

June 2013

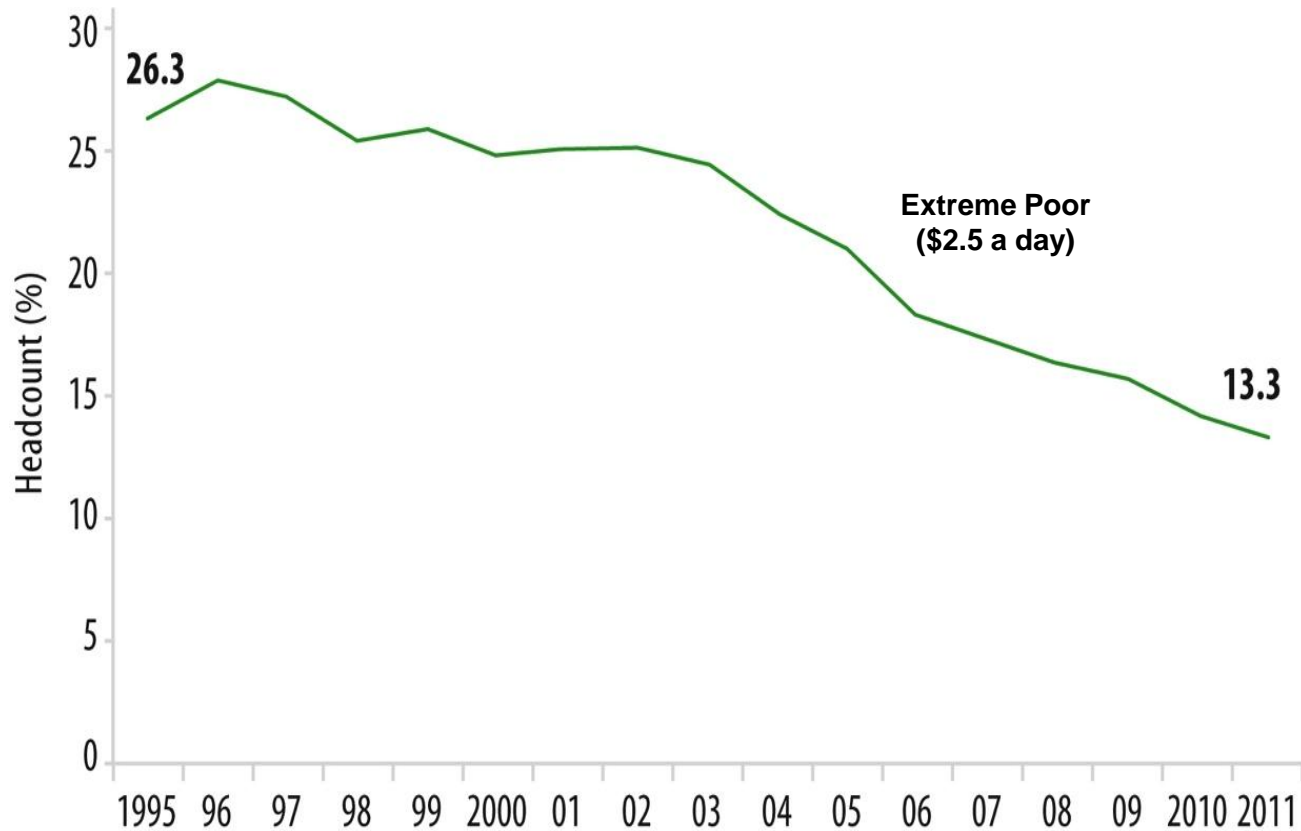


SHIFTING GEARS TO ACCELERATE SHARED PROSPERITY

in Latin America and the Caribbean

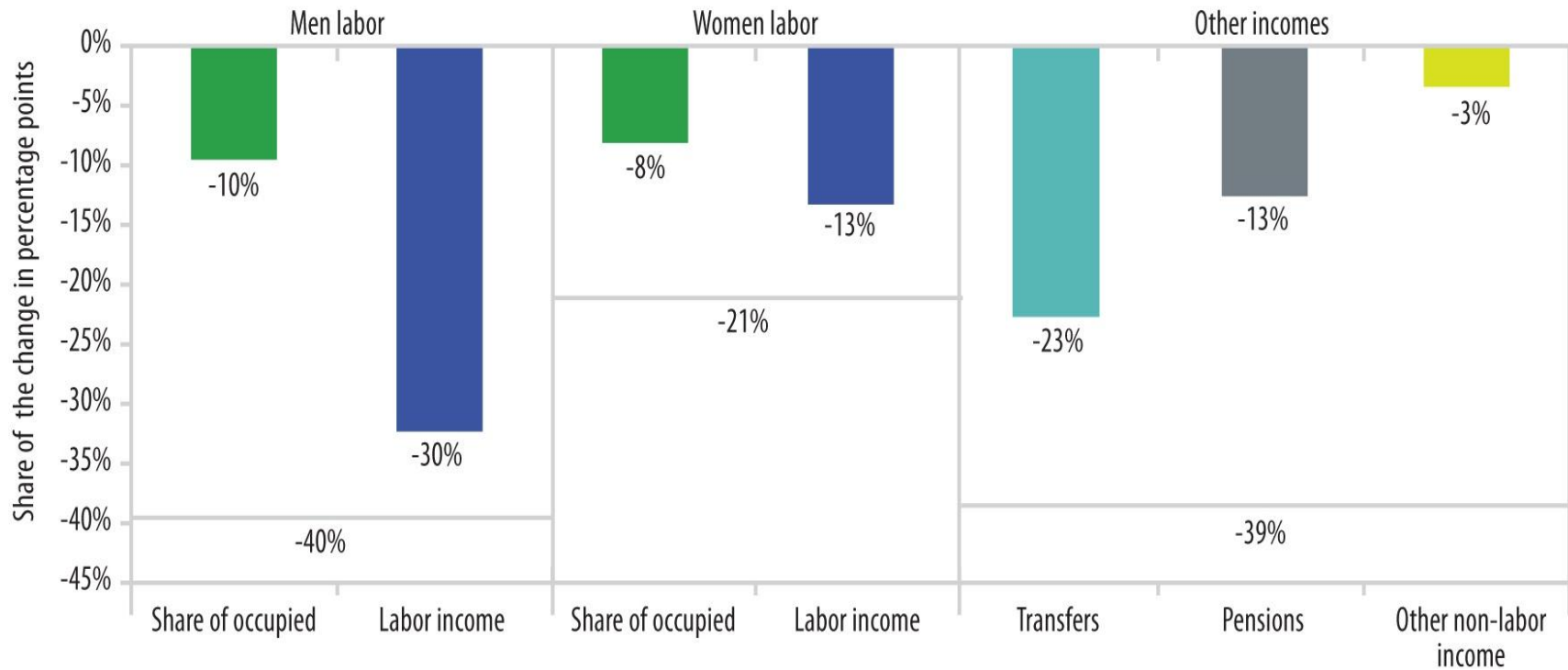
Louise Cord, Sector Manager, Latin America
and the Caribbean Region, World Bank

Latin America and the Caribbean (LAC) has made laudable progress in the past decade

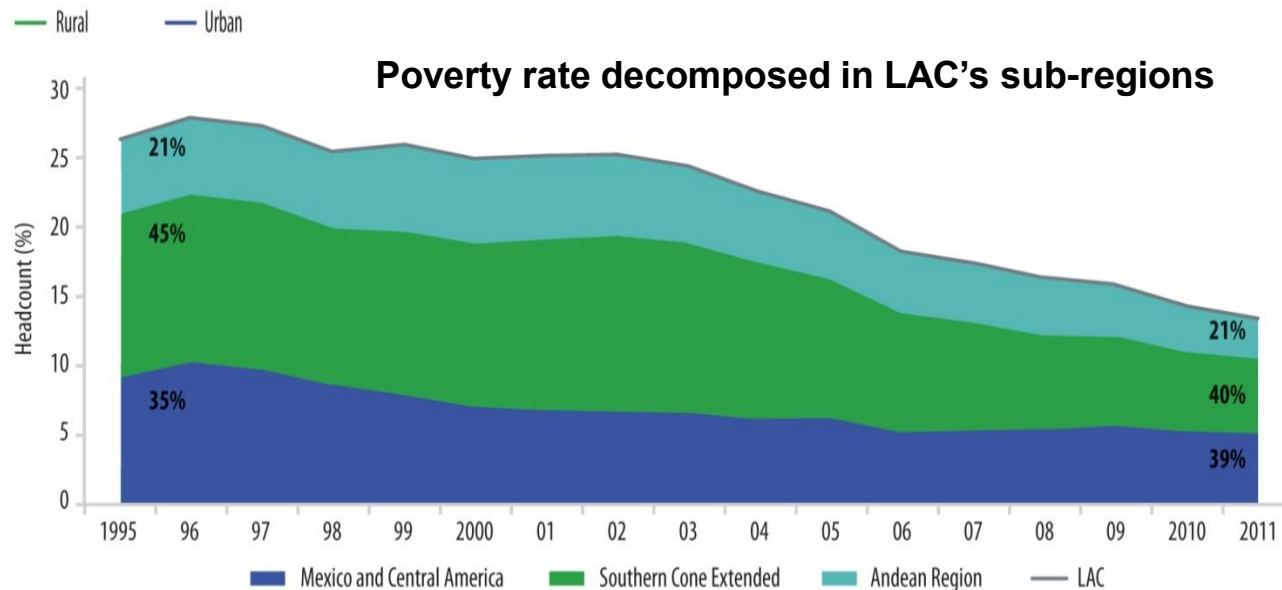
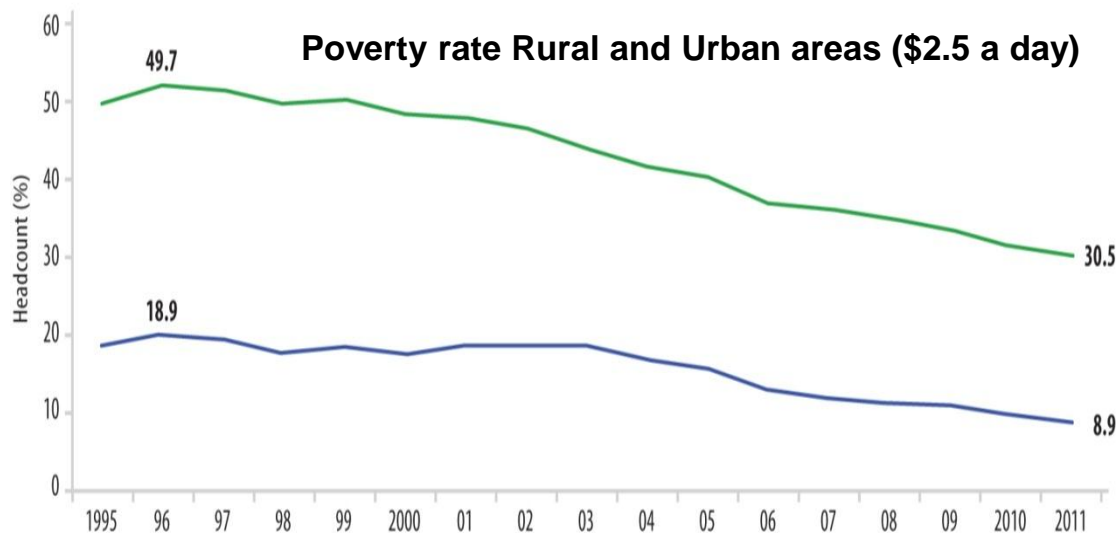


However, about 80 million of people still live with less than \$2.5 a day.

Labor income was the main driver of the reduction in extreme poverty after 2003 in LAC

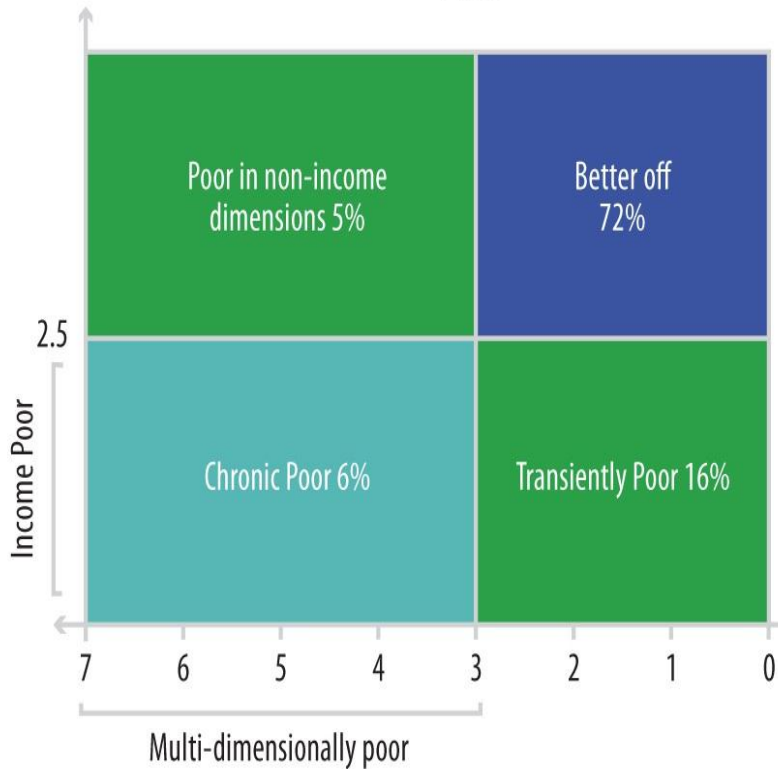


Progress toward eradicating extreme poverty in LAC has been faster in some areas than others

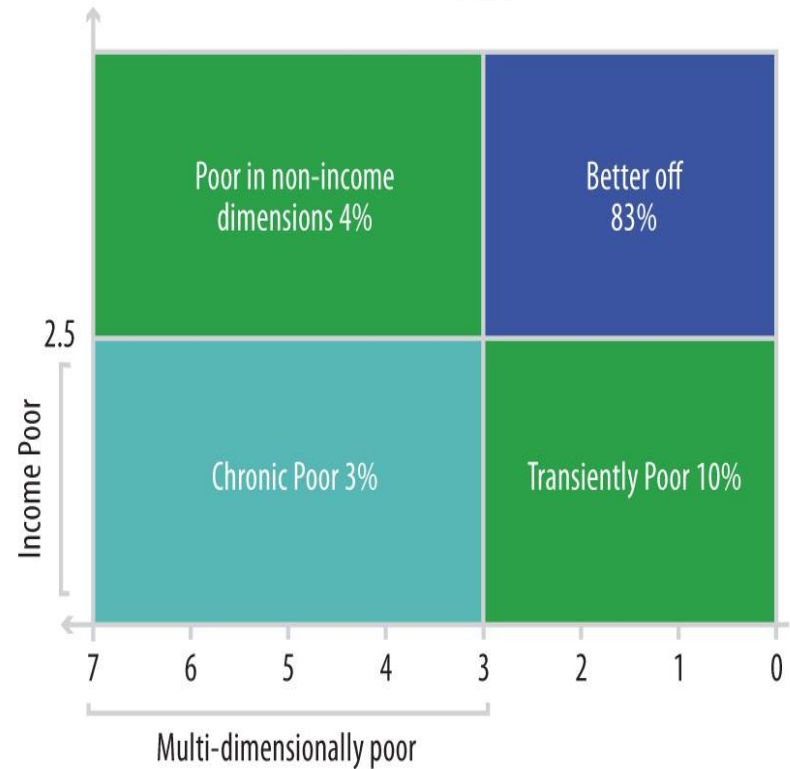


Chronic poverty, defined as the proportion of individuals who are deprived in monetary and non-monetary dimensions, declined by half

2003

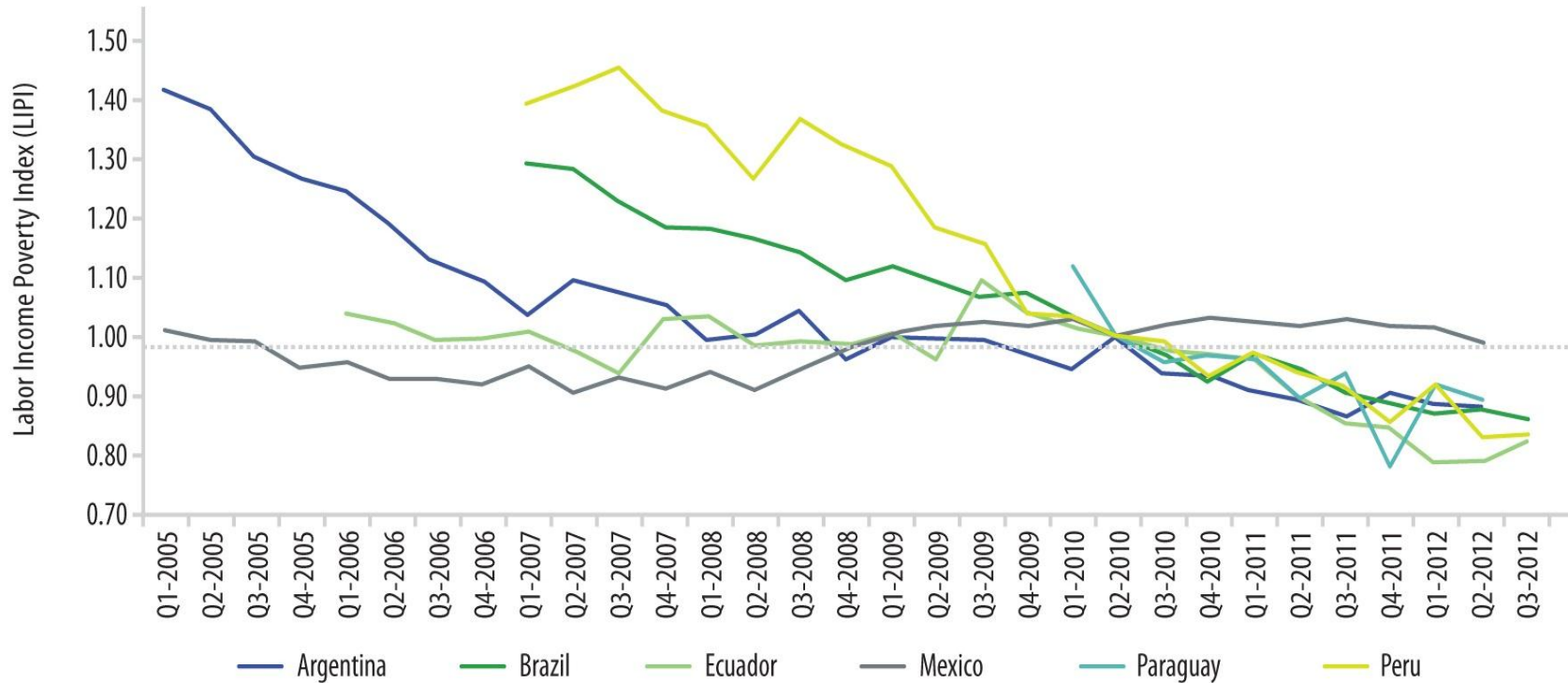


2011

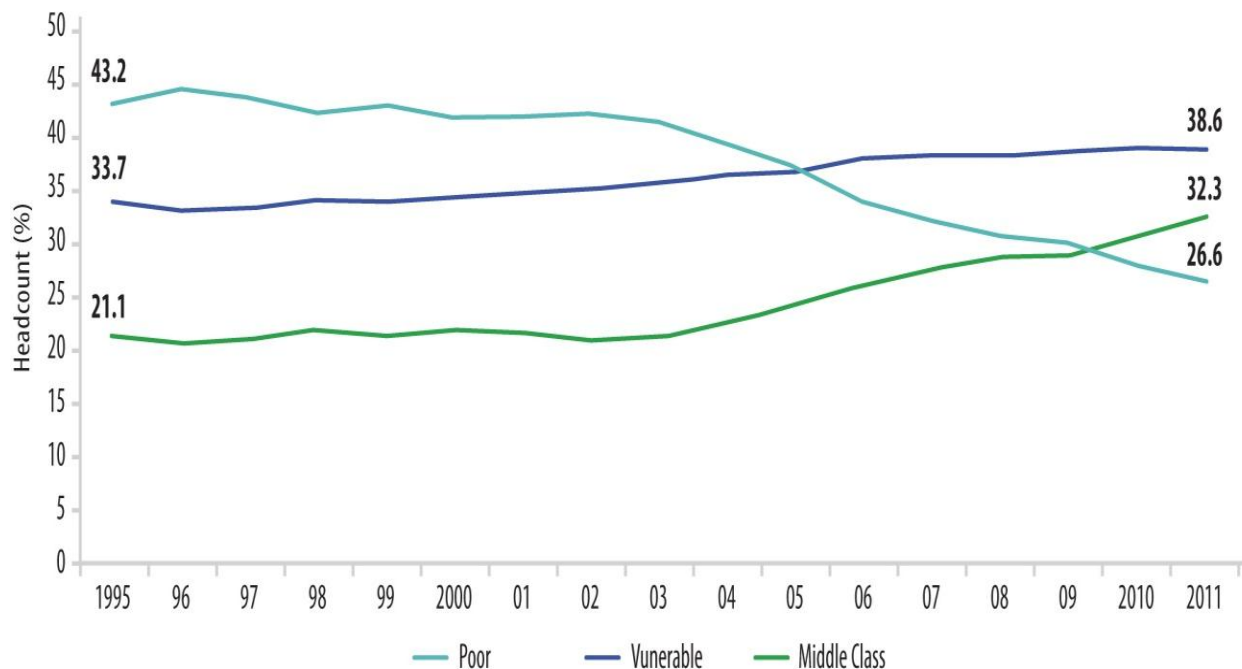


The decline in poverty is expected to have continued through 2012

Labor Income Poverty Index (\$4 a day)



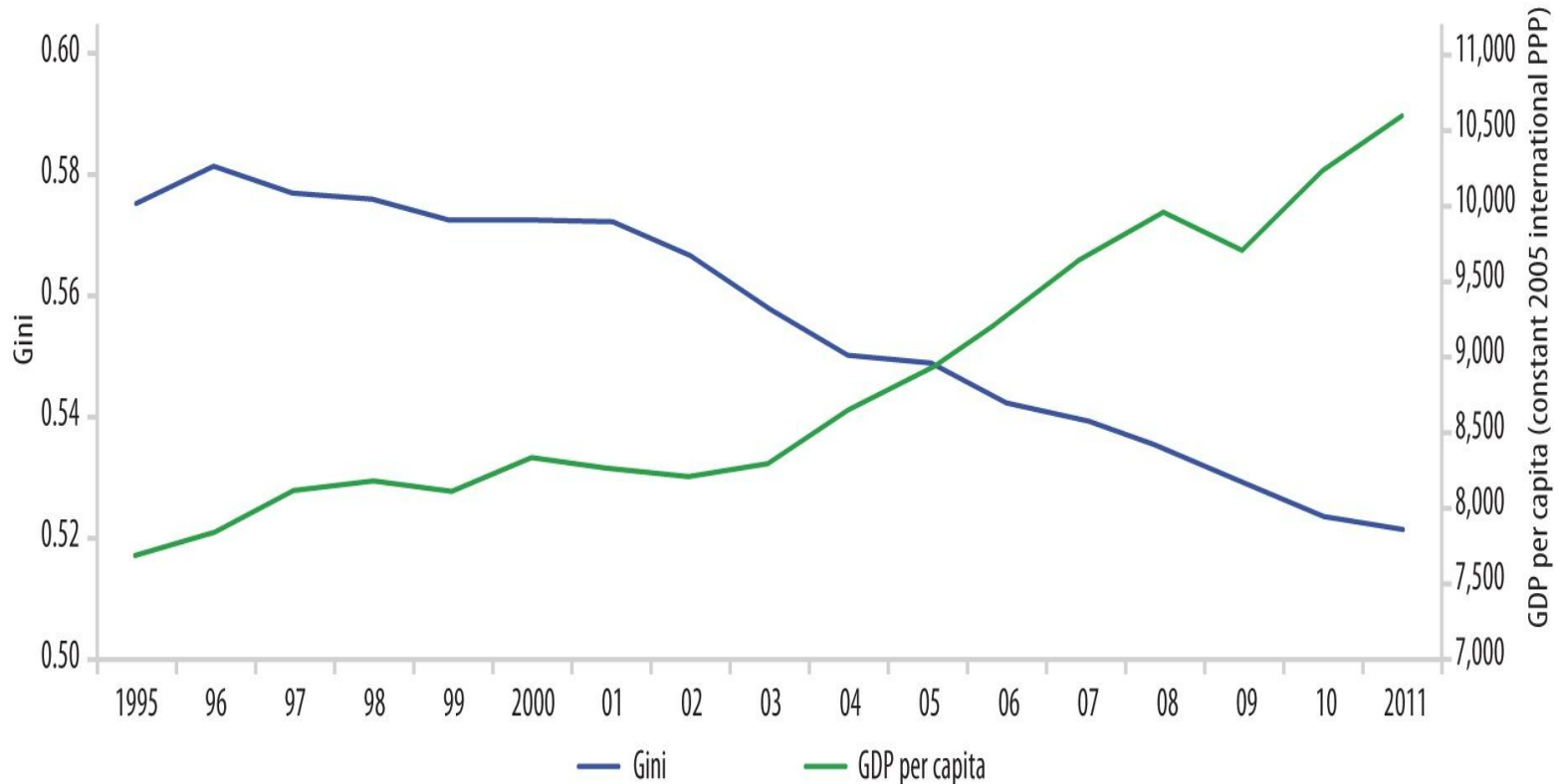
In 2011, for the first time in recorded history, the LAC region had more people in the middle class than in poverty



But overall LAC pattern is not the same among regions.

The middle class is the largest economic class in the Southern Cone region, but the smallest group in Andean and Mexico and Central America regions.

Shared Prosperity in LAC took off in 2000's

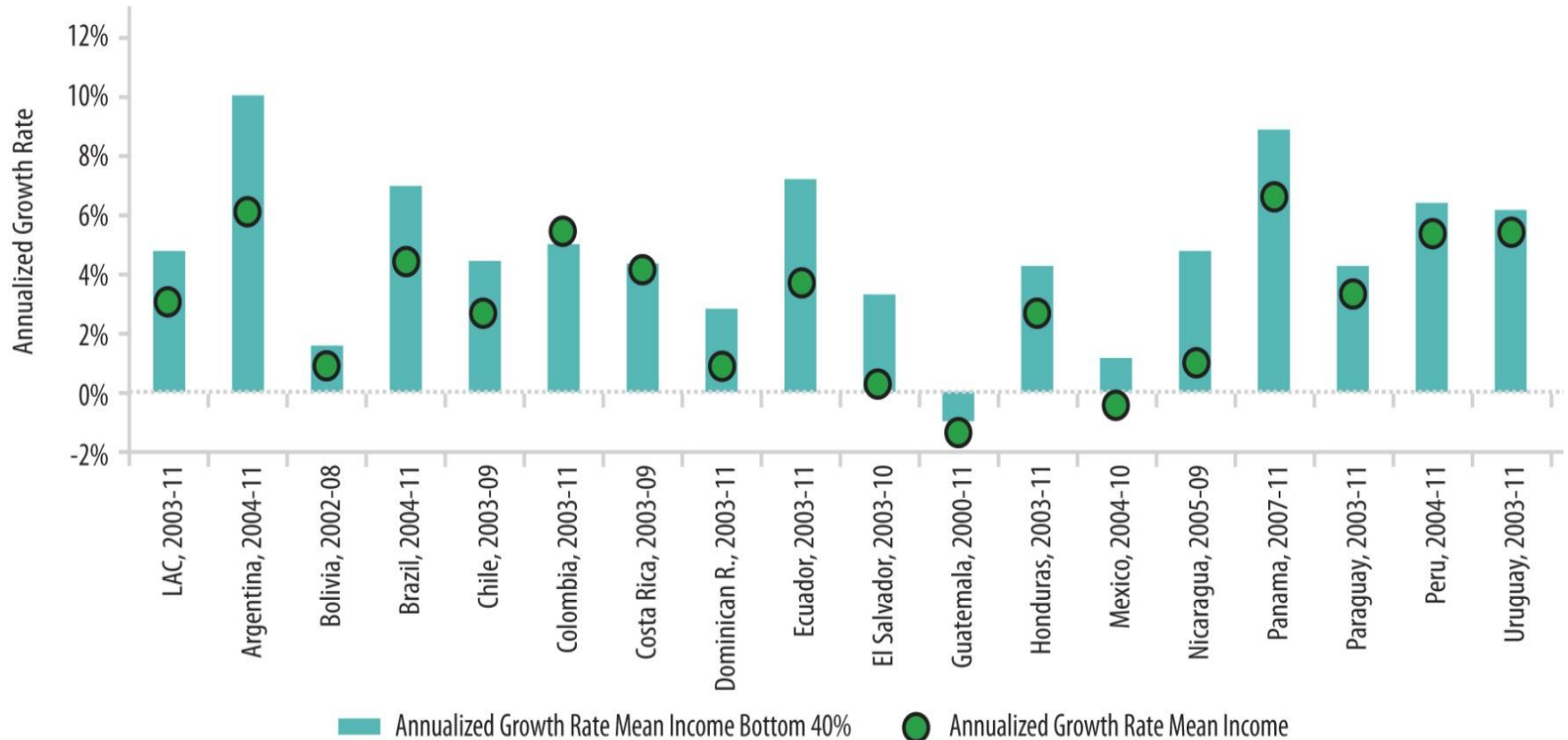


In the last decade, per capita GDP rose by 2.1% per year on average.

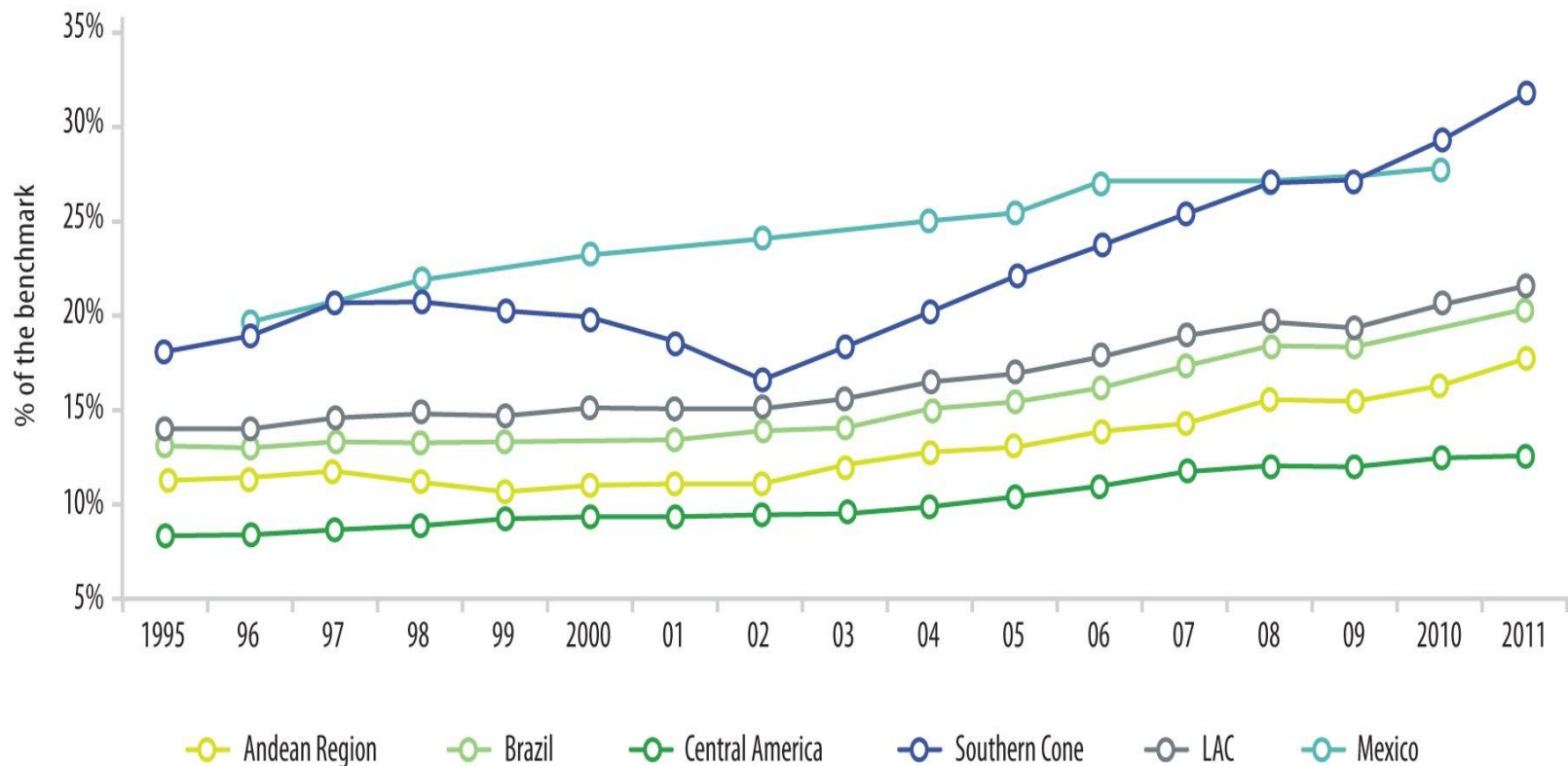
The Gini coefficient declined by 5 p.p., from 57 to 52.

The less well-off in the region have benefitted more from growth than the average person

World Bank's Shared Prosperity Target: a sustainable increase in the well-being of the poorer segments of society, defined as the poorest 40 percent.



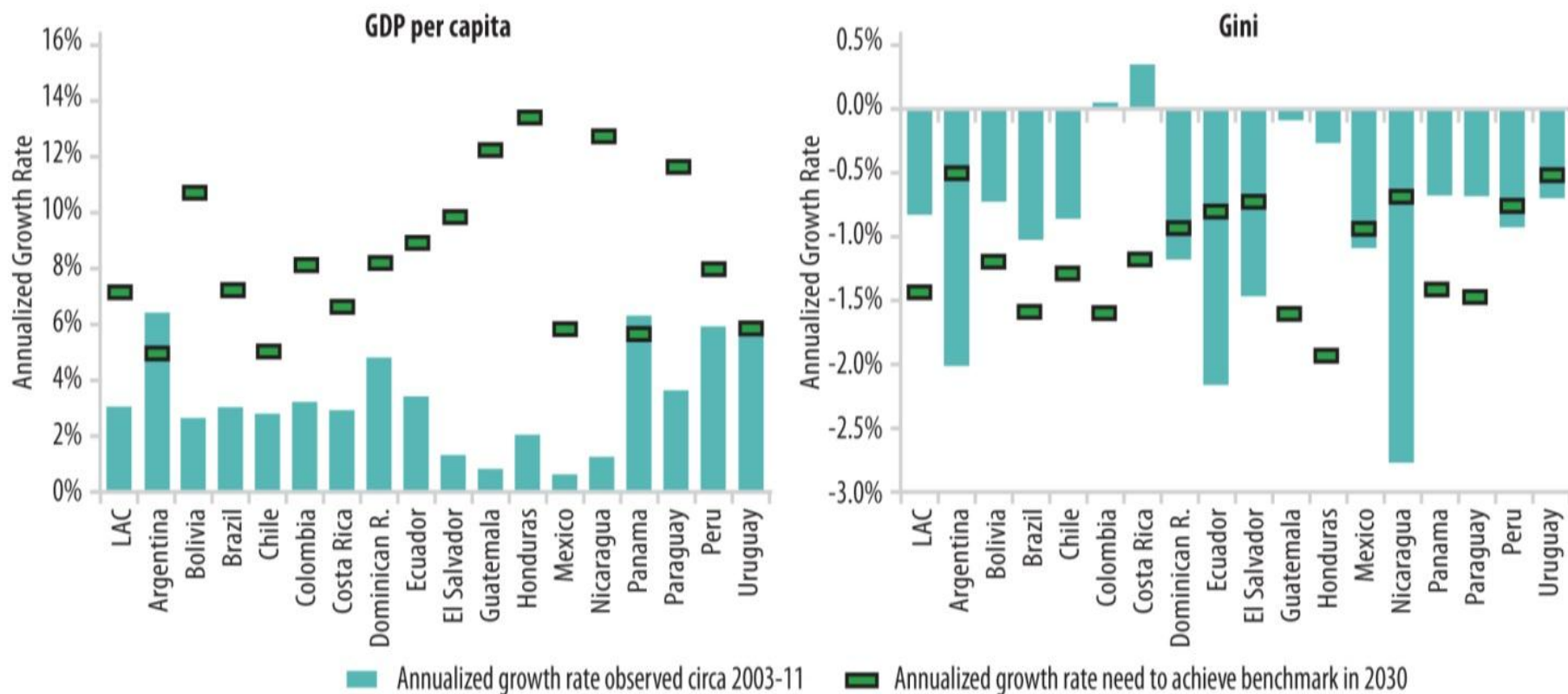
The Shared Prosperity Convergence Index (SPCI) underscores the challenges the region still faces in delivering inclusive growth



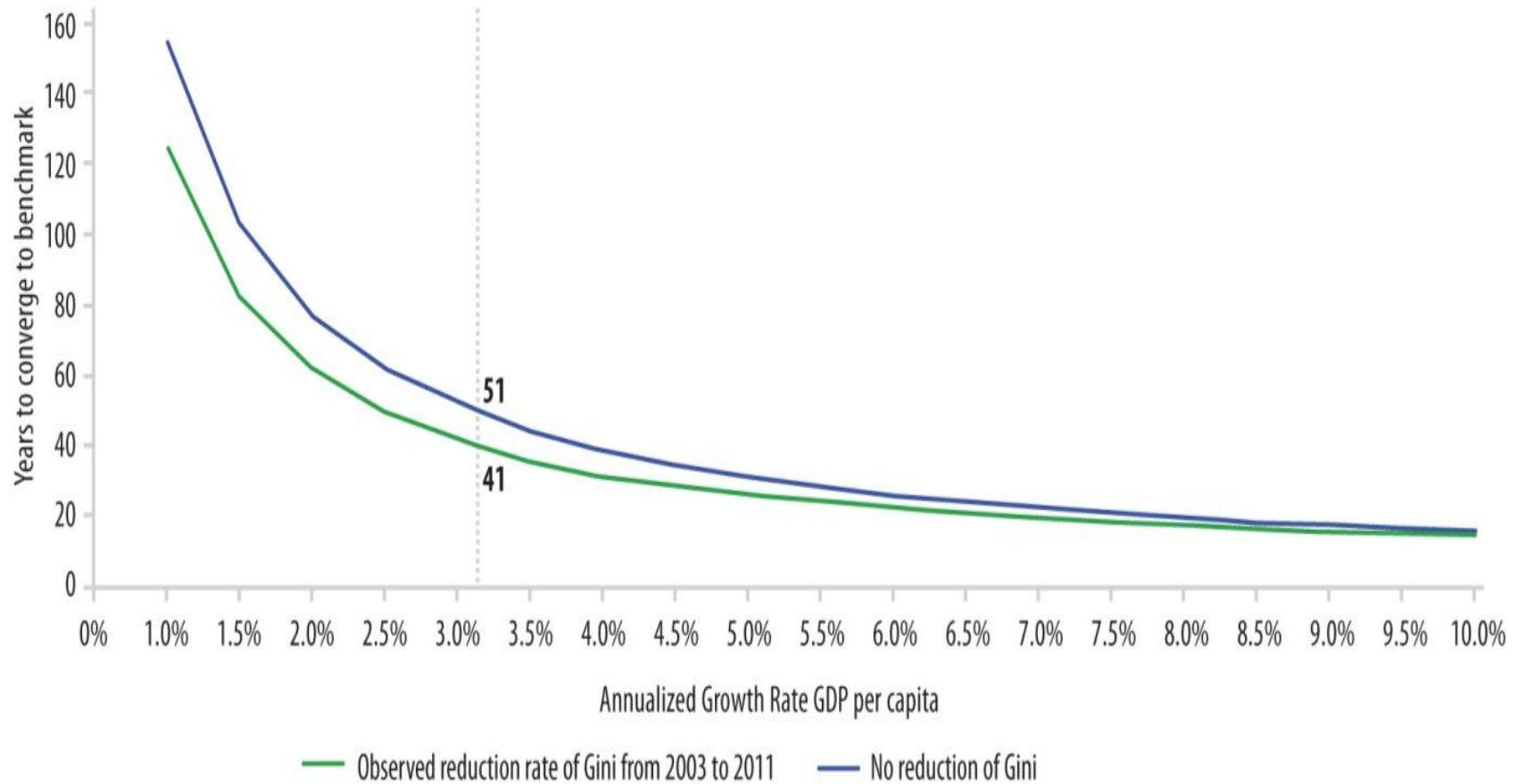
* Benchmark is a population-weighted average of the top 10 countries in Sen's Welfare Index in 2000

A key challenge is the persistent uneven standards of living at the subnational level.

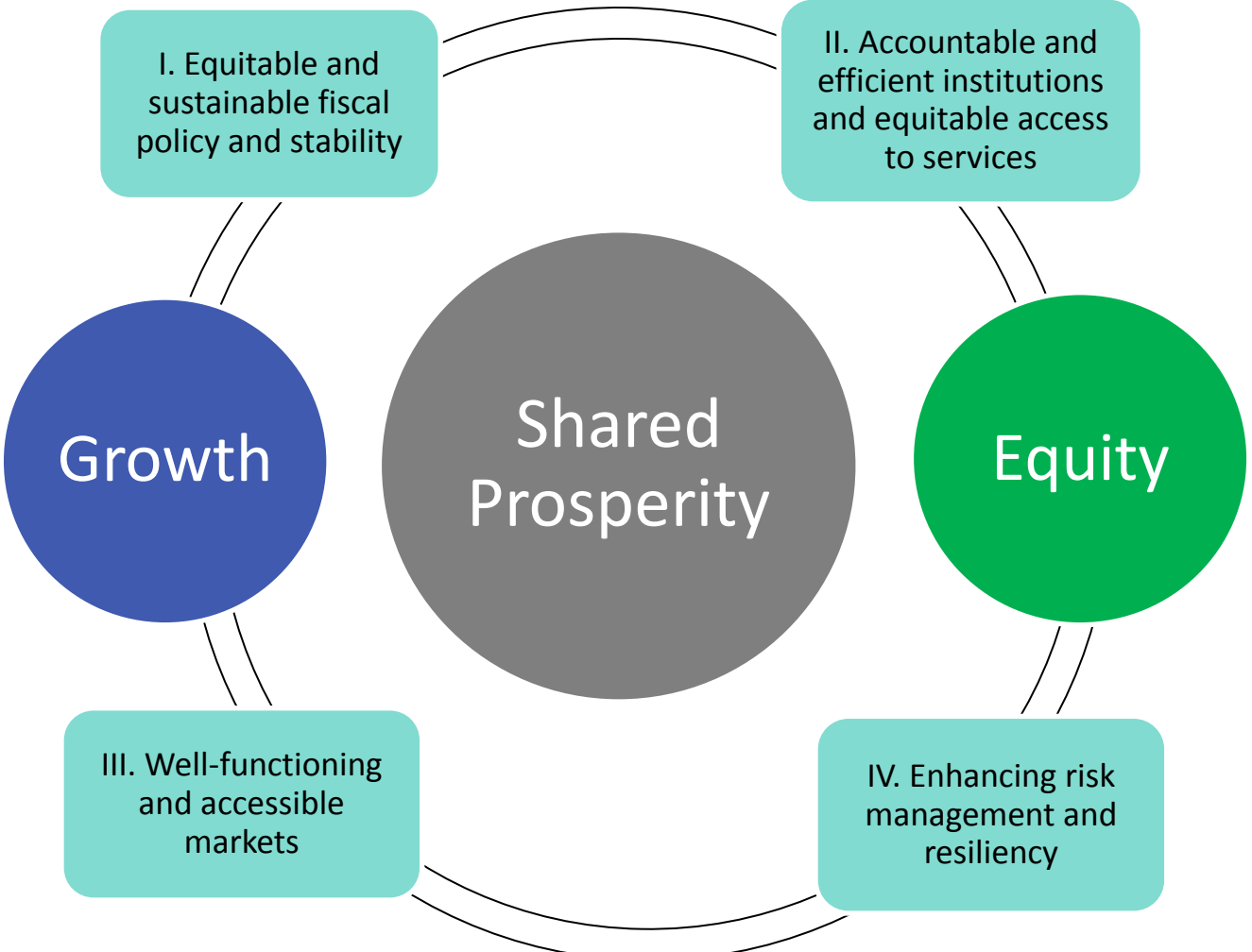
Growth rates needed to achieve the benchmark in GDP per capita and Gini in 2030



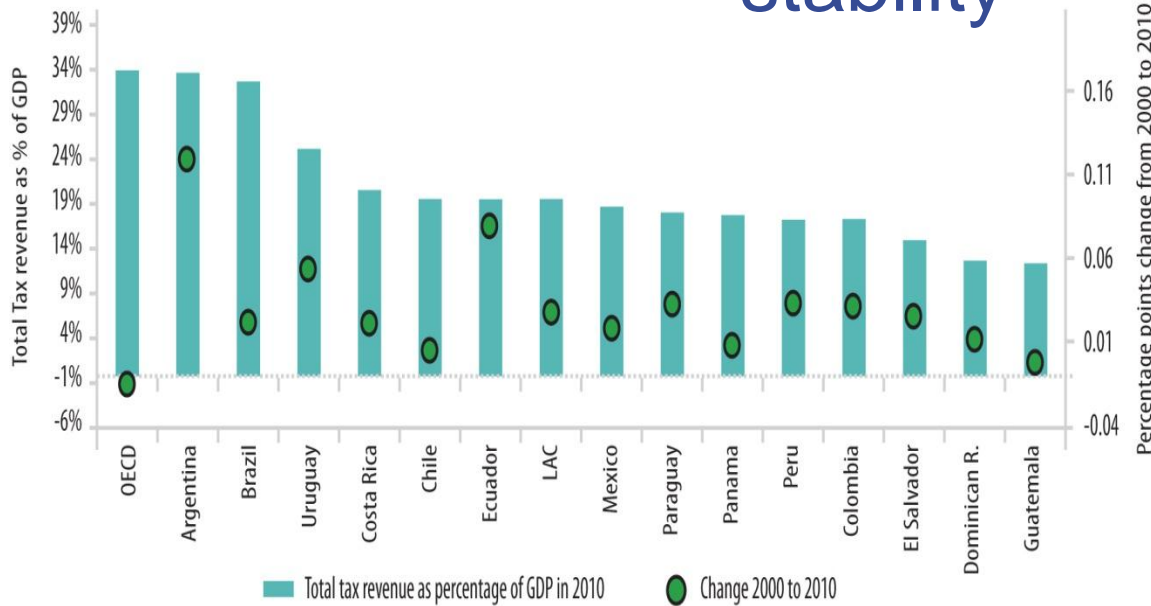
How many years would take to close the gap with top performers?



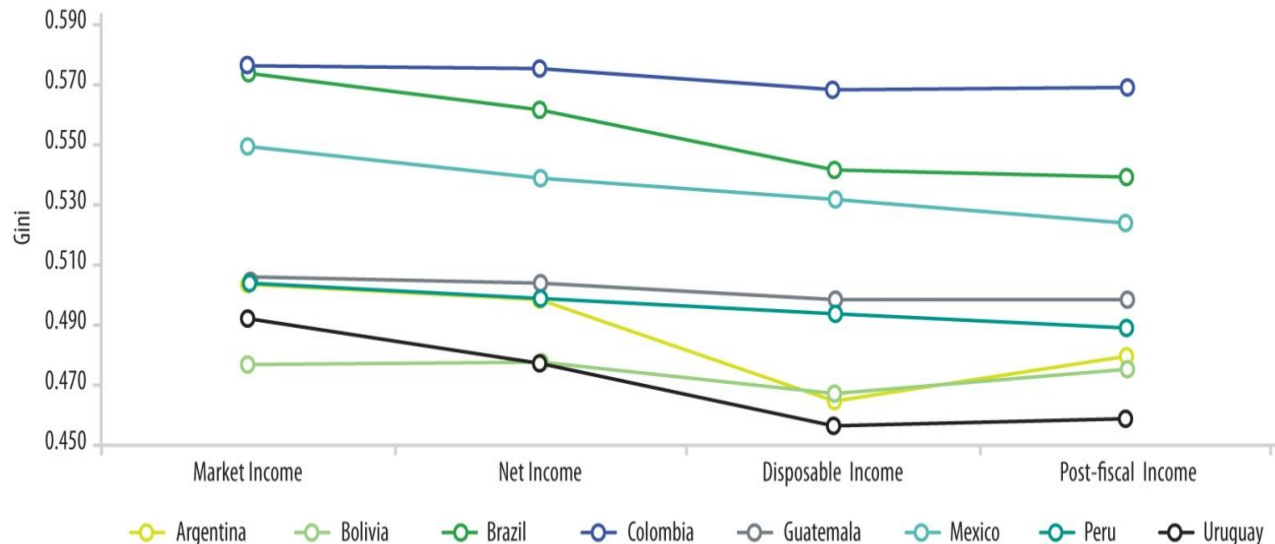
Strengthening the links between growth and equity is fundamental for boosting shared prosperity



I. Equitable and sustainable fiscal policy and stability



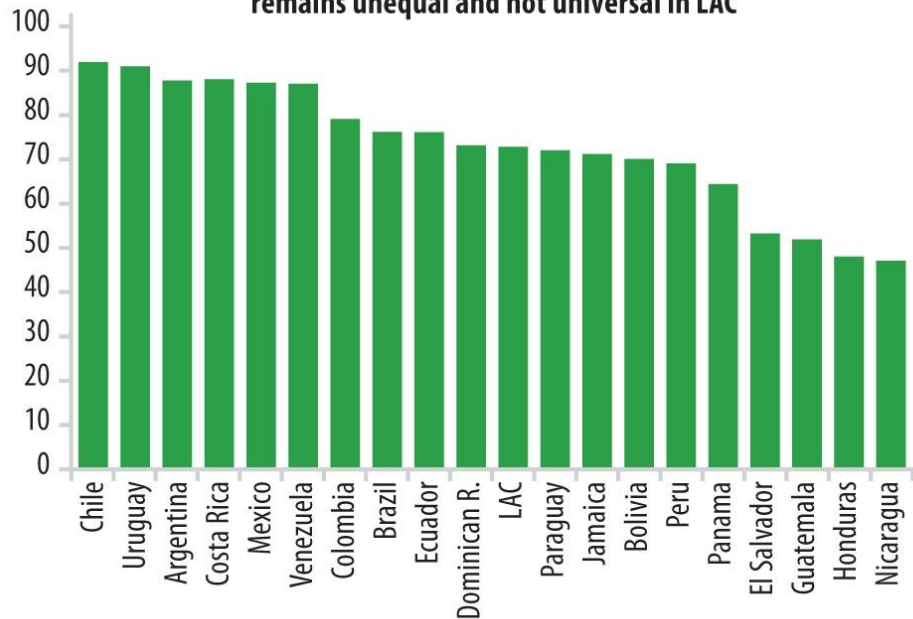
Tax collection is low and has remained relatively constant.



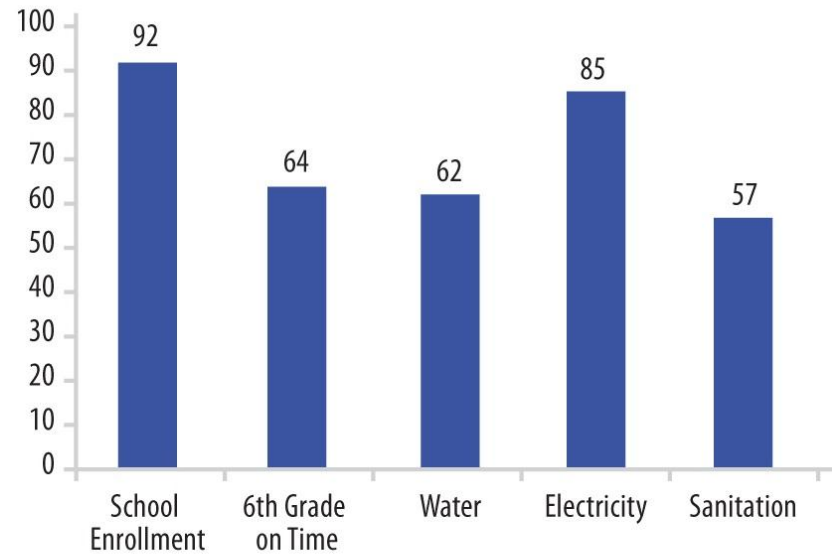
There is significant room for improving progressivity of taxes and spending.

II. Accountable and efficient institutions and equitable access to services

(a) Access to basic services as measured by HOI remains unequal and not universal in LAC

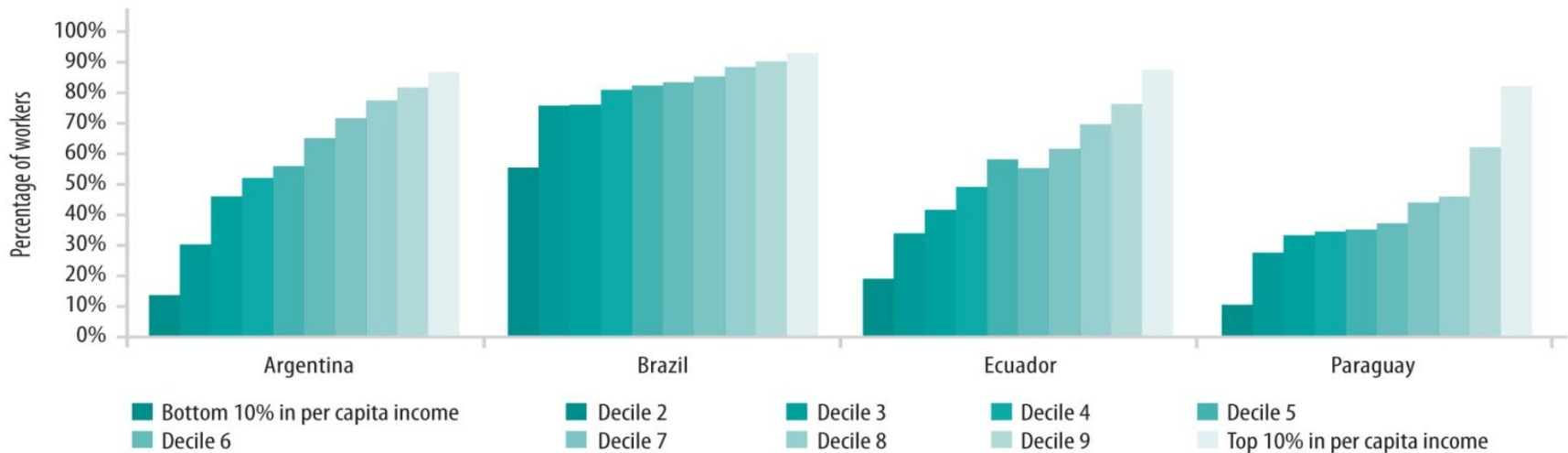
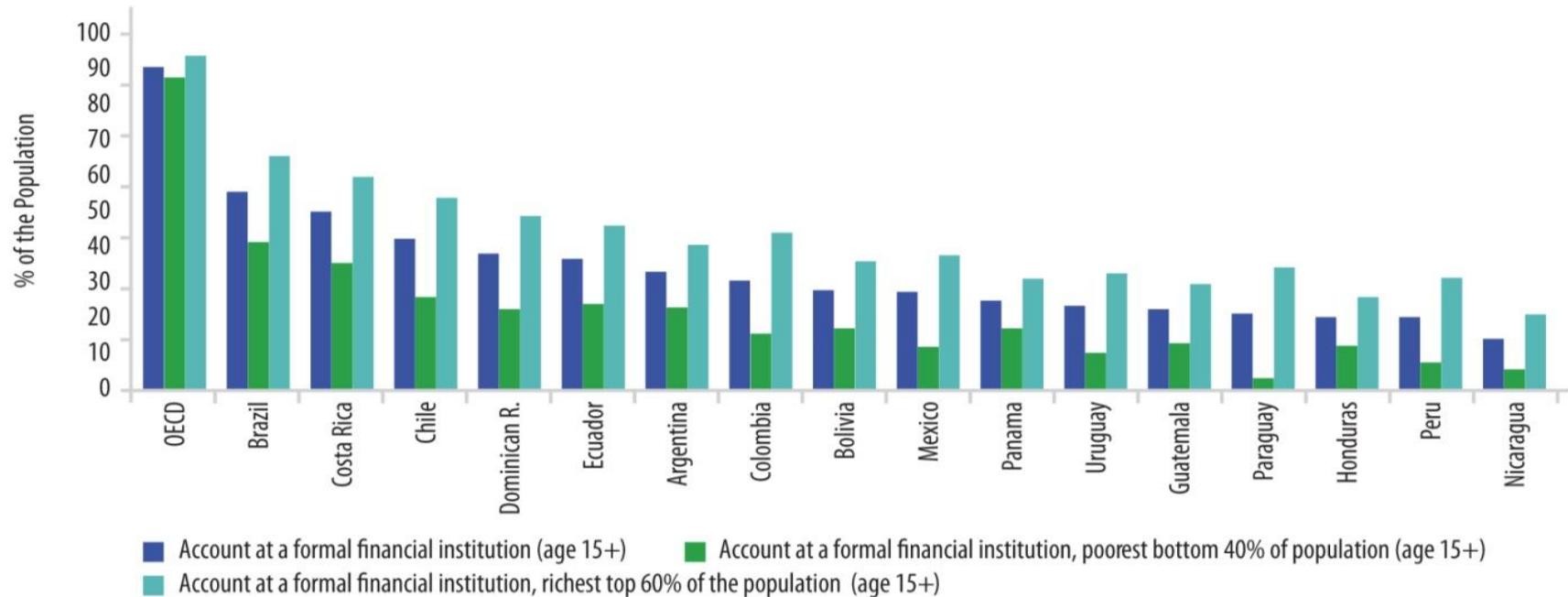


(b) HOI by type of opportunities in LAC

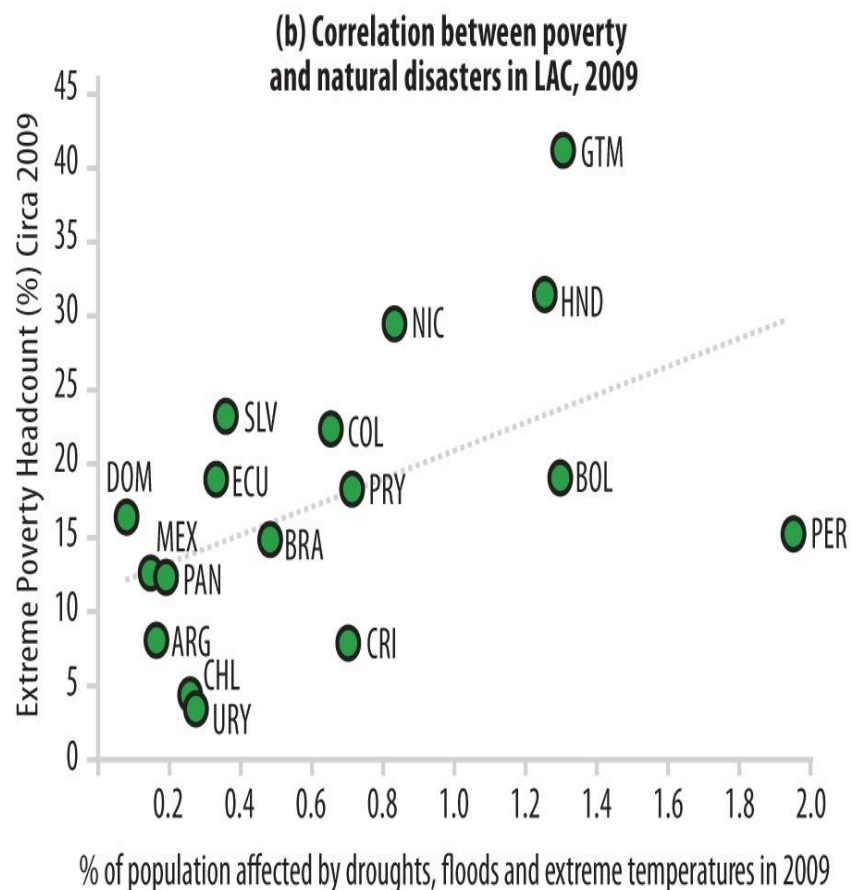
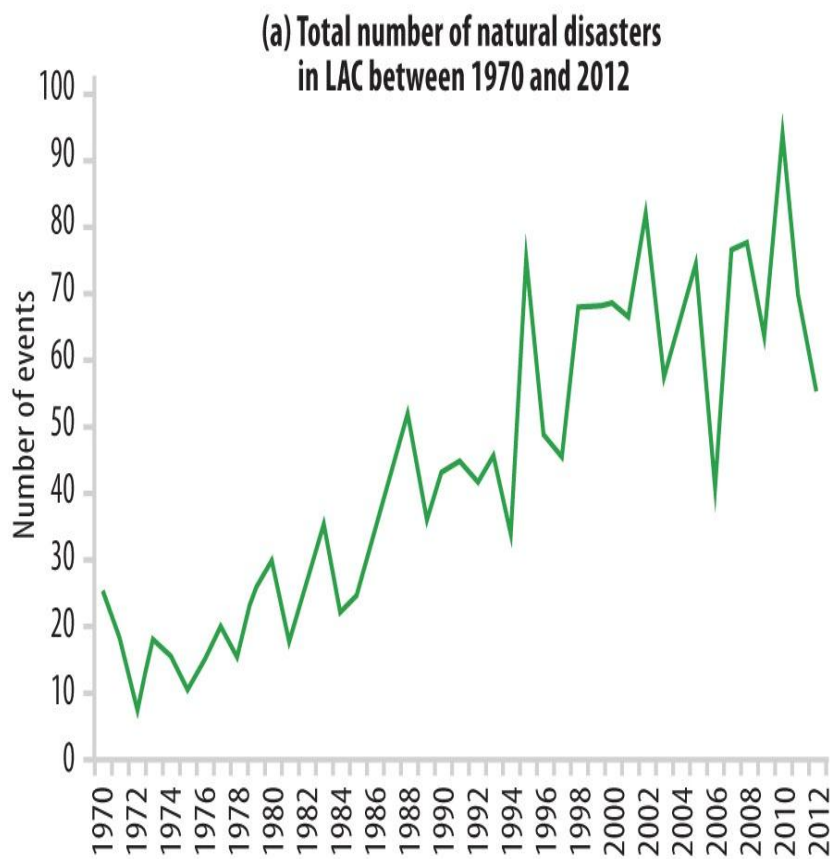


Access to basic services measured by HOI (Human Opportunity Index) remains unequal and not universal.

III. Well-functioning and accessible markets



IV. Enhancing risk management and resiliency



Conclusion

LAC achieved impressive gains in shared prosperity in the last 15 years, exceeding its past performance...

Higher growth coupled with lower income inequality has brought benefits to the less well-off.

For the first time, there are more people considered middle class than poor.

....but the region continues to perform poorly relative to its peers.

Around one in four Latin Americans still remain below the region's moderate poverty line.

The equity adjusted level of GDP per capita is just above 20 percent of the level of the top global performers.

Expanding labor incomes and giving voice to those less fortunate will require strong leadership to generate the change needed to ensure that a LAC citizen born today does not need to wait for her grandchildren to experience the level of prosperity known by global top performers in 2000.

THANK YOU!



opportunities for all