Countries in Latin America lift millions of people from poverty and propel more into middle class, says 2013 Human Development Report

Mexico City, 14 March 2013—Countries across Latin America and elsewhere in the developing world have achieved impressive human development gains in recent decades, lifting hundreds of millions of people from poverty and propelling billions more into the ranks of a new global middle class, says the 2013 Human Development Report, which is being launched in Mexico City today by United Nations Development Programme (UNDP) Administrator Helen Clark and President of Mexico Enrique Peña Nieto.

The 2013 Human Development Report, titled The Rise of the South: Human Progress in a Diverse World, analyses more than 40 developing countries—referred to as “the South”—that have made rapid human development gains in recent years. The Report lauds innovative social programmes in the Latin American region, in particular those that aim at reducing poverty and historic social inequalities, such as Mexico’s Oportunidades program and Brazil’s Bolsa Familia.

“In economic growth alone does not automatically translate into human development progress,” writes UNDP Administrator Helen Clark in the Report’s foreword. “Pro-poor policies and significant investments in people’s capabilities—through a focus on education, nutrition and health, and employment skills—can expand access to decent work and provide for sustained progress.”

“The rise of the South is one of the most remarkable phenomena in the new global arena,” said Heraldo Muñoz, UNDP Director for Latin America and the Caribbean. “Among 40 countries in various regions worldwide, the Report highlights Latin America, especially Brazil, Chile and Mexico, considered pioneers in the three main development drivers: more proactive states in development policies, greater integration with global markets and, altogether, exemplary innovation in social policy.”

In Brazil, for example, the percentage of the population living on less than US$1.25 a day dropped from 17.2 percent to 6.1 percent between 1990 and 2009. The country
has achieved four of its eight Millennium Development Goals in advance of the 2015 deadline, and is on track to achieve the other four on time.

By 2030, Latin America and the Caribbean will be home to one in 10 members of an emerging global middle class. Billions of people across the world are becoming increasingly educated, socially engaged and internationally interconnected. Four of the five countries with the largest number of Facebook users are in the South: Brazil, India, Indonesia and Mexico.

Latin American growth has been led by strong states that experienced a gradual and sequenced integration with the world economy, the Report notes. While Brazil experimented with inward-oriented economic strategies, national companies were still encouraged to export and compete globally. Brazil’s Embraer, for example, is now the world’s leading producer of mid-sized jet aircraft. Chile encouraged investment in sectors where the country had a comparative advantage, such as wine, wood products and fish farming, which would also boost employment in the country’s rural south.

Innovation in social programmes is another hallmark of successful states, the Human Development Report concludes.

“The rising South is developing a broader social and poverty reduction agenda in which policies to address inequalities, institutional failures, social barriers and personal vulnerabilities are as central as promoting economic growth,” the Report says.

Well-known Latin American conditional cash transfer programmes like Brazil’s Bolsa Familia, Mexico’s Oportunidades and Chile’s Chile Solidario, for example, have helped foster a more equal distribution of economic and social opportunities. Conditional cash transfer programmes are designed to increase people’s incomes and their access to health and education by making transfers conditional on requirements such as visits to health clinics and school attendance. These programmes cost less than traditional in-kind social assistance; for example, Bolsa Familia and Oportunidades cost less than one percent of gross domestic product (GDP).

The social policy successes of Latin America are increasingly being emulated elsewhere. New York City Mayor Michael Bloomberg travelled to Mexico to study its Oportunidades program before launching Opportunity NYC: Family Rewards, the first conditional cash transfer programme in the United States.

“In designing Family Rewards, we drew on lessons from Brazil, Mexico and dozens of other countries,” Mayor Bloomberg writes in the 2013 Human Development Report. “No one has a monopoly on good ideas.”

Brazil, for example, has worked with African governments to adapt its home-grown school grant programmes, literacy campaigns and public health projects to local needs and circumstances. As of 2011, it had 53 bilateral health agreements with 22 African countries.

Much more can—and should—be done, the Report argues. “Over the next few years, policymakers in developing countries will need to follow an ambitious agenda that responds to difficult global conditions, notably the economic slowdown, which has decreased demand from the North. At the same time, they will need to address their own urgent policy priorities.”

Latin America has seen income inequality fall in most countries since 2000, in large part due to national antipoverty initiatives, but it still has the most unequal distribution of wealth of any region in the world. “In Brazil, at least a quarter of inequality in earnings is associated with household circumstances, such as parents’ educational attainment, race or ethnicity, or place of birth. Such persistence of income distribution
patterns across generations is also evident in Chile and Mexico, although Mexico has seen increased intergenerational mobility in recent years,” the Report says.

Another challenge analysed by UNDP is that of sustainability. The UNDP Report shows that environmental challenges pose a real threat to development: some 3.1 billion more people would live in extreme income poverty globally in 2050 under the environmental disaster scenario examined by UNDP, 155 million of them in Latin America and the Caribbean.

Governments and companies in Latin America are cooperating to develop and share new climate-friendly technologies, with Latin America taking a lead. Brazil is investing billions in public funds in renewable energy technologies, and Mexico recently enacted the world’s first comprehensive national climate change law, with targets for reducing carbon emissions and dependence on oil for electricity and transportation. Increasingly active civil society organizations are bridging the gap between citizens and government in Latin America, as in other regions. These organizations range from broad social movements and single-issue advocacy groups to labour unions and community groups, the Report notes. In Brazil, the Sanitarista movement of health care professionals played a central role in developing the country’s public health care system and expanding services to the poor, for example.

While they seek to find new ways to involve citizens in the policy-making process, Latin American governments, and those of other countries in the South, are also seeking a greater voice in international decision-making. The formation of the Group of 20 is a start, the Human Development Report says, but more is necessary.

“The major international institutions need to be more representative, transparent and accountable,” the Report says. “The Bretton Woods institutions, the regional development banks and even the UN System all risk diminishing relevance if they fail to represent all Member States and their people adequately.”

While global governance institutions often appear ineffective, new ones are flourishing in the South. Regional trade arrangements have expanded and deepened in Africa, Asia and Latin America and the Caribbean, even as the Doha round of global trade negotiations has stalled, for example. The region has also created new institutions for financial support and development, including the Latin American Reserve Fund and the Andean Development Corporation, a Latin American development bank. The evolving multilateral system of global and regional political and economic arrangements is creating the opportunity for what the 2013 Human Development Report calls “coherent pluralism,” with different international structures cooperating toward common goals.

Developing countries are also increasingly important markets for the North, the Report notes. In the past five years, for example, US exports to developed countries belonging to the Organisation for Economic Co-operation and Development (OECD) rose by just 20 percent, but US exports to Latin America and the Caribbean increased by more than 50 percent.

The lesson, says the 2013 Human Development Report, is simple: “The South needs the North, but, increasingly, the North also needs the South.”

2013 Human Development Index (HDI) HIGHLIGHTS

• There are three countries in the region (Barbados, Chile and Argentina) in the very high human development group, with most in the high human development group (19) and in the medium human development group (10). Haiti is the only country in the region in the low human development group.
The average HDI value for the region of 0.741 is the second highest (next to Europe and Central Asia’s average of 0.771) and above the world average of 0.694.

Between 2000 and 2012, the region registered average annual growth of 0.67 percent in HDI value, the lowest growth compared to other regions. Nicaragua registered an average annual growth of 1.04 percent during the period, followed by the Bolivarian Republic of Venezuela and Cuba, which grew at an annual rate of 1.03 percent and 1.02 respectively.

The region does well in all the HDI components indicators. Its average life expectancy at birth of 74.7 years and expected years of schooling average of 13.7 years places the region ahead of other regions on these components. In fact, the average life expectancy at birth is nearly five years above the world average. The region also takes a second position on both mean years of school (average of 7.8 years) and gross national income (GNI) per capita. The average GNI per capita is above the world average of $10,184.

The region suffers an average loss of 25.7 percent when the HDI is adjusted for inequalities, above the world average loss of 23.3 percent. The income component is where the loss due to inequality is highest (38.5 percent) followed by education (23 percent).

The biggest loss due to inequalities is suffered by Haiti (40.2 percent) followed by Bolivia (34.2 percent). The country suffering the least loss in the region is Trinidad and Tobago (15.3 percent). Income inequality appears pervasive in the region, with loss ranging from 21.9 percent to 47.9 percent when the income component is adjusted for inequality.

The average Gender Inequality Index value for the region is 0.419, below the world average of 0.463, and positioning the region in third place. The region’s average adolescent fertility rate ratio is above the world average; secondary or higher education attainment is below world average for both females and males. However, the region is positioned at the top when it comes to female share of parliamentary seats—23 percent, which is about three percentage points above the world average of 19.5 percent. Labour force participation rates for females and for males are also above the world average.

Multi-dimensional poverty (MPI) is relatively low in the region compared to regions like South Asia and sub-Saharan Africa. Haiti has the highest MPI value in the region (0.299) based on 2005/06 survey data, followed by Honduras (0.159).

The value of the region’s total merchandise goods exports export was $857.8 billion, representing 6.3 percent of the world total and 18.9 percent of the region’s GDP. Mexico leads the region, exporting goods to the tune of $298.3 billion in 2010, representing 31 percent of its GDP. This is followed by Brazil with exports valued at $197.4 billion, which is about 10.5 percent of the country’s GDP.

The region has the third highest employment-to-population ratio (67.2 percent). Employment-to-population ratio ranges from 56.4 percent in Suriname to 77.4 percent in Bolivia and in Peru.

Child labour appears to be an issue in Peru and Belize where more than one-third (34 percent and 40 percent respectively) of children of ages 5 to 14 years is economically active.

The average overall life satisfaction based on the Gallup World Poll for the region is at 6.5 (on the scale from 0 to 10), the highest amongst all regions.

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