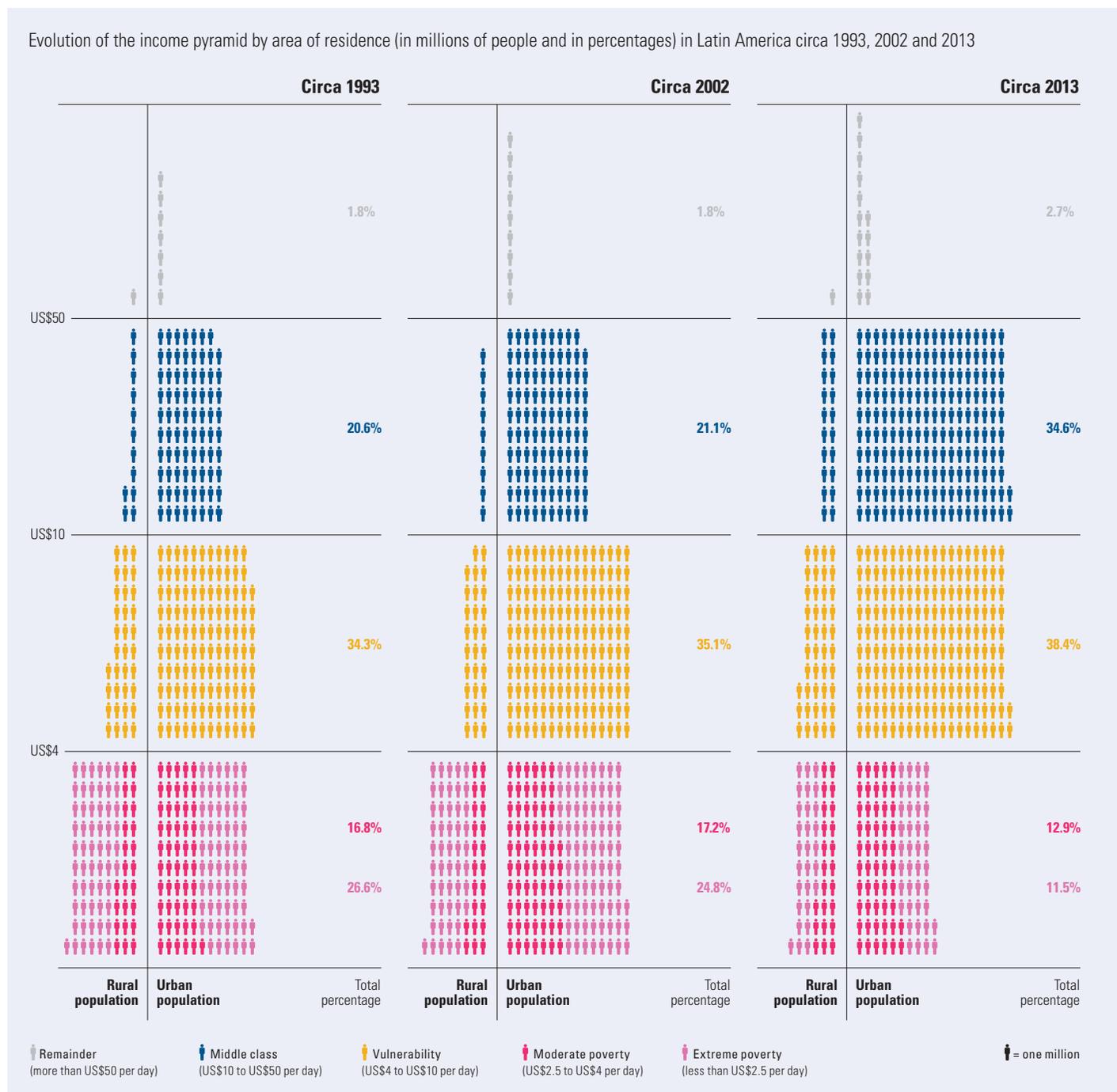
Latin America and the Caribbean is a very diverse region that does not follow a single pattern of change. However, one common feature among the countries of the region is that they have all undergone significant social, economic and environmental changes in recent years. These changes are not the result 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**

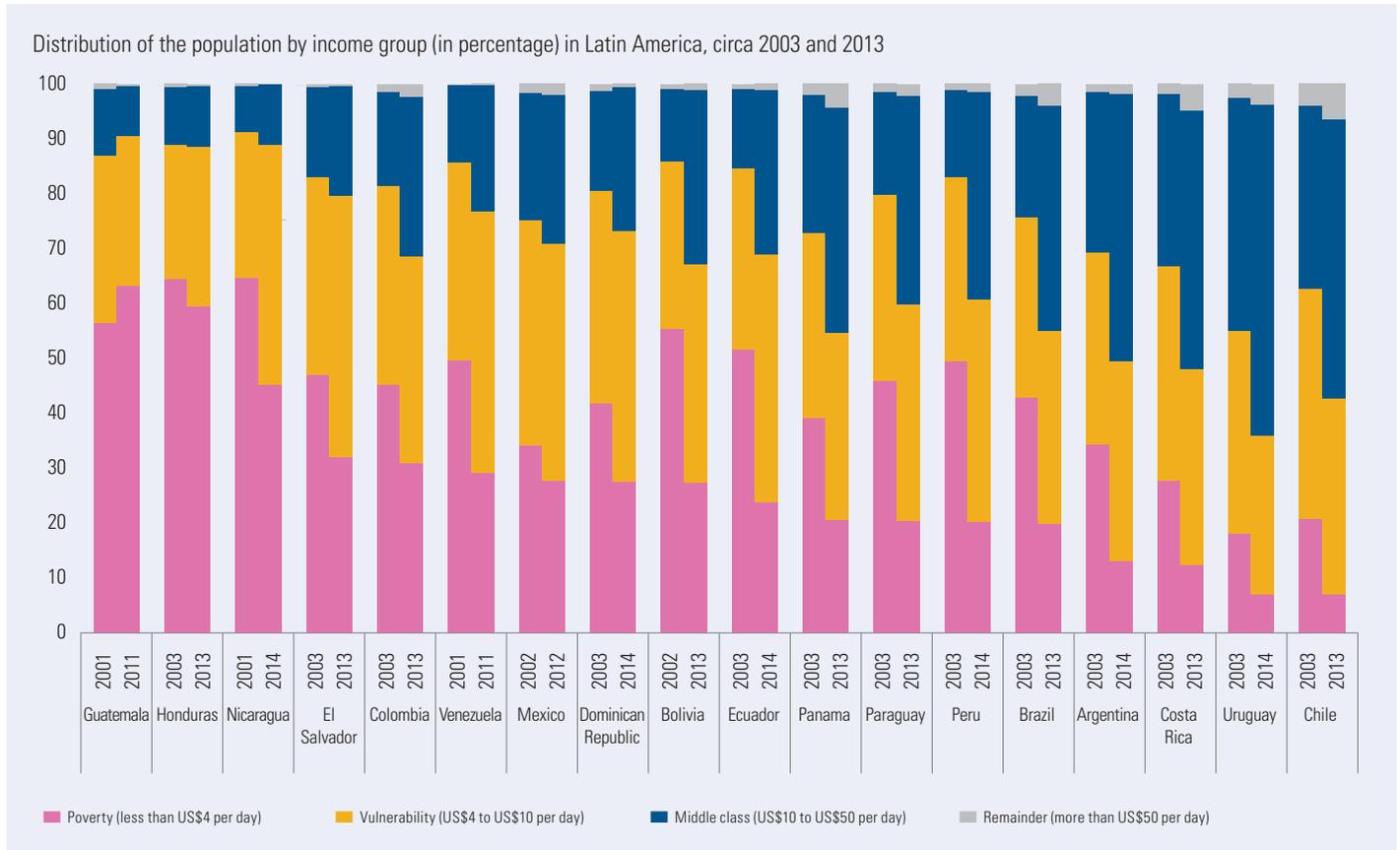


Source: Prepared by the authors based on estimates of the proportion of the population corresponding to each income group produced by the Center for Distributive, Labor and Social Studies (CEDLAS) using information obtained from the Socio-Economic Database for Latin America and the Caribbean - SEDLAC (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

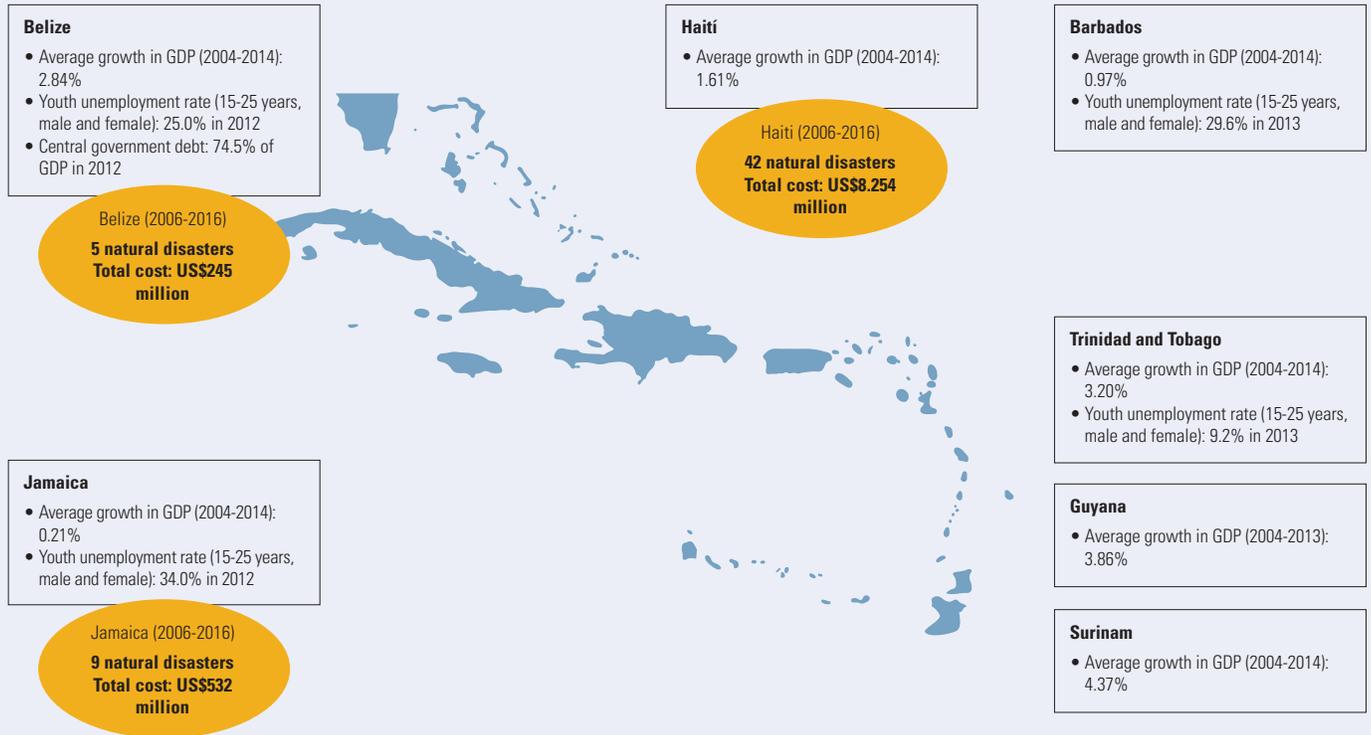
Dynamic shifts in income make it possible to observe the different processes involved in escaping or falling back into poverty. While millions of people escaped poverty through one route, a certain number of people also fell back into it through another route. Different employment and social processes 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 2011 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	Total
	<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).

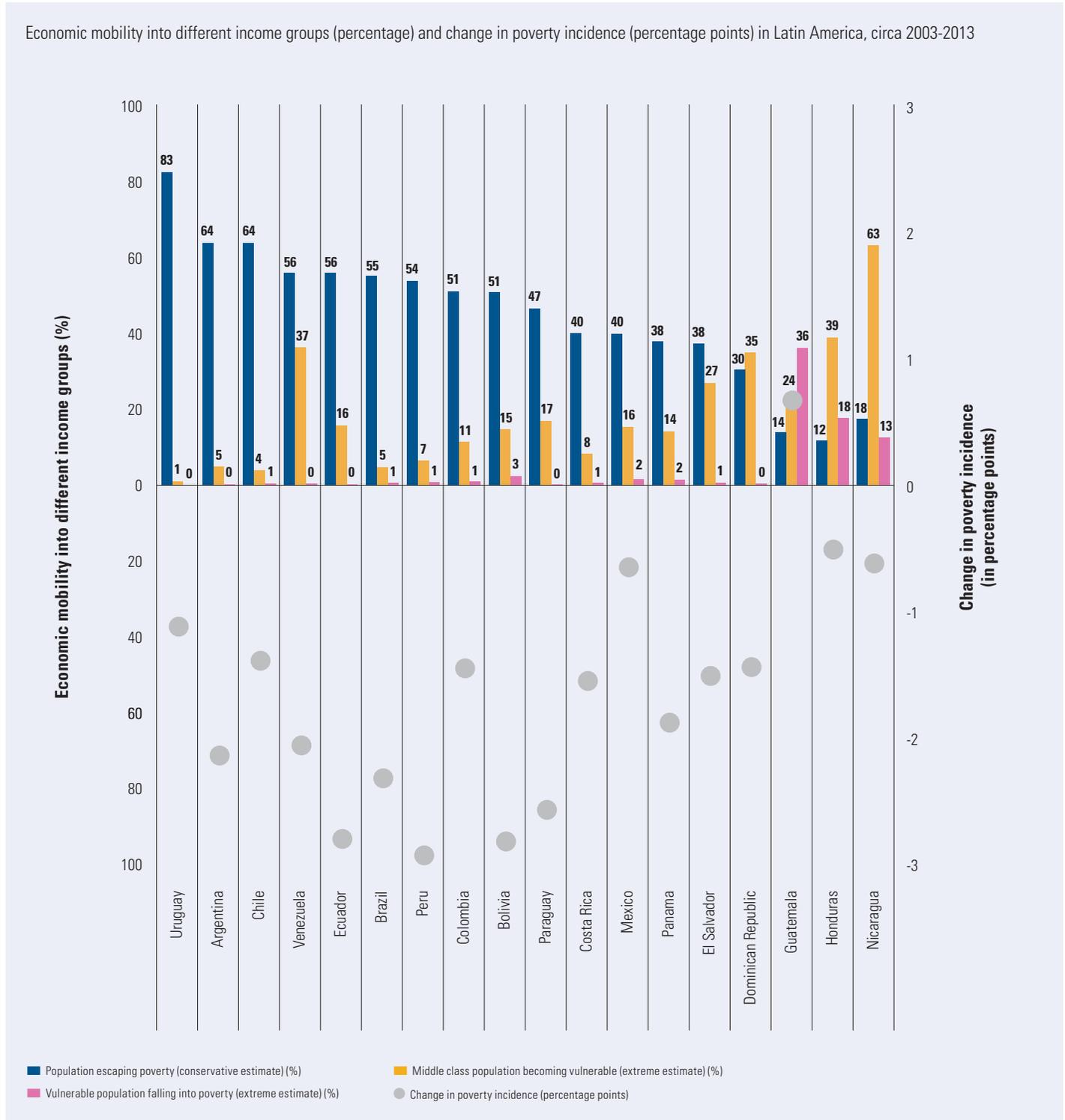
Note: The figures provided indicate the proportion of people that stayed in the same income group (in bold, on the diagonal) and the proportion of people that changed income group (outside the diagonal) in the years circa 2003 and 2013. They correspond to the following 18 countries for the periods indicated 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 (CECLAS 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.

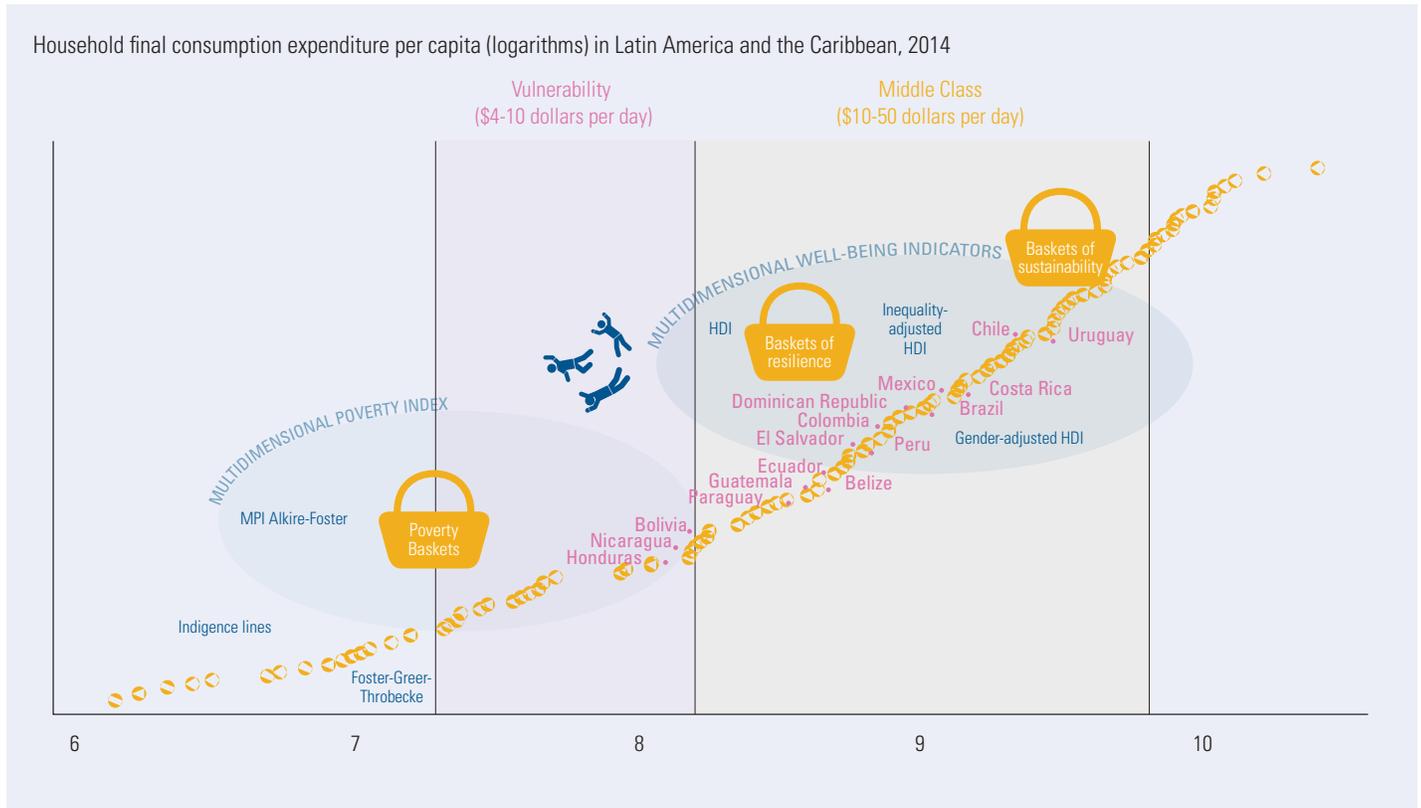
### Below the poverty line: the measures and actions designed to eradicate multidimensional poverty

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.

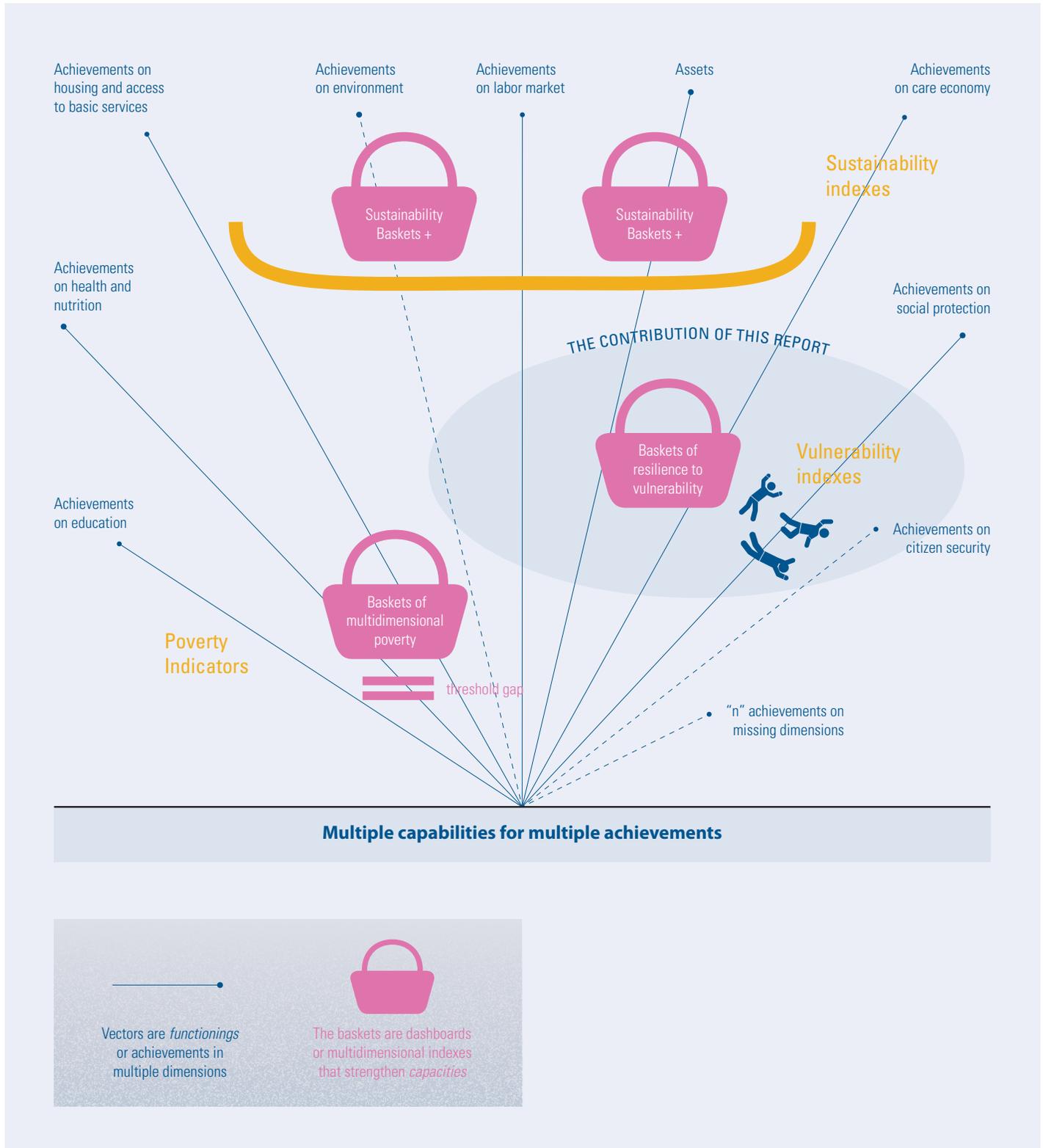
### Above the poverty line: the measures and actions designed to protect past achievements

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).

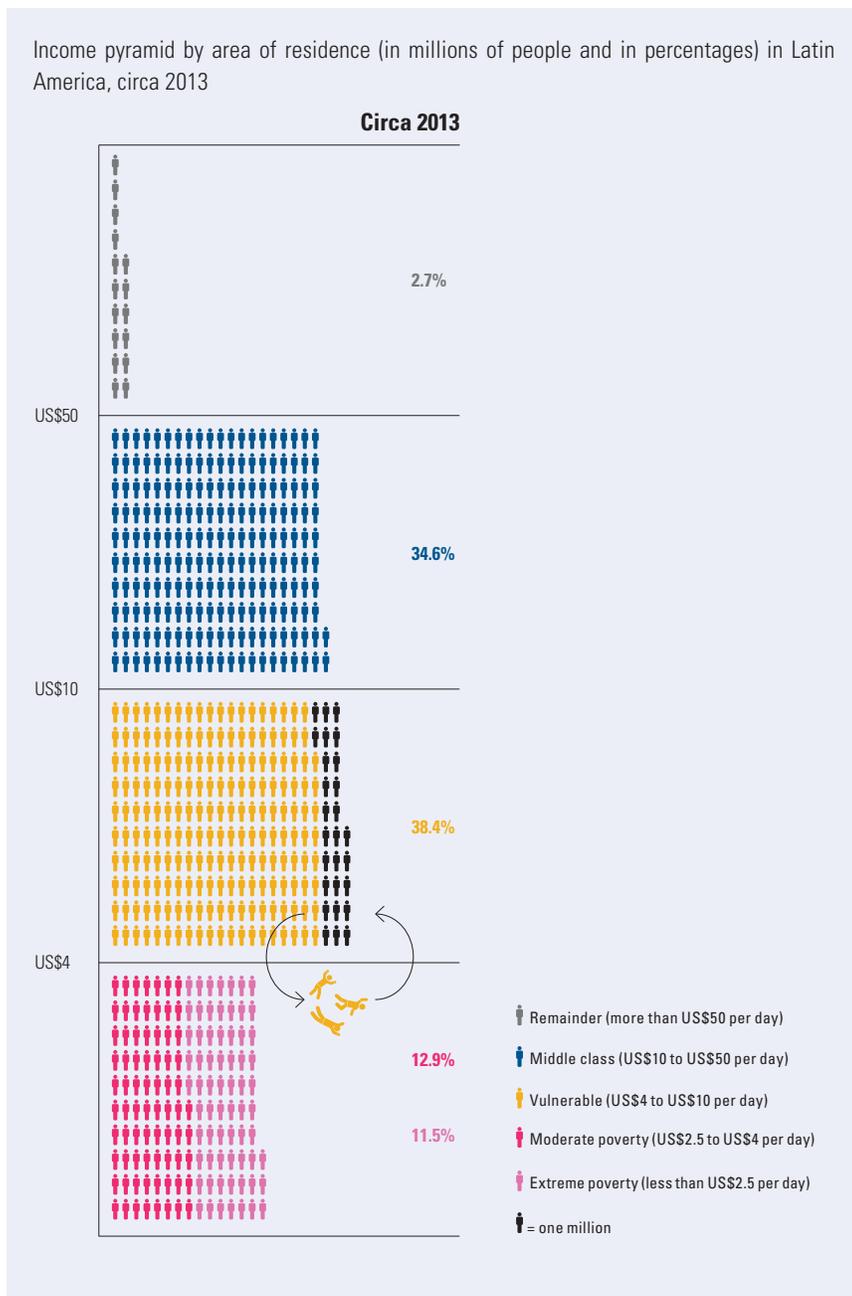
The empirical evidence presented in this Report enables some of these vectors for functionings to be defined within a basket of factors to build resilience to vulnerability. In general, four groups of common factors can be identified in the region's countries: those linked to the **labour market**, which 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

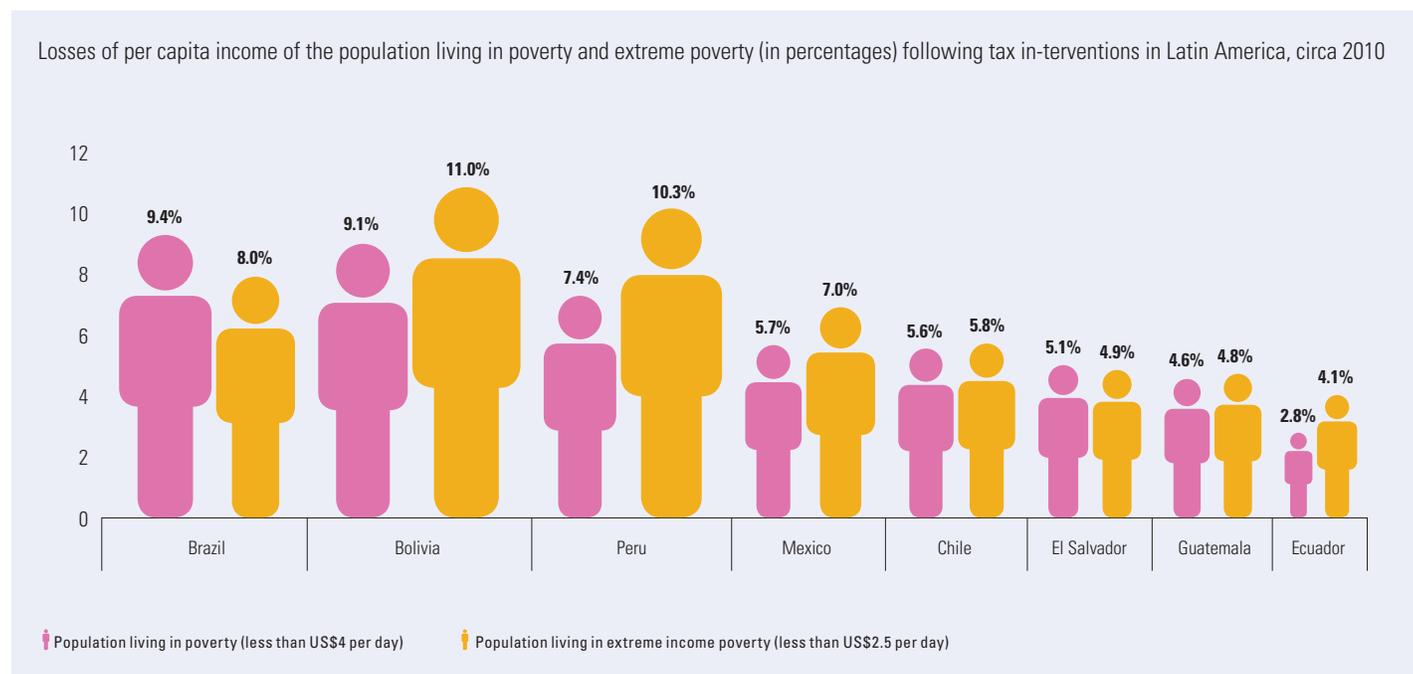
and mechanisms that enable inclusion and reincorporation in the labour market to be promoted. Finally, the development of **cross-cutting policies** — such as the minimum wage, which make it possible to improve the income of the most vulnerable populations without distorting efforts to increase formality, 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).

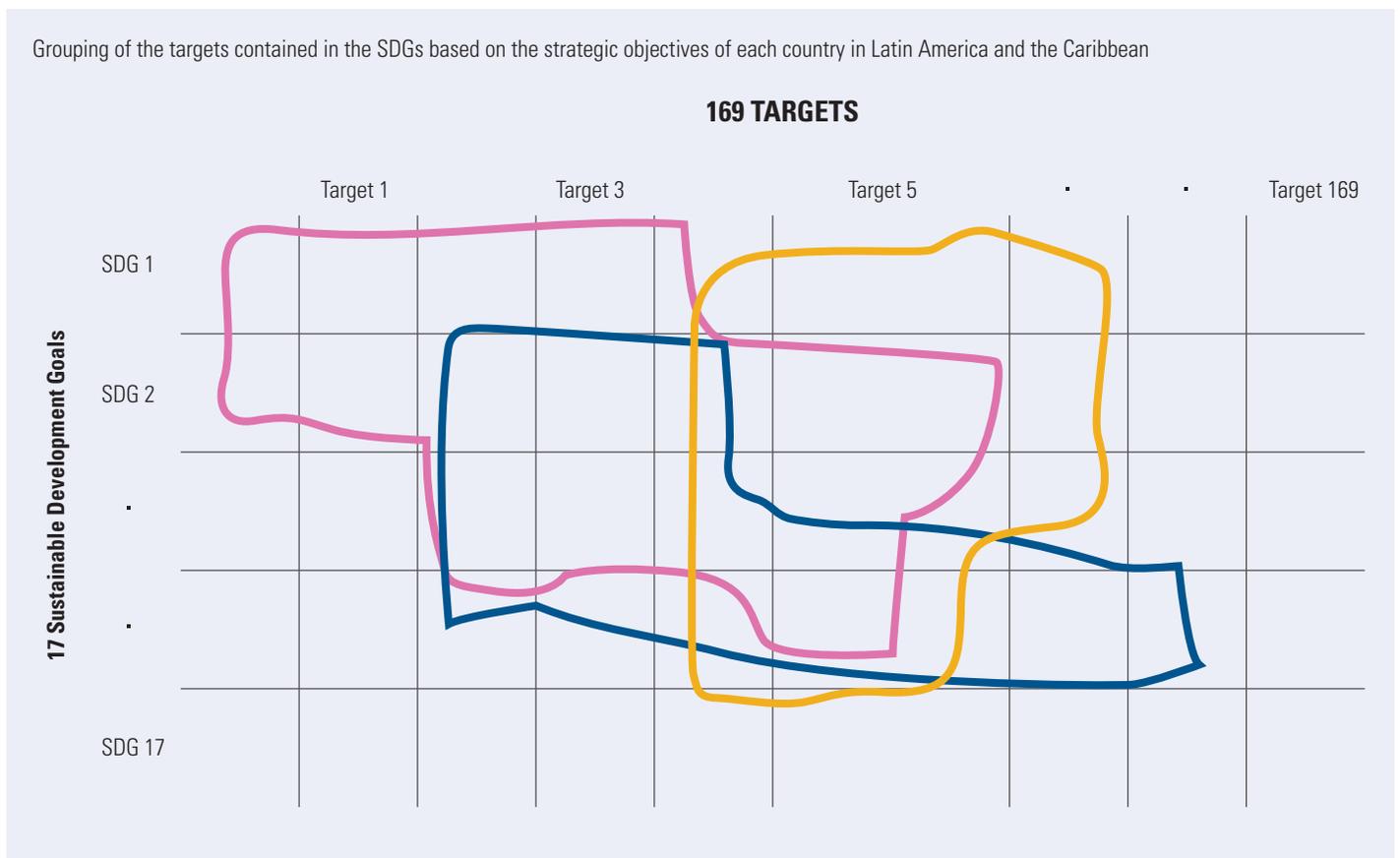
The priority objective of the 2030 Agenda is to issue proposals for the reform of the

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

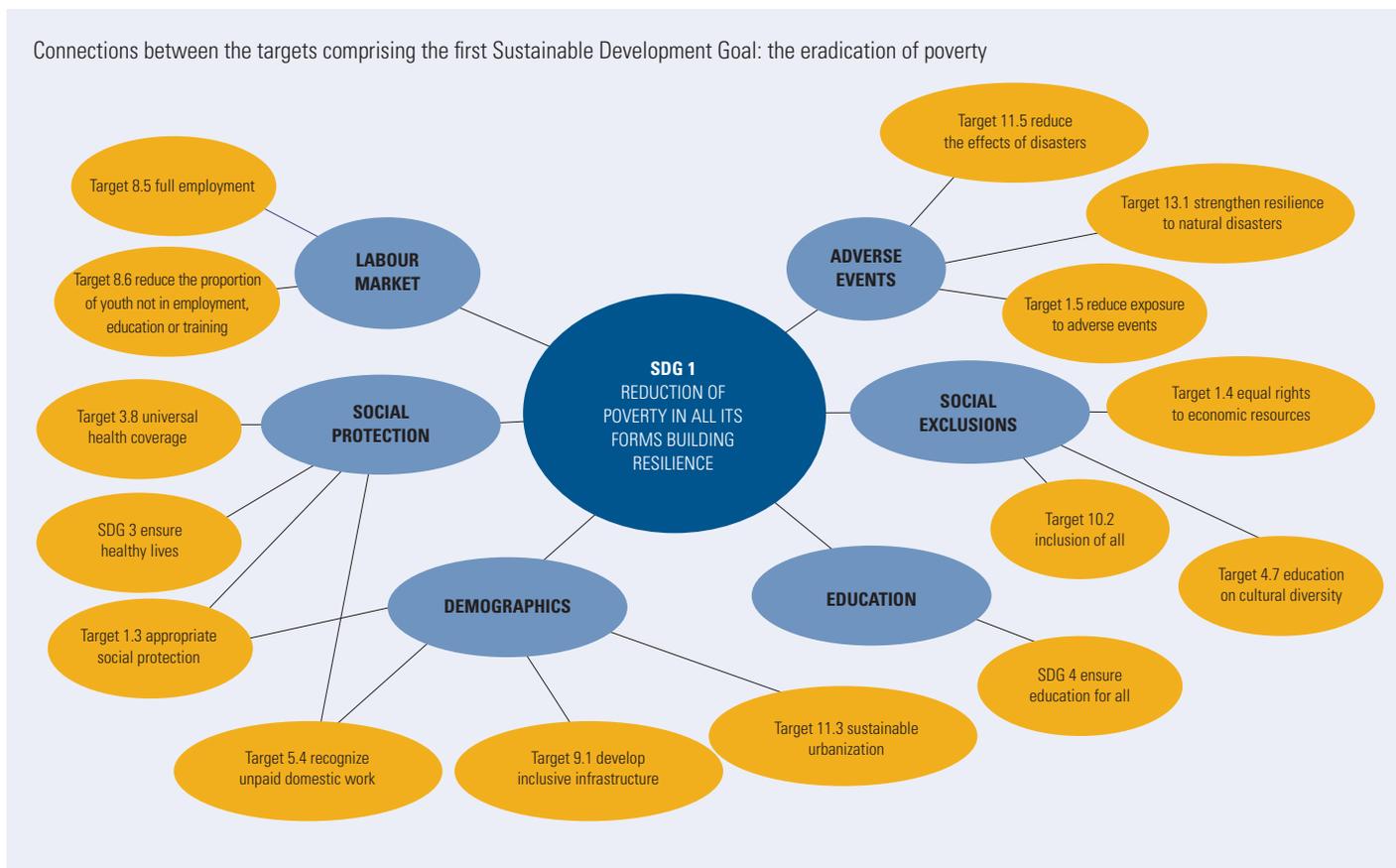
In this Report, the achievement of the objectives and targets contained in the 2030 Agenda for Sustainable Development is considered from a multidimensional perspective



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.

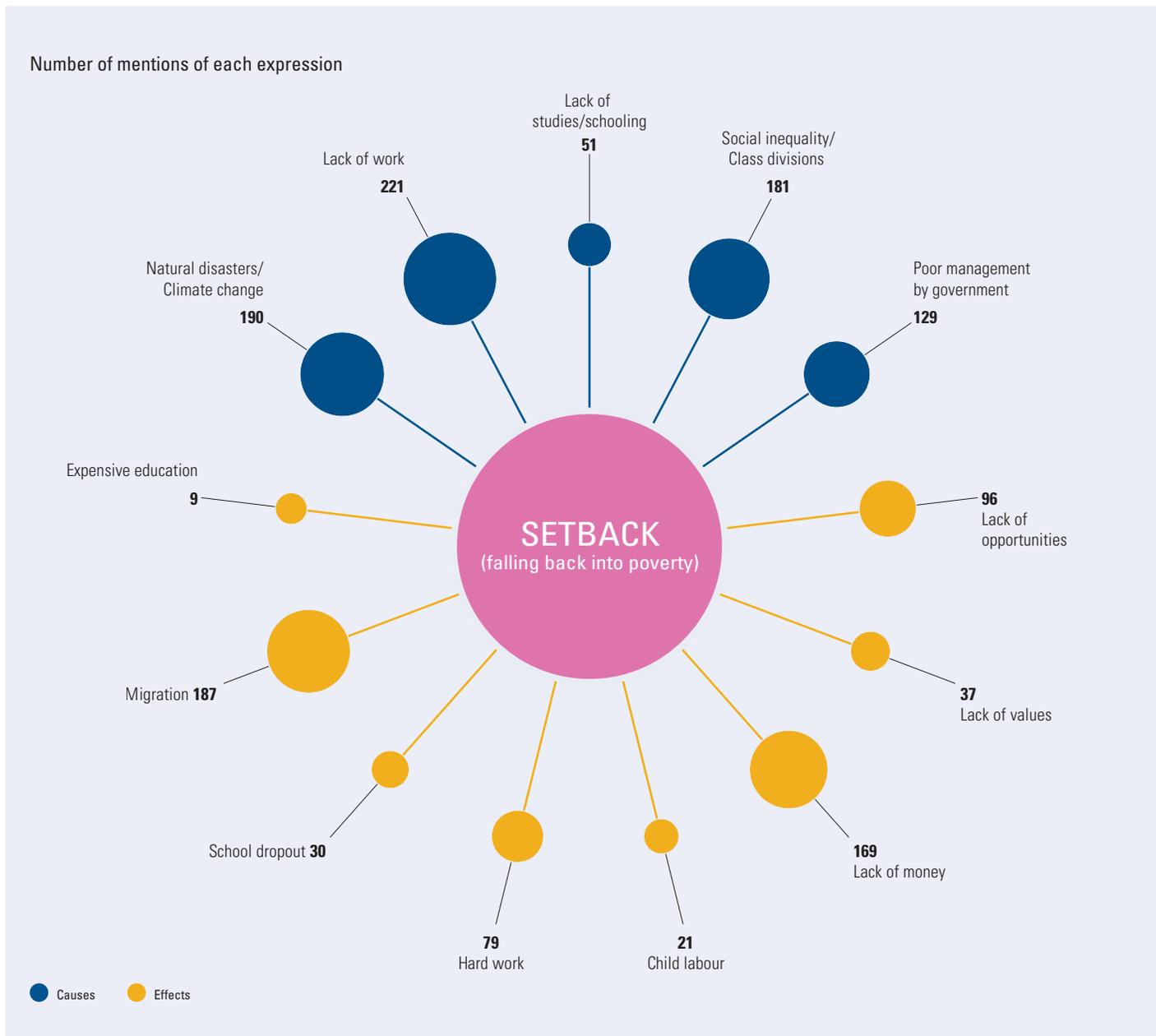
A common thread among participants in the focus groups and in-depth interviews was that the large majority of people associate progress with their "own effort", especially when it comes to improving their education and accessing the labour market. The most commonly mentioned source of mobility in the 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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- <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.



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