

Poverty, Inequality and the Millennium Development Goals in Latin America

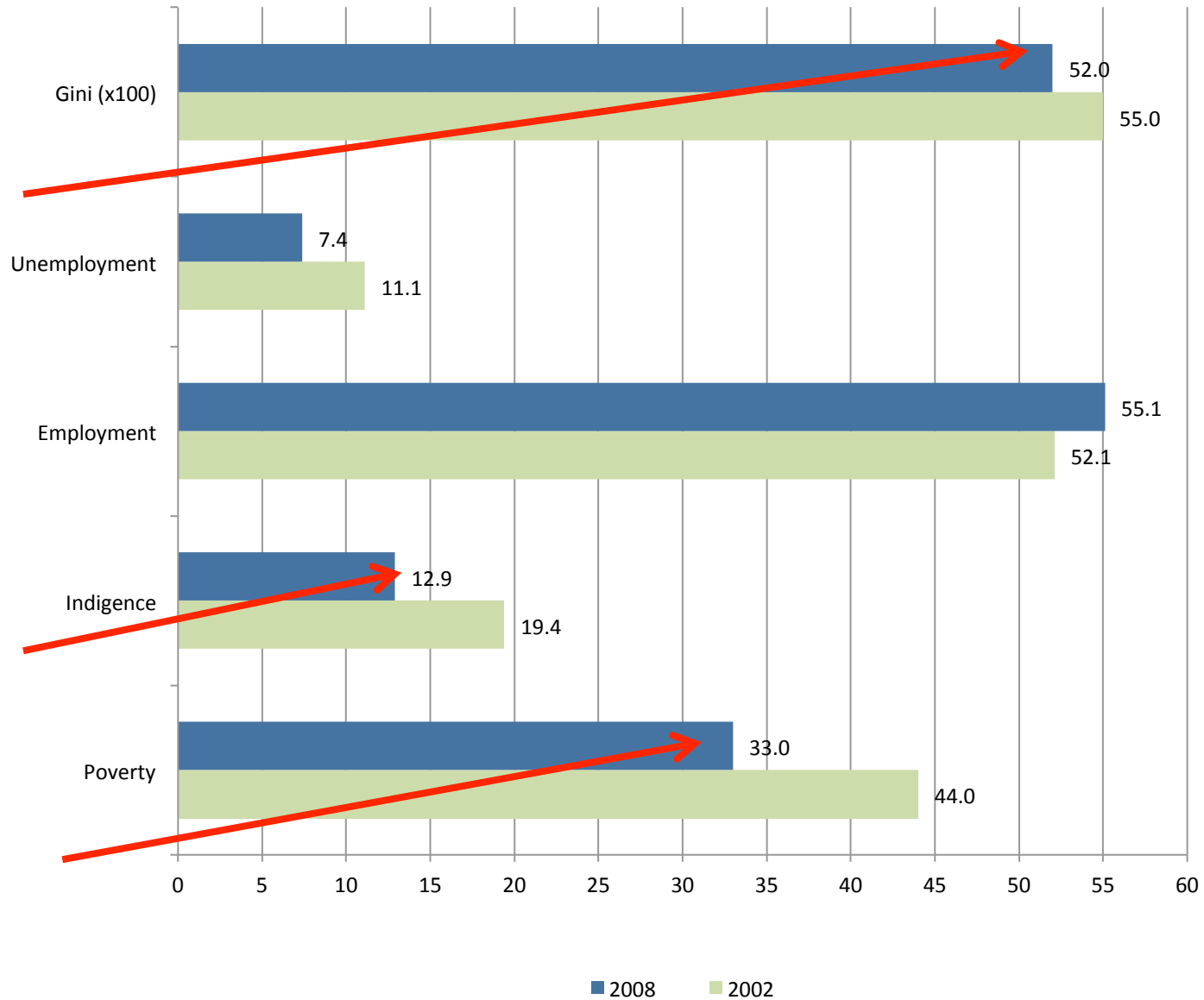
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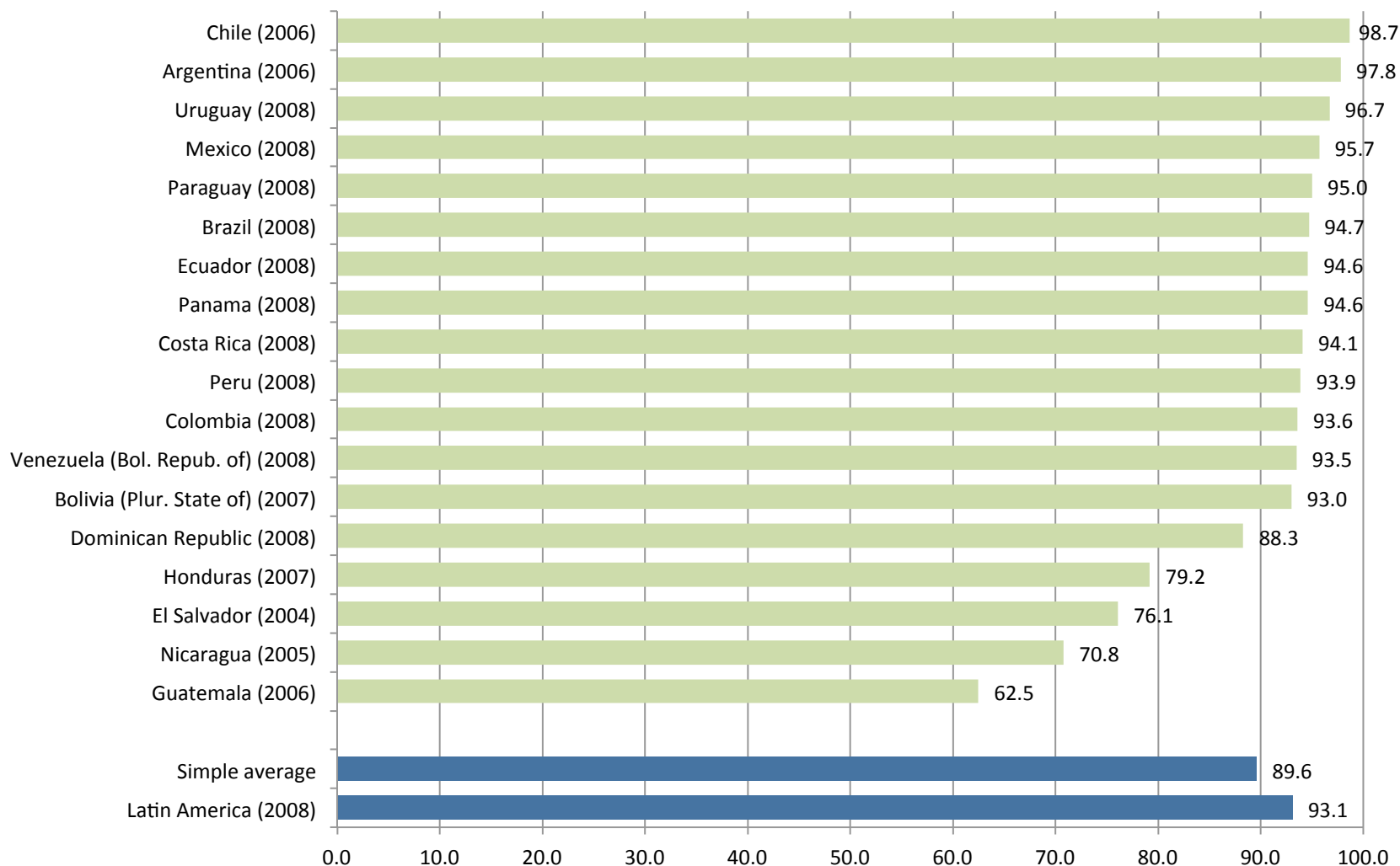
Latin America and MDGs

- Significant reduction in poverty and inequality.
- Unquestionable progress in access to education, health care and basic infrastructure
- Improvements in indicators of nutrition and health.

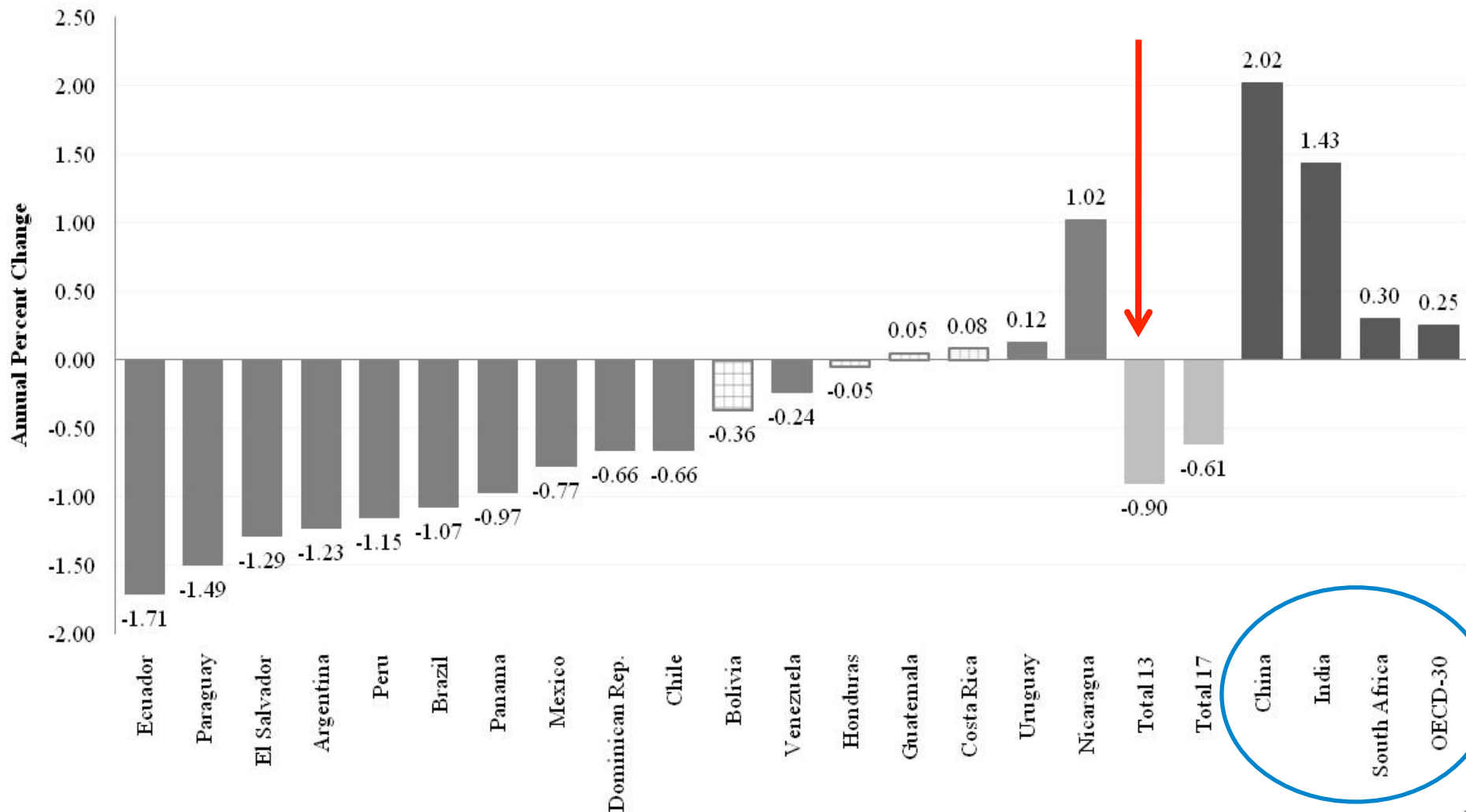
- **The region as a whole is advancing at the right pace to fulfill a number of the targets set forth in the Millennium Development Goals.**



15 to 19 year olds who completed primary education



Change in Gini Coefficient by Country: circa 2000-2009 (yearly change in percent)

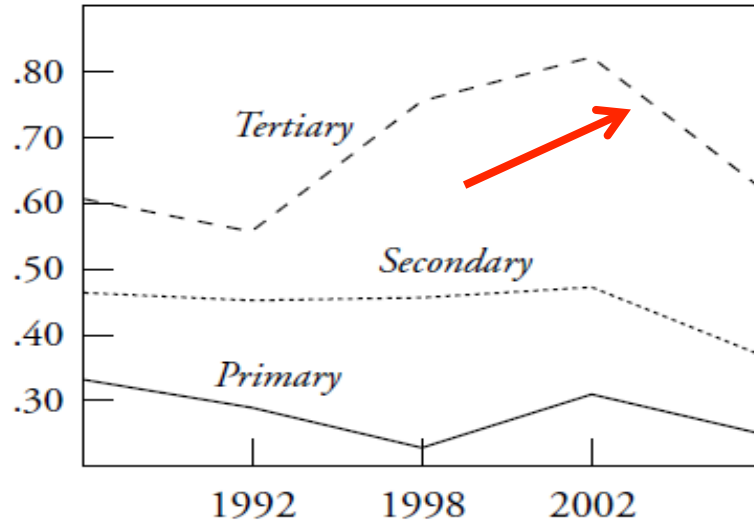


Determinants of declining inequality

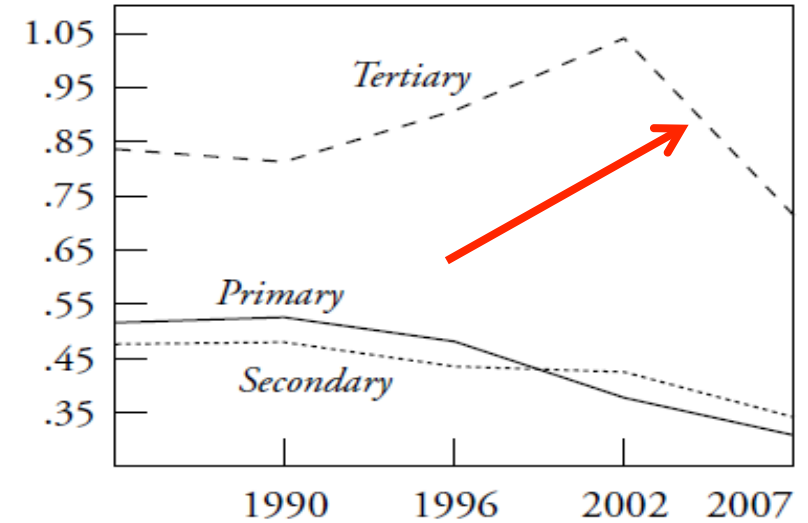
- Skill premium fell (as a result of educational upgrading, among other things)
- Public spending **targeted** to the poor increased with the introduction of large-scale transfer programs: e.g., Pension Moratorium and Family Allowances (Argentina), Bolsa Familia (Brazil), Oportunidades (Mexico)

Figure 1-5. *Ratio of Returns to Education for Argentina, Brazil, Mexico and Peru^a*

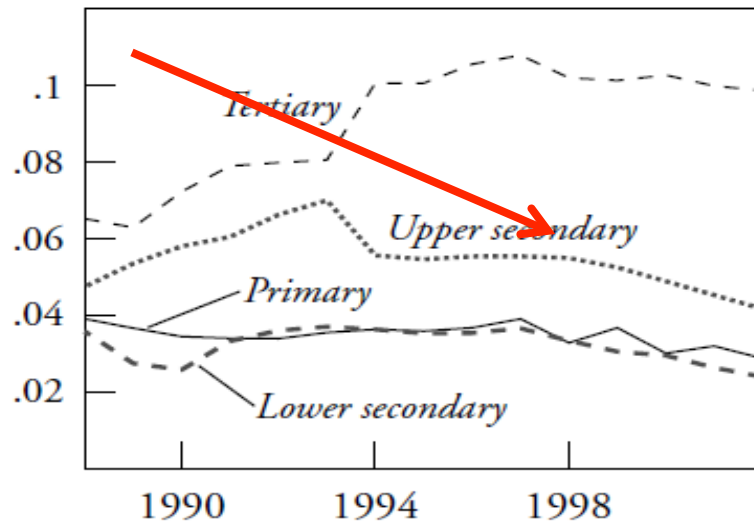
Argentina (urban areas): 1986–2006
Percent



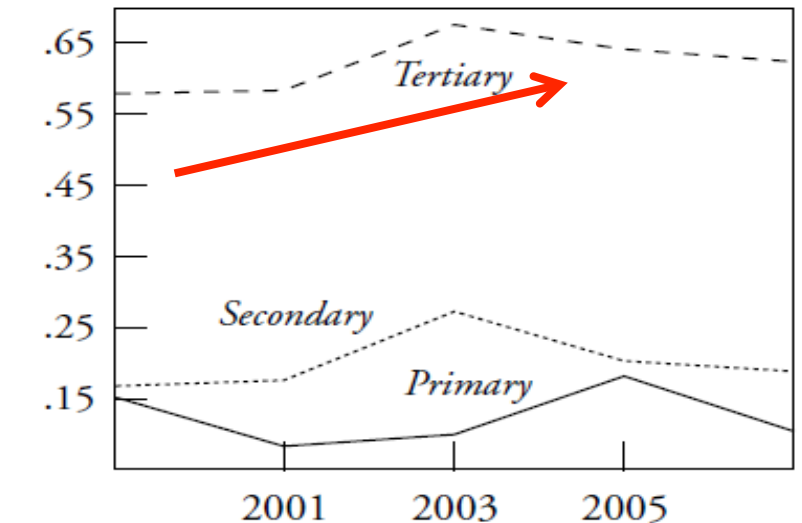
Brazil: 1986–2007
Percent



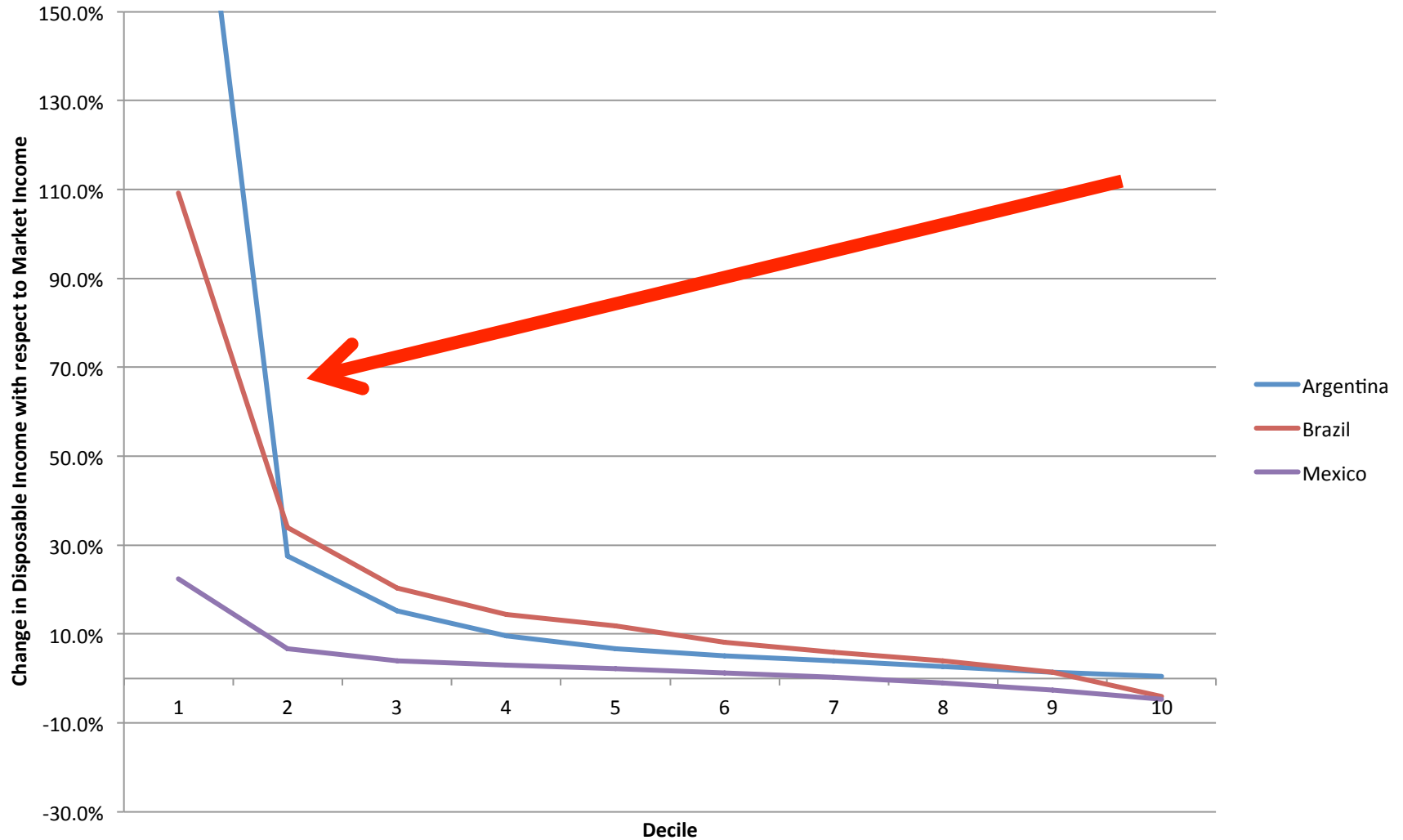
Mexico: 1988–2002
Percent



Peru: 1998–2007
Percent



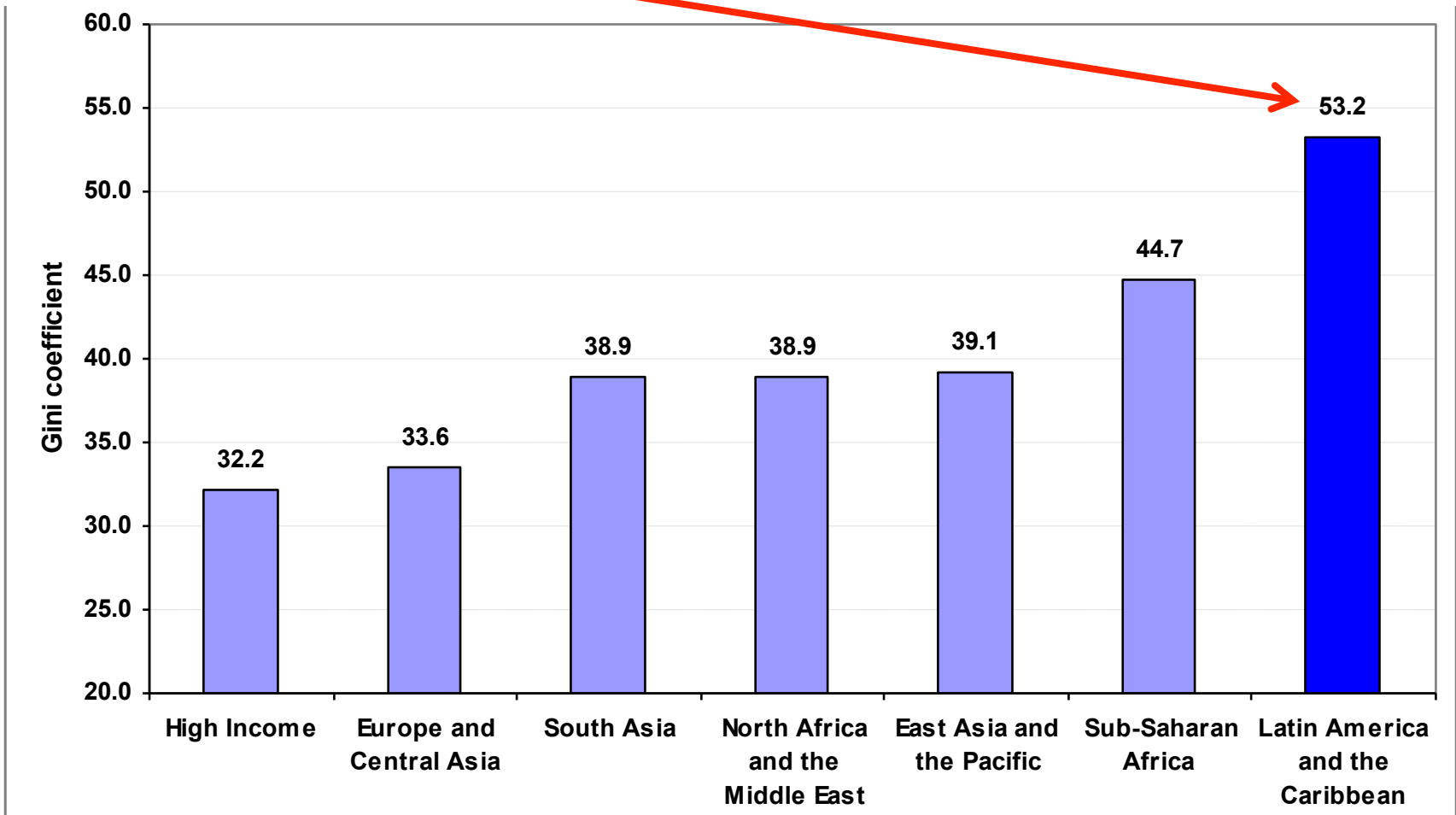
Incidence of Direct Transfers by Decile: Arg, Bra, Mex



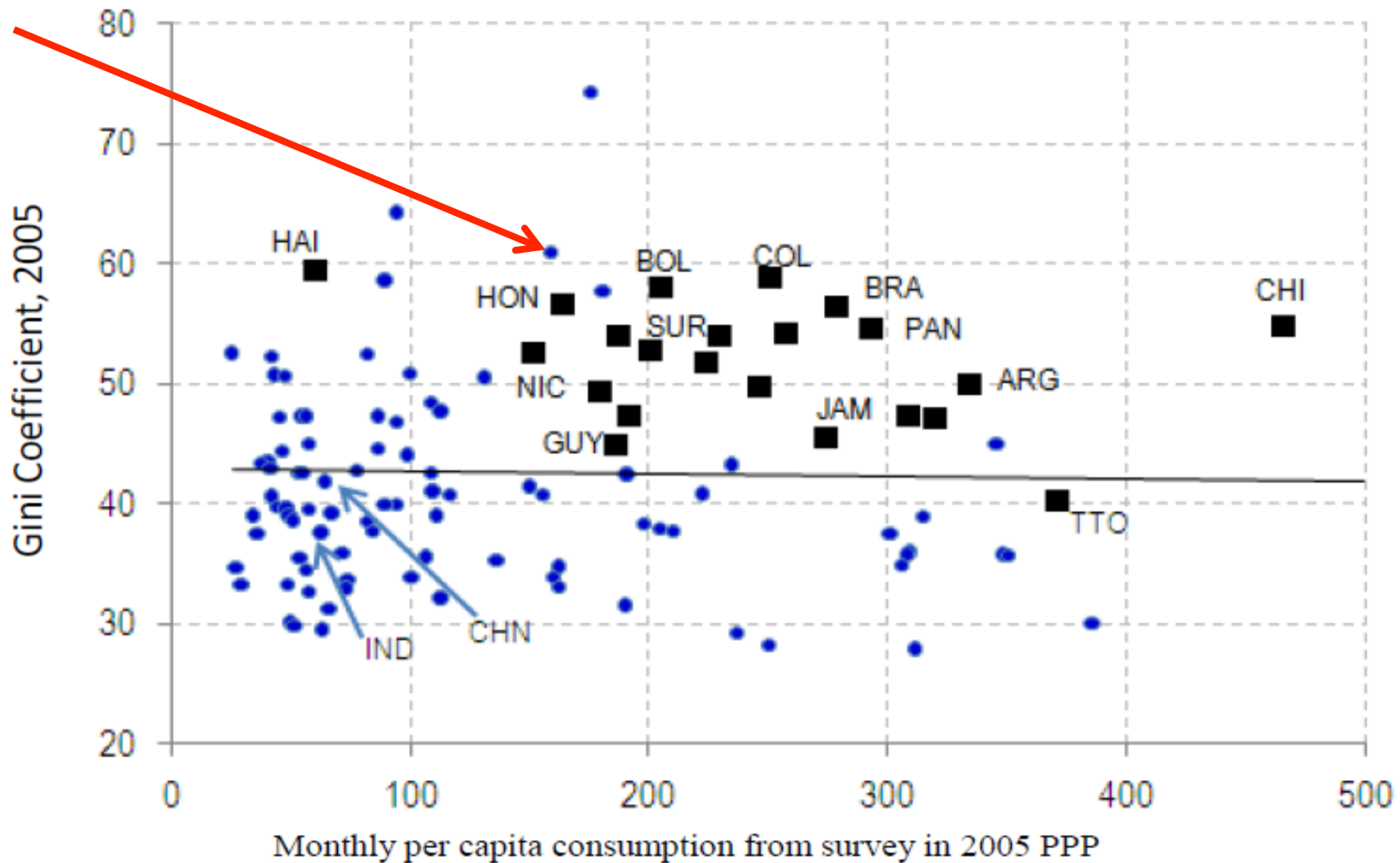
However, no time for complacency...

- Degree of progress is mixed; in some countries targets will not be met
- Extreme poverty remains too high for middle-income LATAM
- Region is still the most unequal in the world

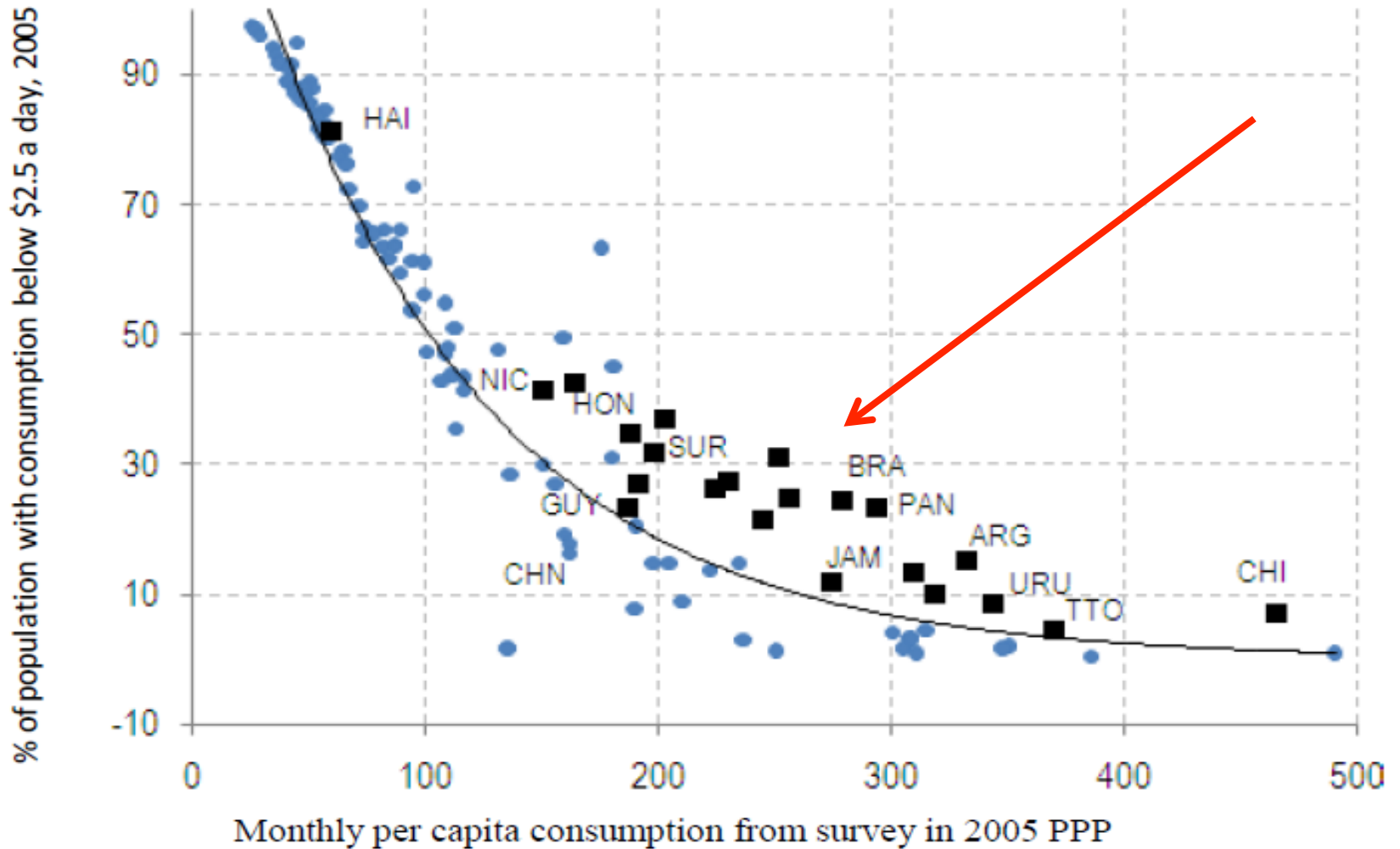
Gini Coefficient by Region (in %), 2004



Excess Inequality (IDB, 2011)



Excess Poverty (IDB, 2011)



However, no time for complacency...

- Most children and youth in Latin America receive low-quality education and a large share does not have access to post-primary education
- Maternal mortality is still too high for the region's level of development and there has been little progress toward remedying this problem
- Although public spending has become more pro-poor, income redistribution via taxes and transfers is still low and high proportion of poor not covered by existing transfer programs

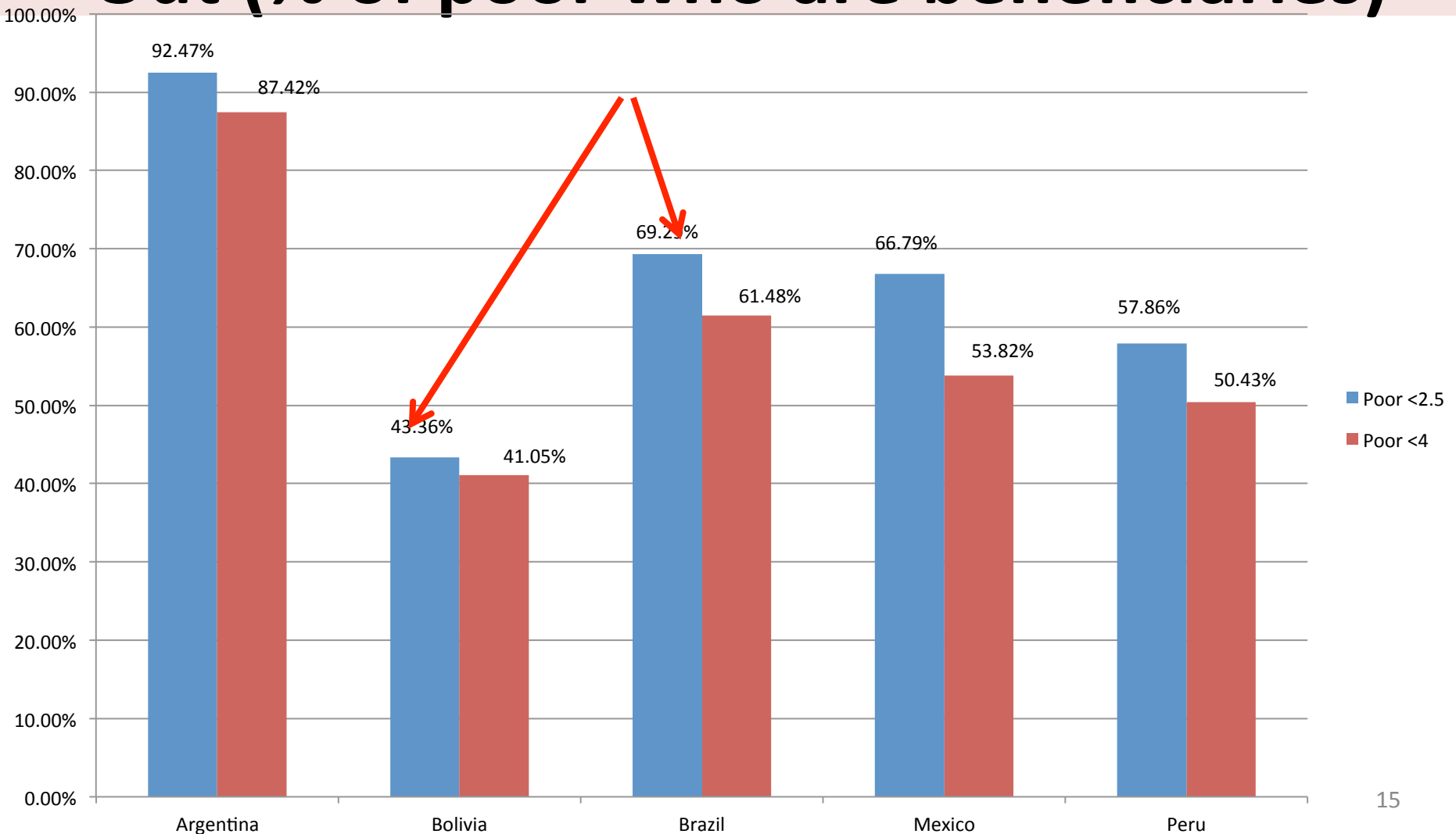
**LATIN AMERICA (SELECTED COUNTRIES): TRENDS IN MATERNAL
MORTALITY RATIOS
(INDICATOR 5.1 OF THE MILLENNIUM DEVELOPMENT GOALS), 2001-2008**

(Per 100,000 live births)

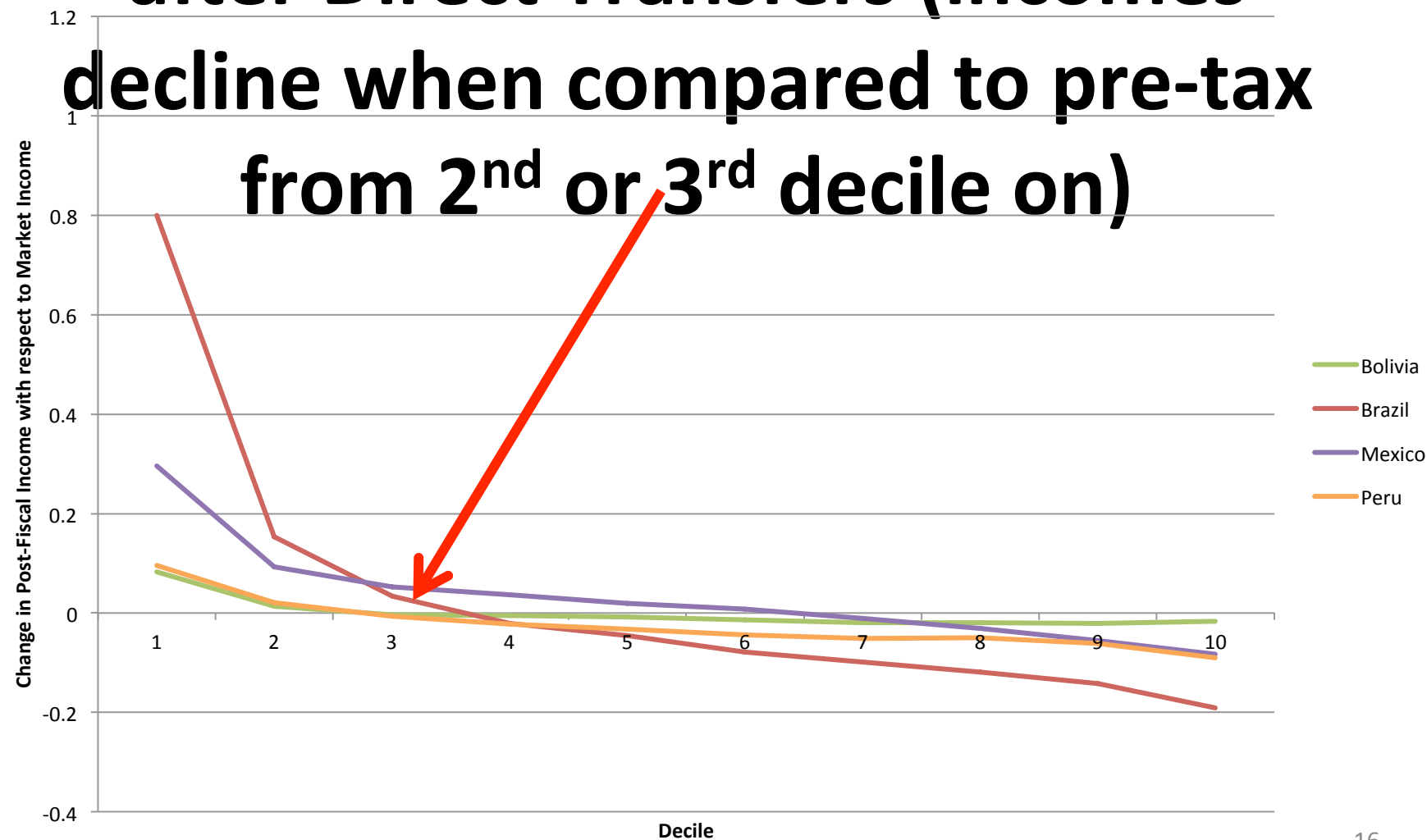
Country	2000	2001	2002	2003	2004	2005	2006	2007	2008
Downward Trend									
Paraguay	164	159.7	182.1	174.1	153.5	128.5	121.4	127.3	--
Colombia	104.9	98.6	84.4	77.8	78.7	78.7	72.9	70	75.6
Mexico	72.6	70.8	59.9	62.6	60.9	61.8	58.6	55.6	57.2
Nicaragua	--	87	95.6	82.8	87.3	86.5	90.4	76.5	--
Venezuela (Bolivarian Republic of)	--	60.1	67.2	68	57.8	--	59.9	--	56.8
Little variation									
Brazil	73.3	70.9	75.9	73	76.1	74.7	77.2		
Cuba	40.4	33.9	41.1	39.5	38.5	51.4	49.4	31.1	46.5
Costa Rica	35.8	31.4	38	32.9	30.5	36.3	39.3	19.1	
Chile	18.7		16.7	13.4	17.3	19.8	18.1	18.2	
Upward Trend									
Dominican Republic	--	69	82	63	75.3	91.7	80	72.8	86.3
Argentina	35	43.5	46.1	43.6	40.1	39.2	47.8	43.7	--

Source: Pan American Health Organization (PAHO), Basic Indicator Database, February, 2010

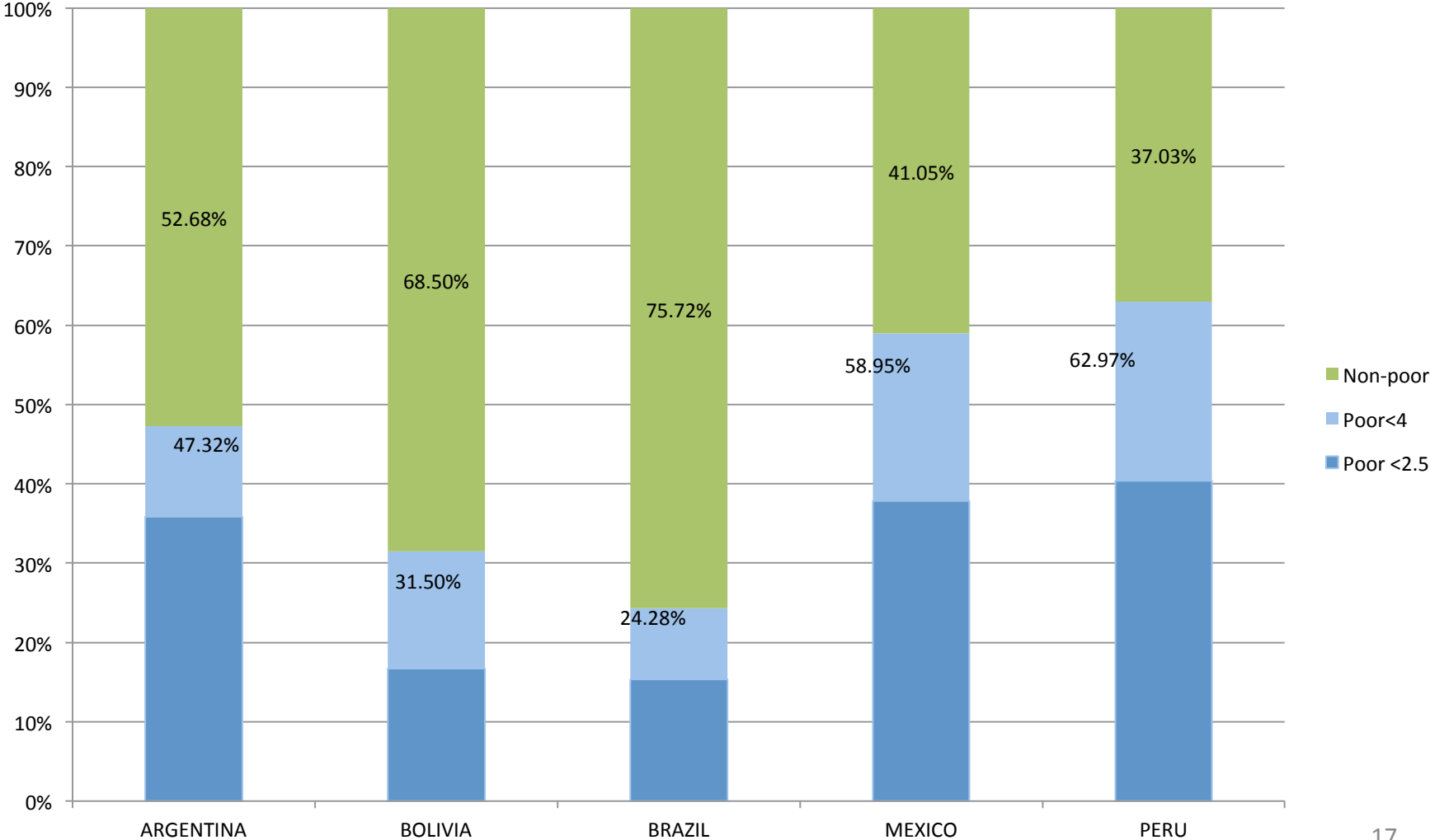
Coverage of Transfer Programs Leaves a Considerable Proportion of Xtreme Poor Out (% of poor who are beneficiaries)



Indirect Taxes Hurt the Poor Even after Direct Transfers (incomes decline when compared to pre-tax from 2nd or 3rd decile on)



Share of Benefits to Nonpoor High (green bars)



Five main recommendations emerge:

1. Implement policies designed to serve those who are excluded from existing social protection systems,
 - especially the poor who do not currently receive benefits,
 - young people at risk and
 - those who have been impoverished by adverse shocks (economic crisis and rising food prices, for example).

Five main recommendations emerge:

2. Reduce inequality of opportunity for all groups, regardless of socioeconomic status, ethnic background, age or gender, particularly in terms of ensuring access to quality education up through the higher secondary level.

Five main recommendations emerge:

3. Implement actions that significantly reduce preventable deaths, particularly maternal mortality.

Five main recommendations emerge:

4. Transform fiscal policy (taxes and transfers) to make it more redistributive.

Above all,

- use public spending to eradicate extreme poverty,
- modify tax collection systems to more effectively tax the income and wealth of rich individuals,
- and eliminate expenditures that worsen income distribution.

Five main recommendations emerge:

5. Significantly improve data bases to more broadly assess the progress and effectiveness of public policies in reducing poverty and inequality and in promoting social development.

OECD could help:

-Systematic collection of comparable social spending series (no multilateral organization has been made responsible for this)

-Generating tax and benefit incidence analysis on a recurrent basis

-Transparency of information codes: e.g., tax returns to analyze evolution of top incomes

-Information on inequality, poverty and social indicators for Caribbean

References:

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- **“Declining Inequality in Latin America: How Much, Since When and Why?”** Lustig, Lopez-Calva and Ortiz, Working Paper, Tulane University, 2011.
<http://ideas.repec.org/p/tul/wpaper/1118.html>
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http://www.wider.unu.edu/publications/working-papers/2012/en_GB/wp2012-010/
- ***Fiscal Policy and Income Redistribution in Latin America: Challenging the Conventional Wisdom***, Lustig et al., Tulane University, under revision, March 2012