

PART I.

INTRODUCTION: AN ASPIRATIONAL LINE OF SIGHT

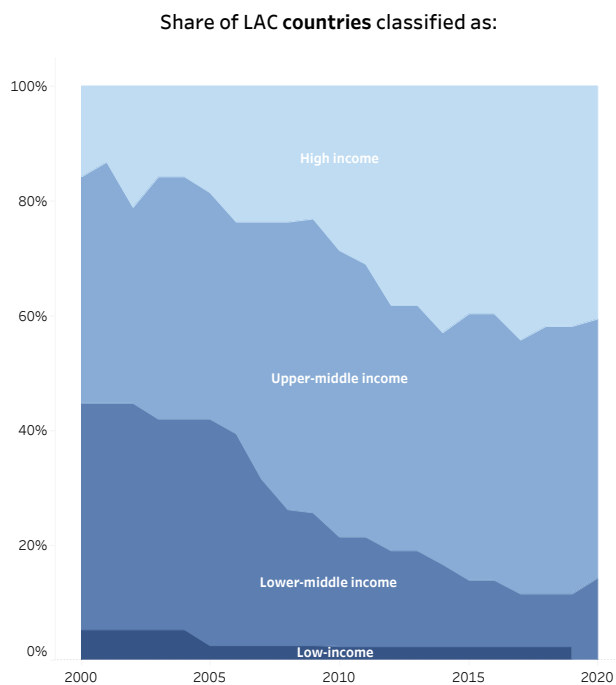
The 2030 Sustainable Development Agenda, adopted in 2015 by countries around the world, and its predecessor, the Millennium Declaration, have played a critical role in creating a common aspiration for the future—one that is more just, sustainable, and prosperous for all. While its 17 Sustainable Development Goals (SDGs) set a broader aspirational line of sight for development in Latin America and the Caribbean (LAC), this Agenda can only be successfully pursued by taking into account the region’s particular characteristics. Moreover, it is critical that we dig deeply into the context-specific challenges and opportunities facing countries in the region in a way that is concrete and based on facts—not on jargon or slogans. In this spirit, in January 2019 we launched an online series of data-driven blog posts on development in the region called “[Graph for Thought](#).” In each post of this series, we shared a data visualization illustrating how a different economic, social, or environmental issue is taking shape in the LAC region as an invitation to reflect, refine our questions, and think about development policy. These graphs have tended to be simple and descriptive in nature, carrying a message about the state of a given issue at either the regional or country-level. This booklet is based on that series, bringing together 30 data-driven vignettes telling the story of structural development challenges in LAC as well as the great critical juncture that the coronavirus (COVID-19) pandemic created—thus anchoring the analysis at the point where “juncture meets structure.”

In looking at where the region has come from, where it is currently, and where it is going—one key message (as shown in Vignette 1) is that LAC has become a middle-income region, but it has not yet reached its aspiration of becoming a middle-income society. In line with the approach taken by UNDP’s Regional Bureau for Latin America and the Caribbean, this booklet contends that the path toward achieving this aspirational line of sight is a road with three lanes: productivity, inclusion, and resilience. Importantly, these three lanes are interconnected and cannot advance without one another. Moreover, the process of paving these three lanes requires effective governance as a parallel condition. The first two sections of this booklet respectively explore a few aspects of what this three-lane road and the process of paving it look like in the region. The third section of this booklet focuses specifically on the ongoing COVID-19 related crises in the region—which have brought many of these issues to center stage, both deepening existing structural challenges as well opening new windows of opportunity for change. The booklet ends with some brief final thoughts, bringing together the main messages emerging from these diverse vignettes to discuss new pathways forward in a post-pandemic world.

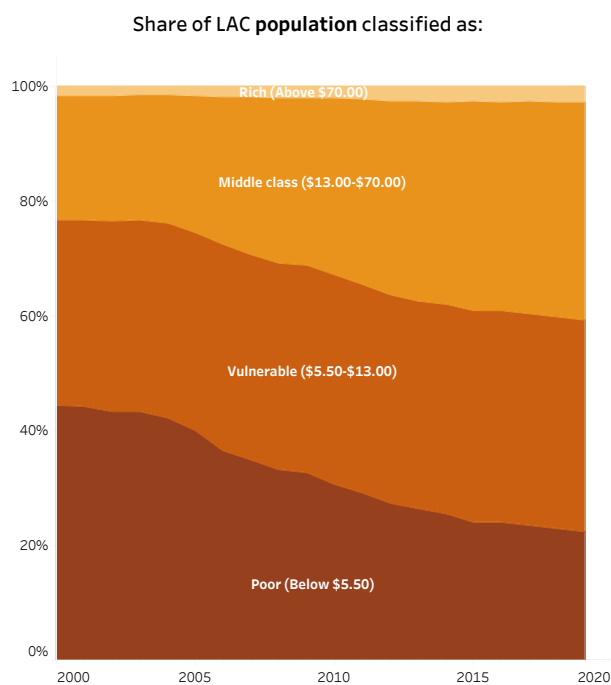
Vignette 1

RETHINKING DEVELOPMENT IN LATIN AMERICA AND THE CARIBBEAN

Over the past two decades, LAC has become a middle-income region but it has not yet become a middle-income society.



Source: World Bank's Country and Lending Groups "Historical classification by income" dataset.
 Note: Income classification is based on country GNI per capita in US\$ (Atlas methodology). Share of total countries in a given income group per year is calculated based on the number of LAC countries included in the database for that year.



Source: World Bank's LAC Equity Lab (September 2021 update).
 Note: Monetary thresholds are expressed in terms of 2011 PPP. For the period 2000-2015, the regional aggregate shown is based on the series "Latin America & the Caribbean (Old)." For the period 2015-2019 the regional aggregate shown is based on the series "Latin America & the Caribbean (New)."

While Latin America and the Caribbean has become a middle-income region, it has not yet become a middle-class society. A consolidated middle class is important not only because it means that more people will be living a life free from poverty—but also because it is an important engine for fostering economic growth and because it can give rise to a more stable and cohesive social fabric.

In this graph, we can see how national economies in the region have grown rapidly and steadily over the past few decades, but this growth has not necessarily been equitably shared across households. In the left-hand side panel of the graph, we can see that at the start of the millennium, almost half of the countries in the region (45%) were classified as lower-middle income or low-income economies. However, by 2020, there were no longer any low-income countries in the region, and lower-middle income countries comprised just 14% of economies in the region. During this period, countries in LAC overwhelmingly improved their Gross National Income (GNI) per capita and graduated to upper-middle income or high-income status.

However, when we look closer at how this growth has been shared across households—the story becomes more nuanced. In the right-hand side panel of the graph, we can see the changing share of the population defined as poor (living on less than \$5.50 2011 PPP per day), vulnerable (between \$5.50-\$13.00 2011 PPP), middle class (between \$13.00-\$70 2011 PPP), and rich (above \$70 2011 PPP). In the figure we can see that poverty has been steadily decreasing in the region (falling from 44% of the population in 2000 to 22% in 2020) and the middle class has been steadily expanding (increasing from 22% of the population in 2000 to 38% in 2020). However, despite this important achievement, we can also see that the economic security of households has not necessarily stabilized. A staggering 37% of households in the region remain vulnerable. These households have a relatively high probability of falling back into poverty if some sort of an adverse event or shock were to happen. This follows the vulnerability approach to middle class, originally presented in Ferreira et al (2013) and López-Calva and Ortiz-Juarez (2014).

Thus, while sustained economic growth complemented by improved social programs have helped to lift many families out of poverty and expand the middle class—too many families still remain vulnerable and at-risk of falling back into poverty. For the region to effectively achieve its aspiration of becoming a middle-class society, a long road still remains ahead.

References

Ferreira, Francisco H.G., Julian Messina, Jamele Rigolini, Luis Felipe López-Calva, Maria Ana Lugo and Renos Vakis. 2013. *La movilidad Económica y el Crecimiento de la media en América Latina*. Washington, DC: World Bank.

López-Calva, Luis Felipe, Ortiz-Juarez, Eduardo. 2014. "A vulnerability approach to the definition of the middle class." *Journal of Economic Inequality*, 12, 23–47. doi.org/10.1007/s10888-012-9240-5.