



Trigésimo noveno  
período de sesiones  
de la CEPAL

Buenos Aires,  
24 a 26 de octubre | **2022**

Panel 1. Cambios en la globalización y retos para la región

# “Correcting course” on poverty and inequality reduction in LAC

October 24, 2022

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**WORLD BANK GROUP**  
Poverty & Equity

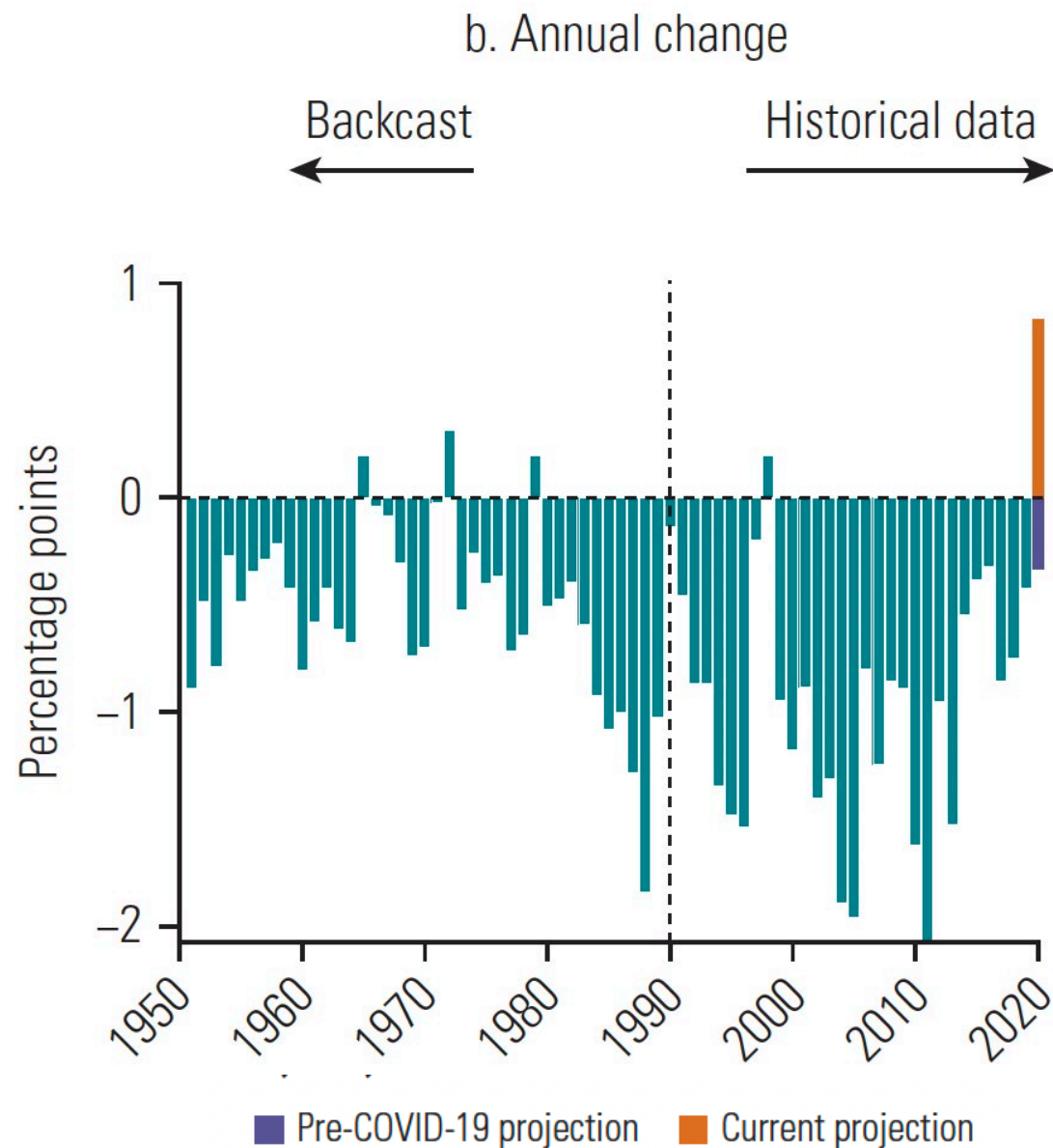
# Course correction is needed

- **Poverty reduction has stalled.** Poverty reduction was slowing before 2020, poverty increased by historic proportions in 2020, and recovery has been weak. The 2030 target is out of reach.
- **2020 saw the first increase in global inequality in decades** and has been followed by a divergent recovery.
- **Improving fiscal policy can help correct course**, but it requires ambitious efforts. Policies that bring long-run growth have the highest impact, particularly in poorer economies. Redistributive policies are impactful in upper-middle income countries.

The background is a solid blue color. On the left and right sides, there are decorative geometric patterns in a lighter shade of blue. These patterns consist of overlapping circles, diamonds, and semi-circles, creating a modern, abstract design.

At a **global level**,  
we are no longer on track to end  
poverty by 2030

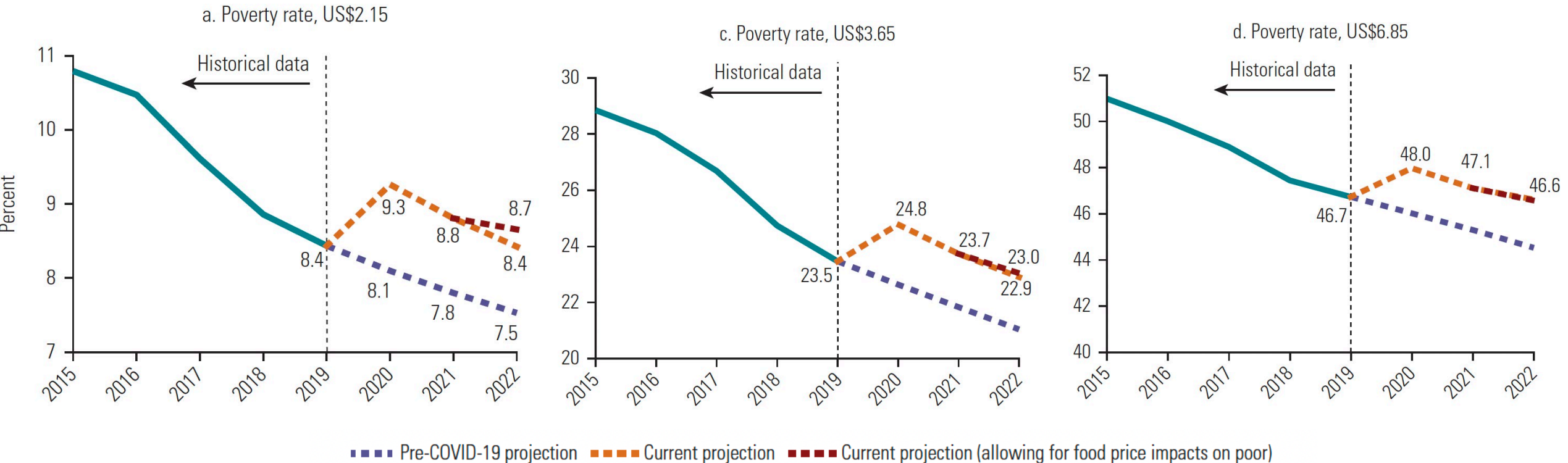
Decades of  
successful  
progress in  
global poverty  
reduction  
stopped in  
2020



Source: World Bank Poverty and Shared Prosperity Report (2022).

Estimates based on Mahler et al. (forthcoming); Poverty and Inequality Platform; Global Economic Prospects.

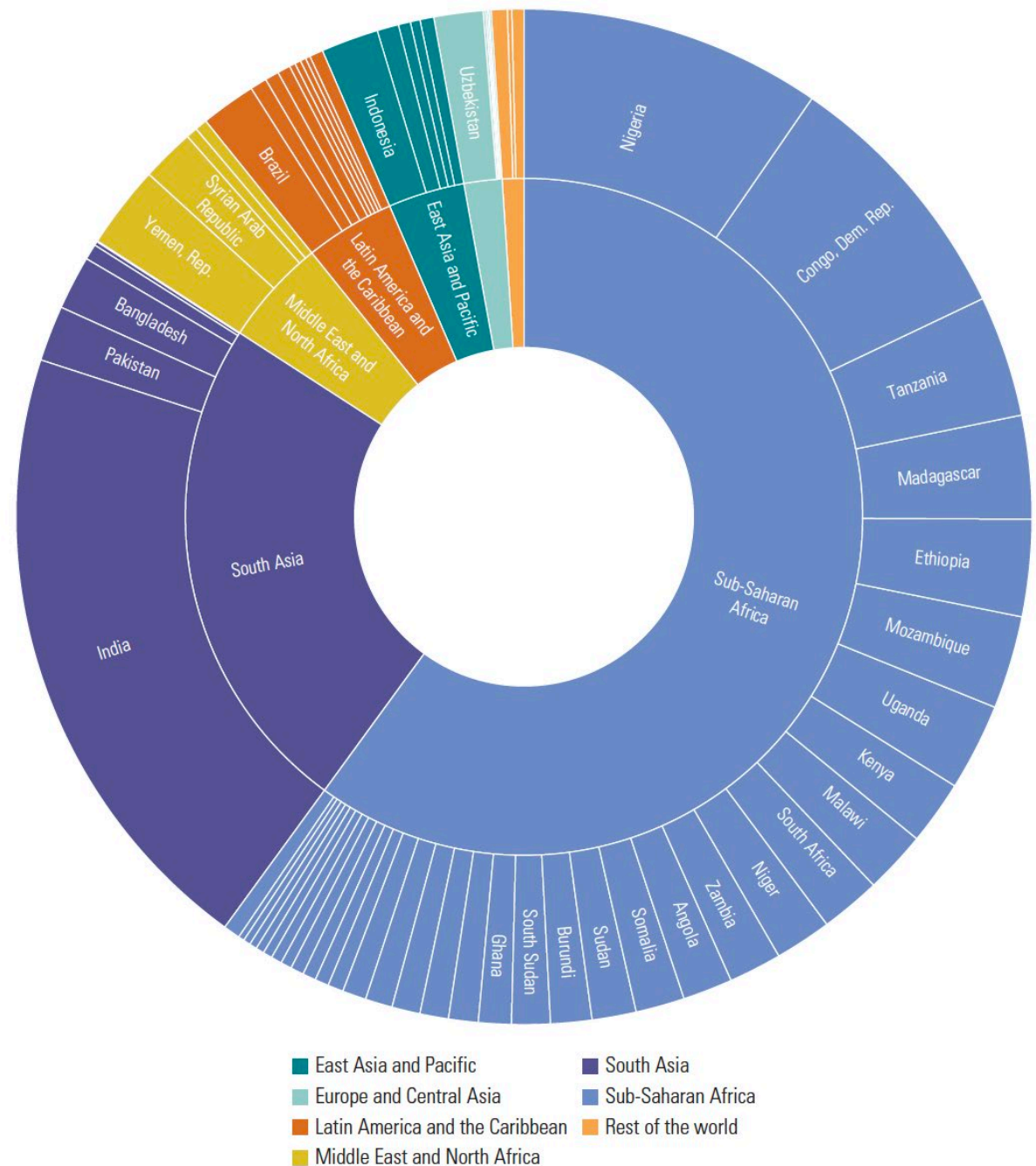
# 2022 is on track to be the second-worst year for poverty reduction in the last 22 years (after 2020)



Source: World Bank Poverty and Shared Prosperity Report (2022).

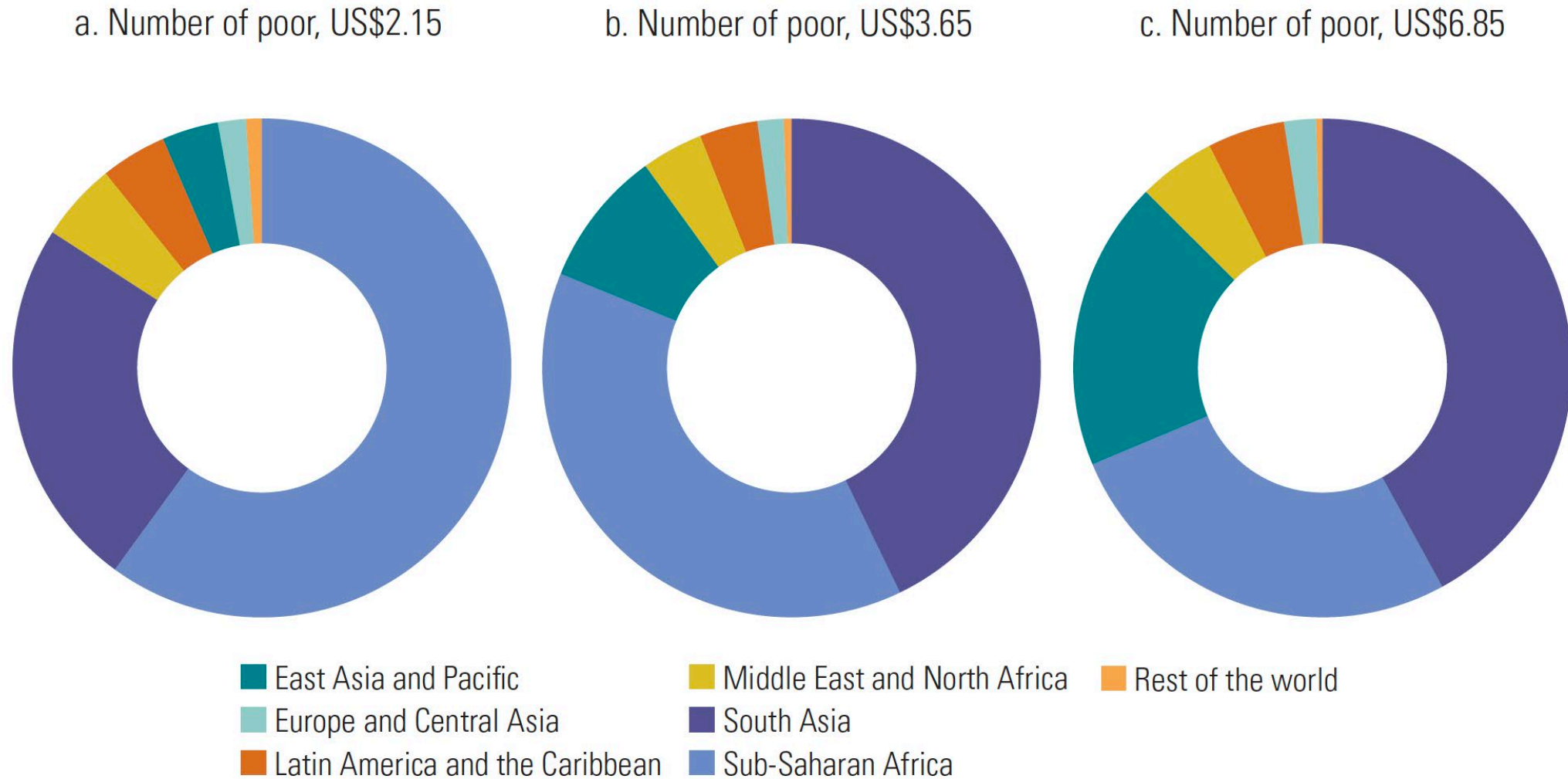
Estimates based on Mahler et al. (forthcoming); Poverty and Inequality Platform; Global Economic Prospects.

The global  
extreme poor  
are  
concentrated  
in Sub-Saharan  
Africa



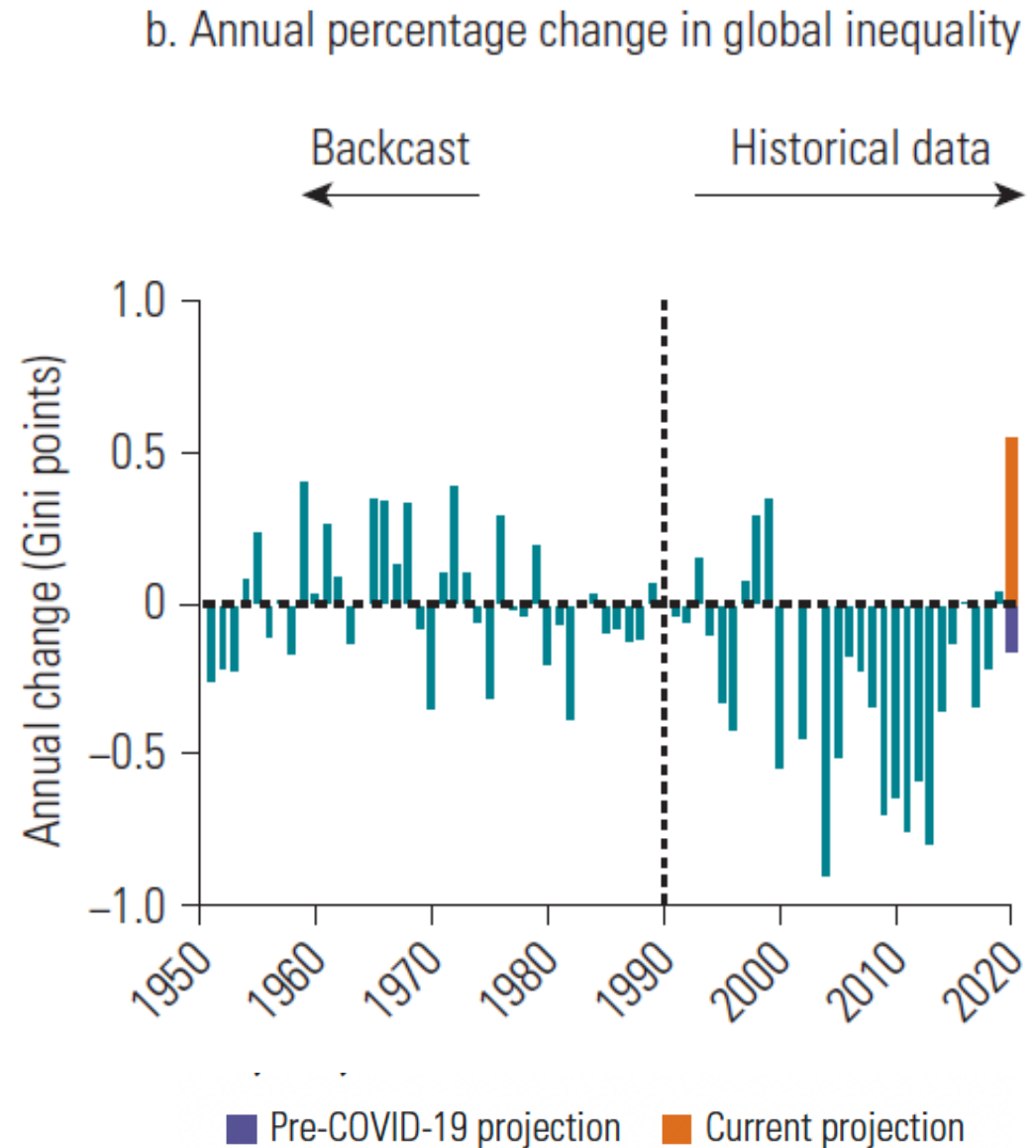
Source: World Bank Poverty and Shared Prosperity Report (2022).

# At higher poverty lines, the regional distribution of the global poor changes



Source: World Bank Poverty and Shared Prosperity Report (2022).

Global  
inequality  
increased in  
2020 for the  
first time in  
decades

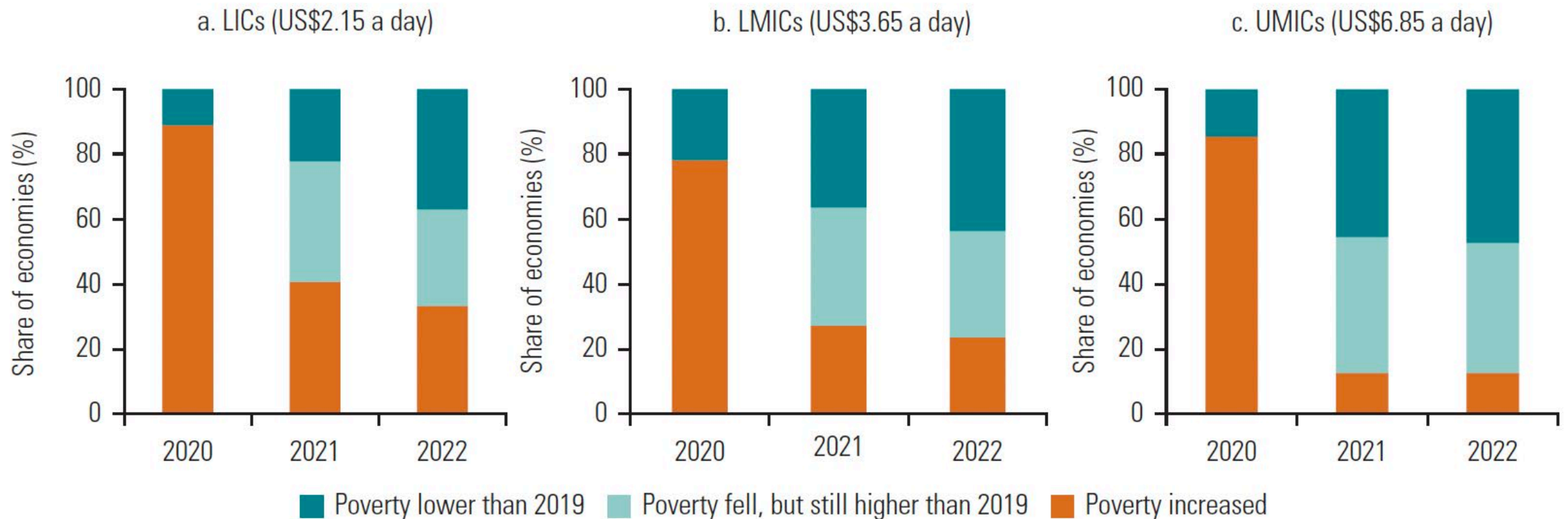


Source: World Bank Poverty and Shared Prosperity Report (2022).

Estimates based on Mahler et al. (forthcoming); Poverty and Inequality Platform; Global Economic Prospects.

# Poverty increased in most countries in 2020, inequality change within countries more mixed

Diverging pathways out of the pandemic have exacerbated global inequality, with richer countries recovering faster than poor countries.



Source: World Bank Poverty and Shared Prosperity Report (2022).

Estimates based on Mahler et al. (forthcoming); Poverty and Inequality Platform; Global Economic Prospects.

# Other measures of poverty underscore challenges of the moment

**The [nonmonetary dimensions](#) of pandemic impacts may ultimately prove to be even more costly**

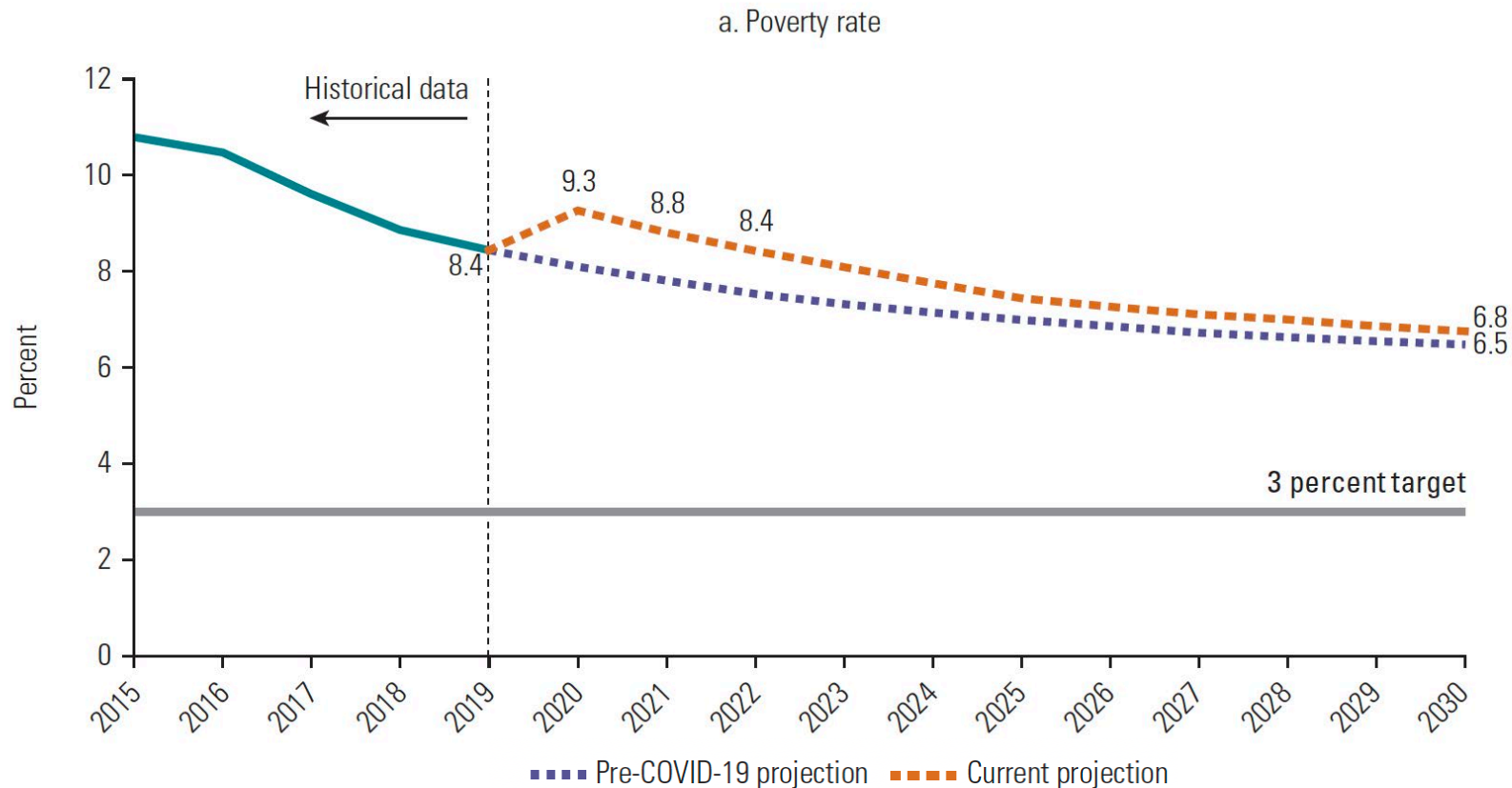
If the learning losses from school closures are not addressed, then the future poverty implications from lower productivity and growth may exceed the poverty increases witnessed in 2020 and 2021.

**Poverty is much higher than the [extreme poverty line](#) suggests**

Using the median poverty line of upper-middle income countries (\$6.85) shows that nearly half the world's population (47 percent) was living in poverty in 2019.

# Projecting forward: extreme poverty eradication out of reach

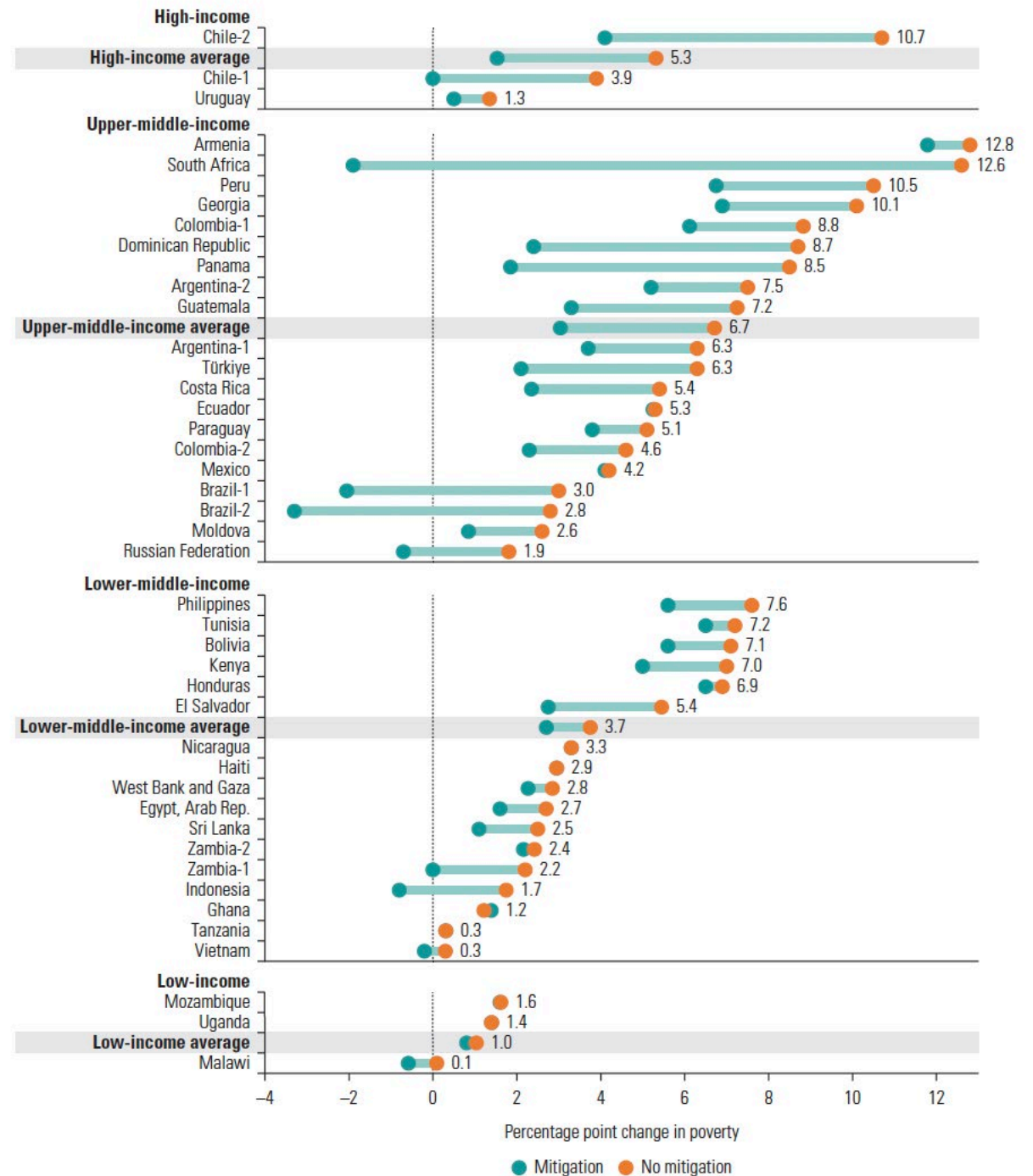
By 2030 poverty will be 6.8 percent. Recent setbacks have put the goal of reducing global poverty to 3 percent by 2030 almost out of reach, and there is an urgent need to correct course.

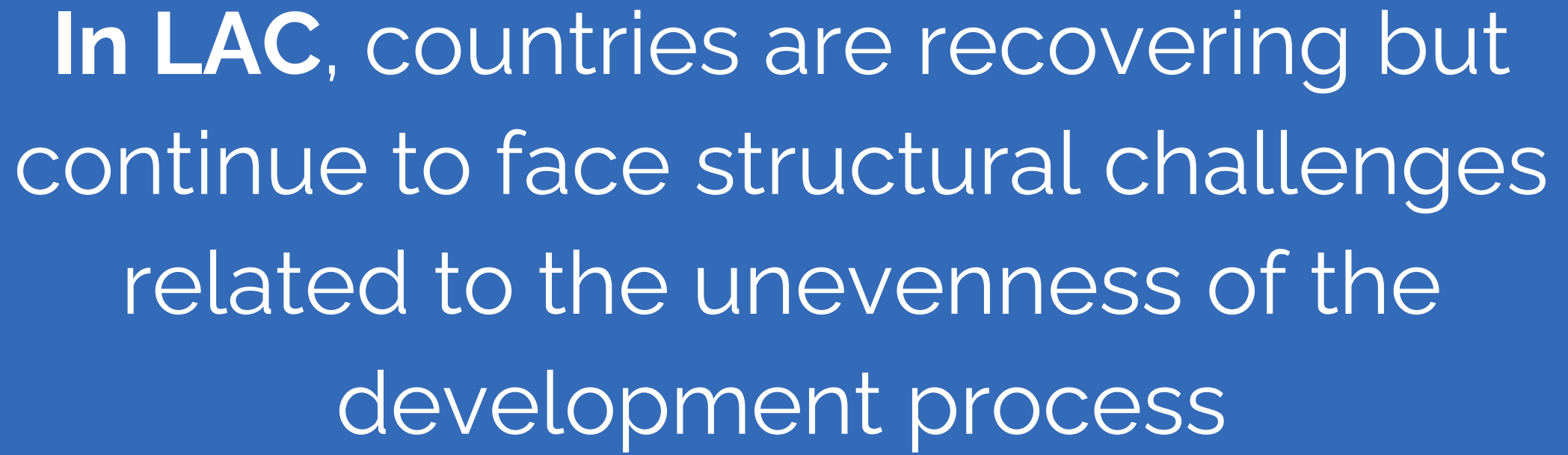


Source: World Bank Poverty and Shared Prosperity Report (2022).

Estimates based on Mahler et al. (forthcoming); Poverty and Inequality Platform; Global Economic Prospects.v

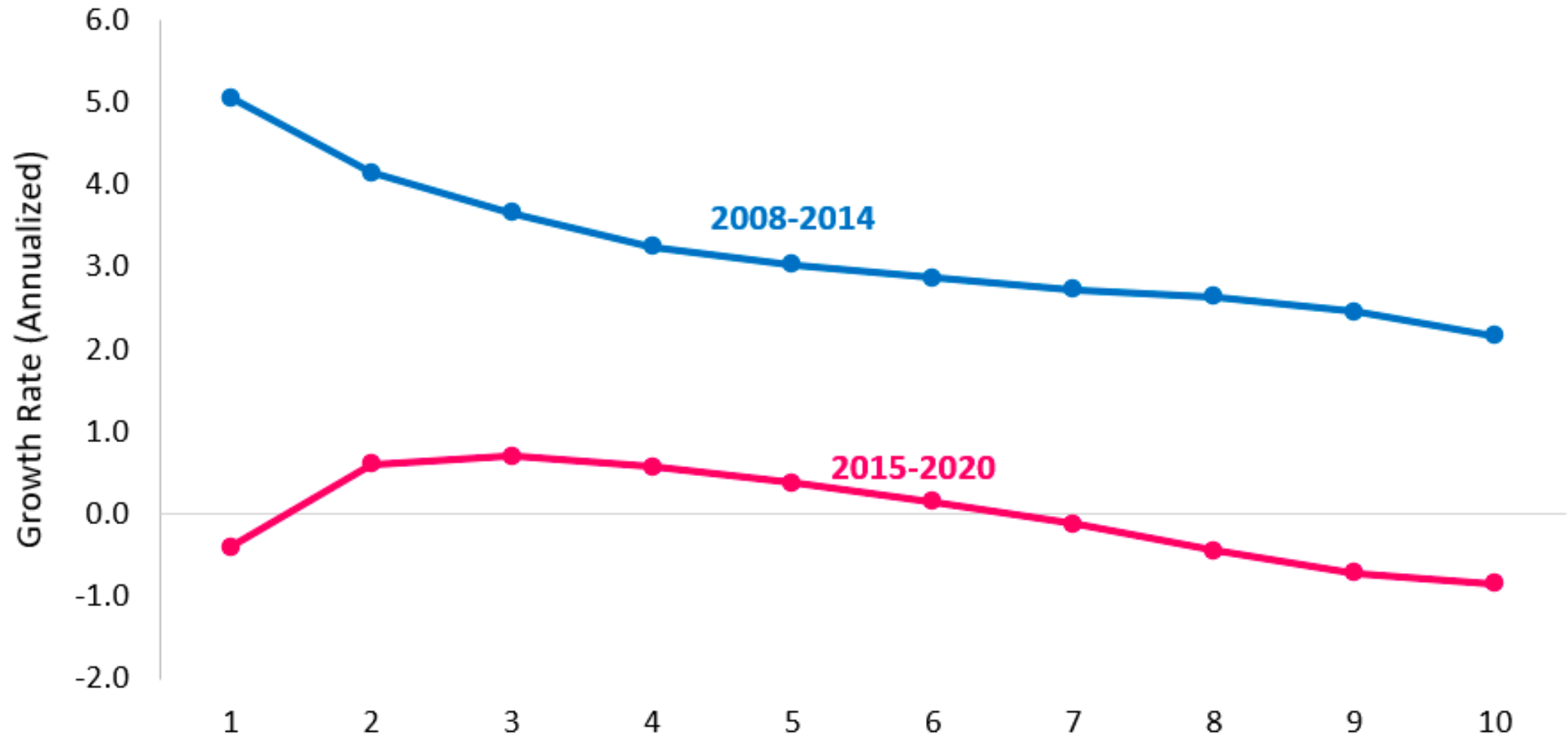
The fiscal response to COVID-19 protected welfare, but less so in low- and middle-income countries





**In LAC**, countries are recovering but continue to face structural challenges related to the unevenness of the development process

# Both the level and shape of growth in LAC has changed



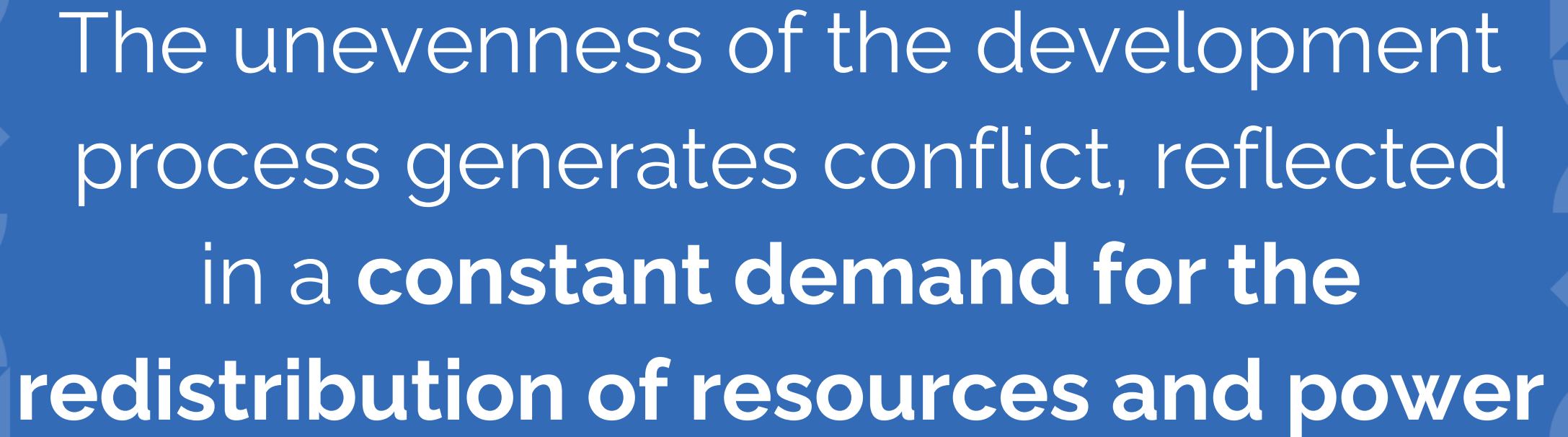
Source: World Bank Poverty & Equity LAC Team for Statistical Development

ratio of income share held by Top 10% / Bottom 40%....

And income  
remains highly  
concentrated  
at the top

0.0 0.5 1.0 1.5 2.0 2.5 3.0 .5

Source: World Bank PIP Platform



The unevenness of the development process generates conflict, reflected in a **constant demand for the redistribution of resources and power**

If there is no effective mechanism to process these tensions, this can lead to “exit”

**Violence**

**Migration**

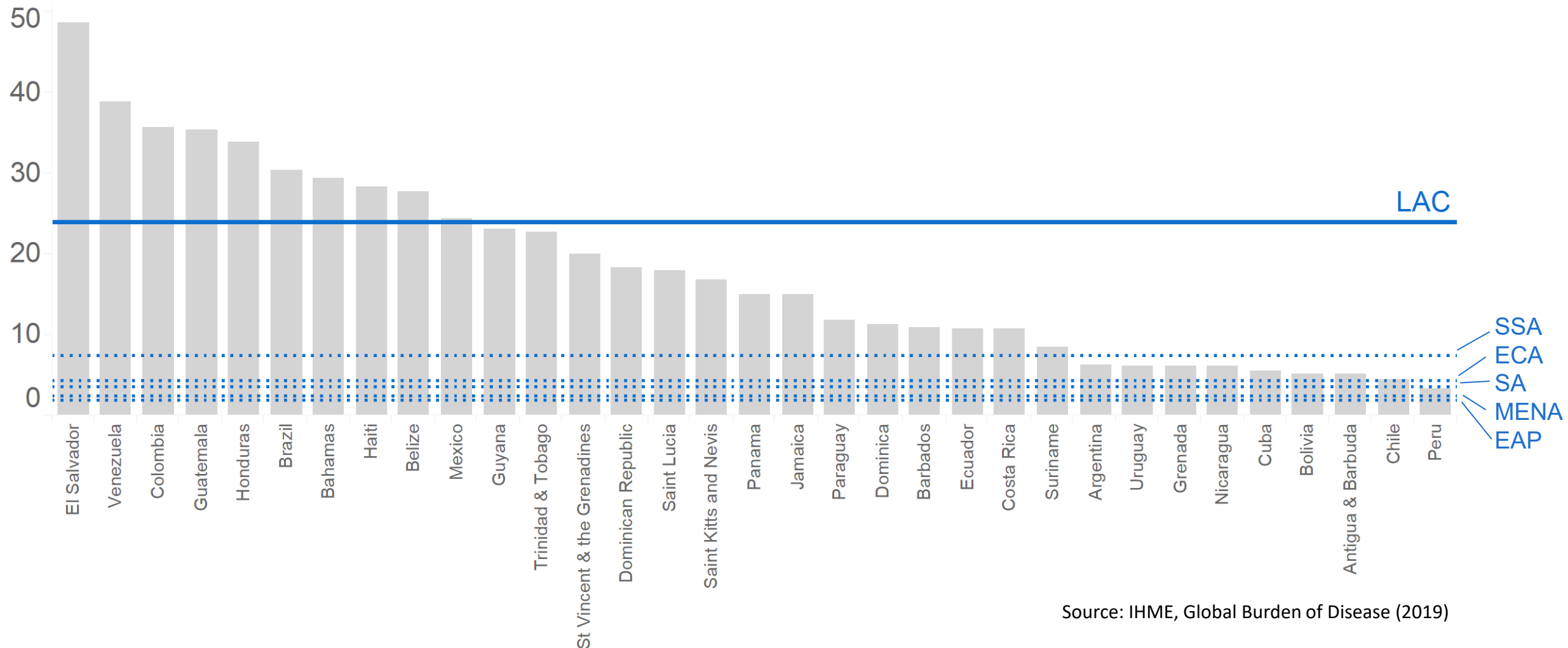
**Informality**

**Crisis of  
representation**

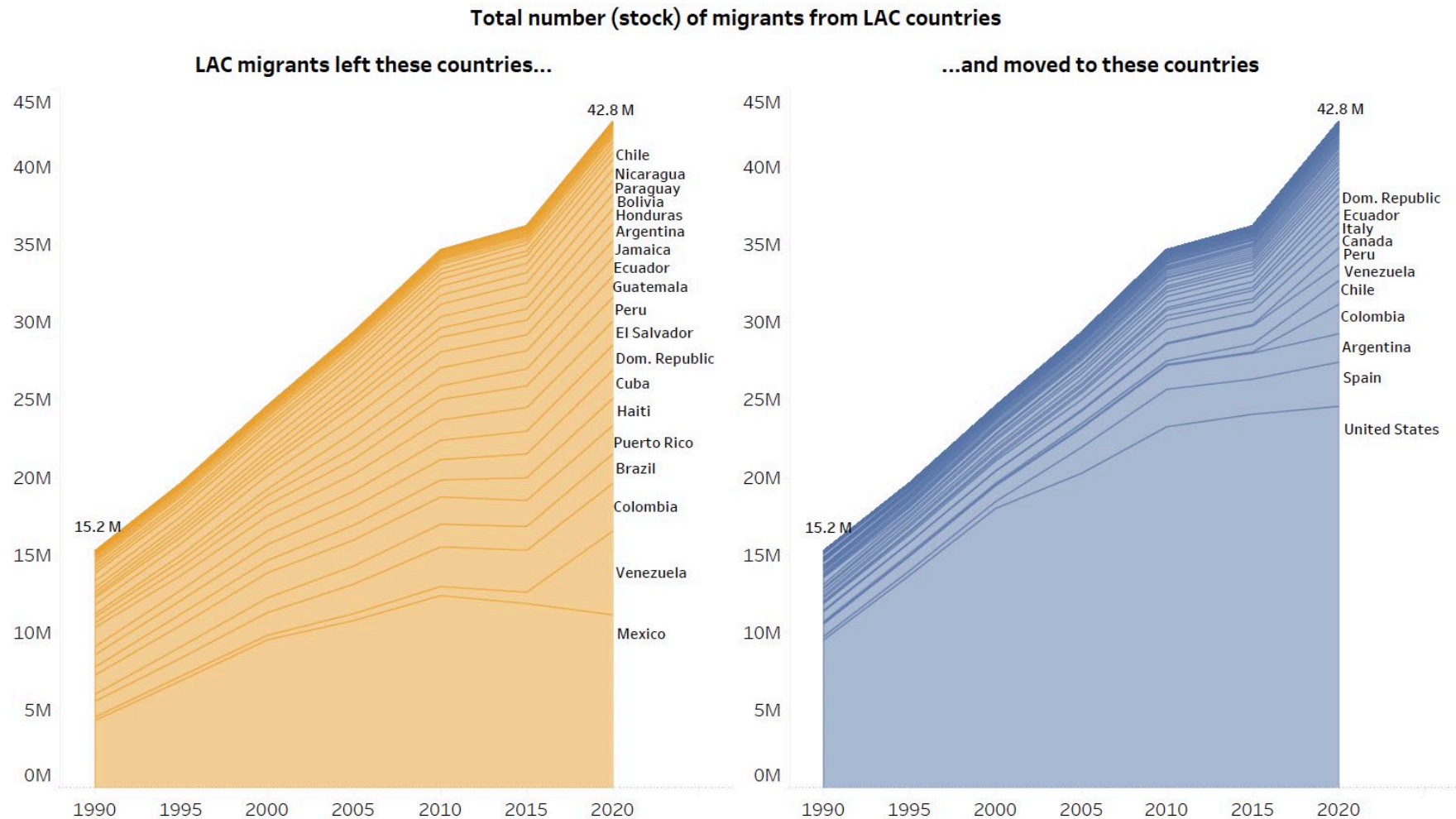
**Opting out of  
public services**

# Despite being home to ~8% of the global population, LAC is home to ~37% of global homicides

Homicide rate (per 100,000 people)



# Over the past 30 years, the number of LAC-born people living abroad has increased almost 3 times

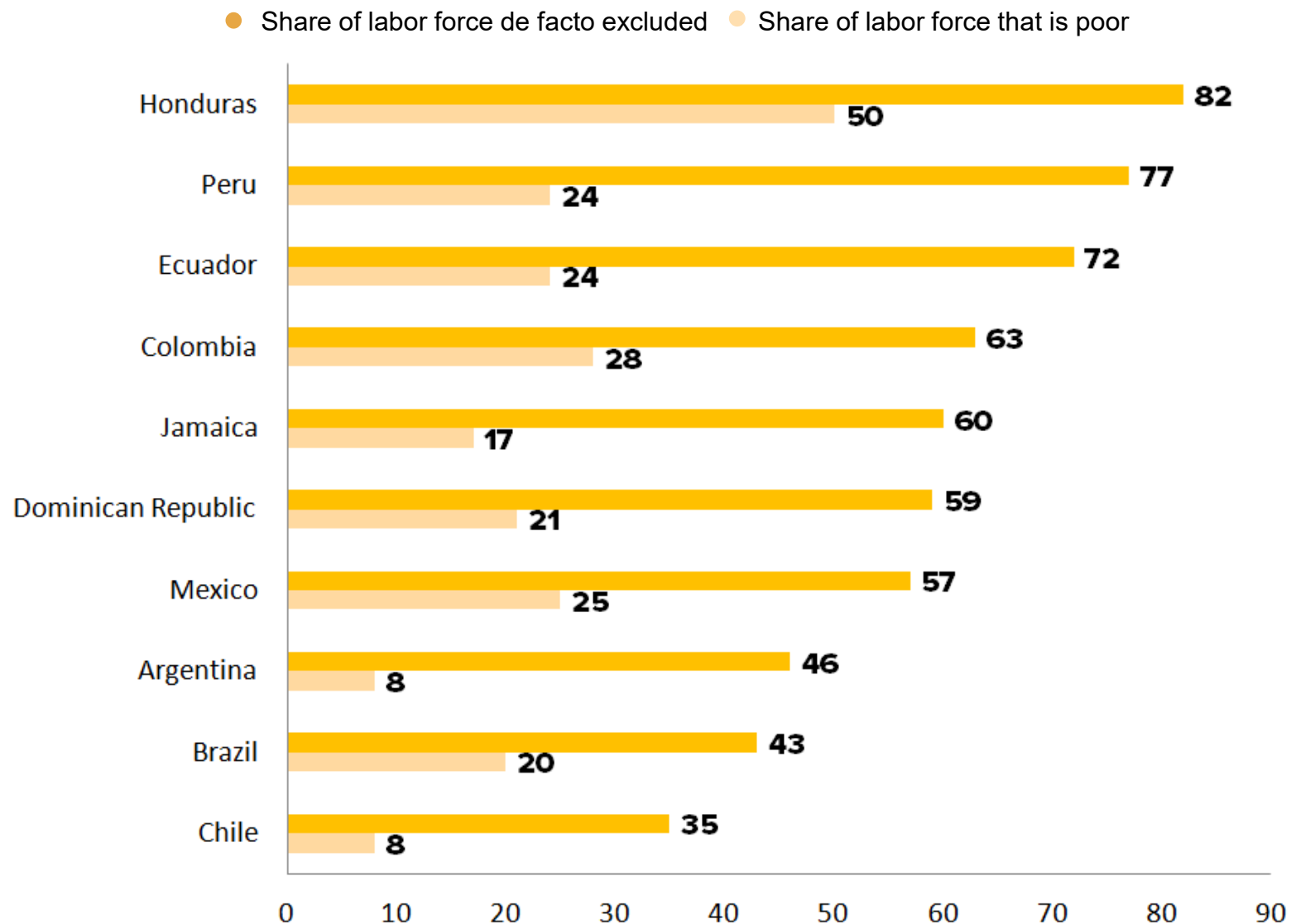


Source: United Nations, Department of Economic and Social Affairs, Population Division (2020). International Migrant Stock 2020.

Note: Stocks are calculated mid-year and include all foreign-born residents in a country (including refugees) regardless of when they entered the country. Stock data should not be confused with annual migration flow data (i.e. the number of migrants that entered or left a country within one year).

Large shares of the labor force are excluded from the most important social protection programs

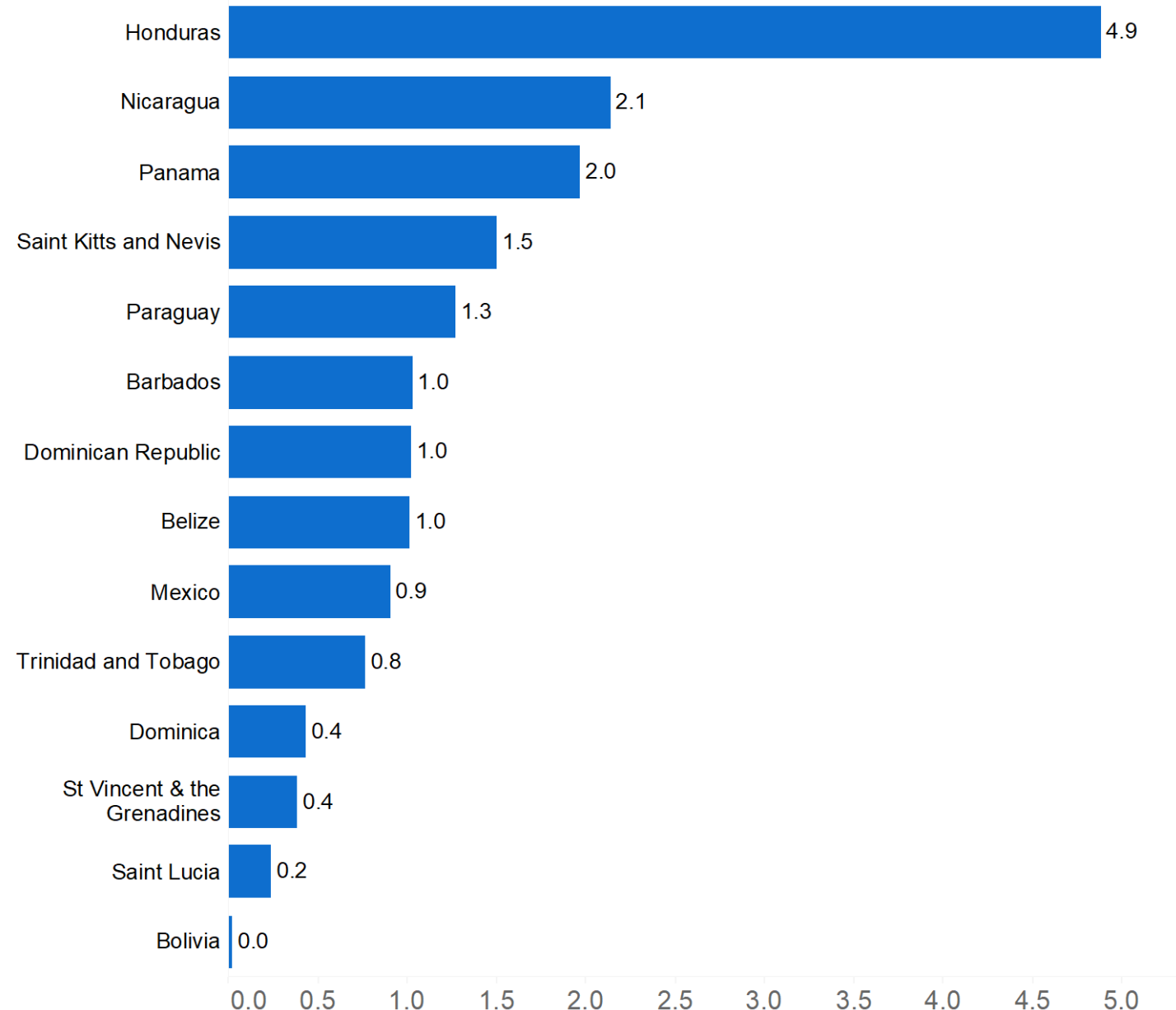
## Population legally excluded from contributive social security systems, employment stability and minimum wage



Source: Levy and Cruces 2021, Background Paper of the UNDP LAC RHDR 2021; UNDP calculations using national household surveys. Note: Workers in households under the poverty line of \$5.50 a day, 2011 PPP

In some LAC  
countries,  
private security  
workers equal  
or far  
outnumber  
public police  
officers

Ratio of private security workers to police officers

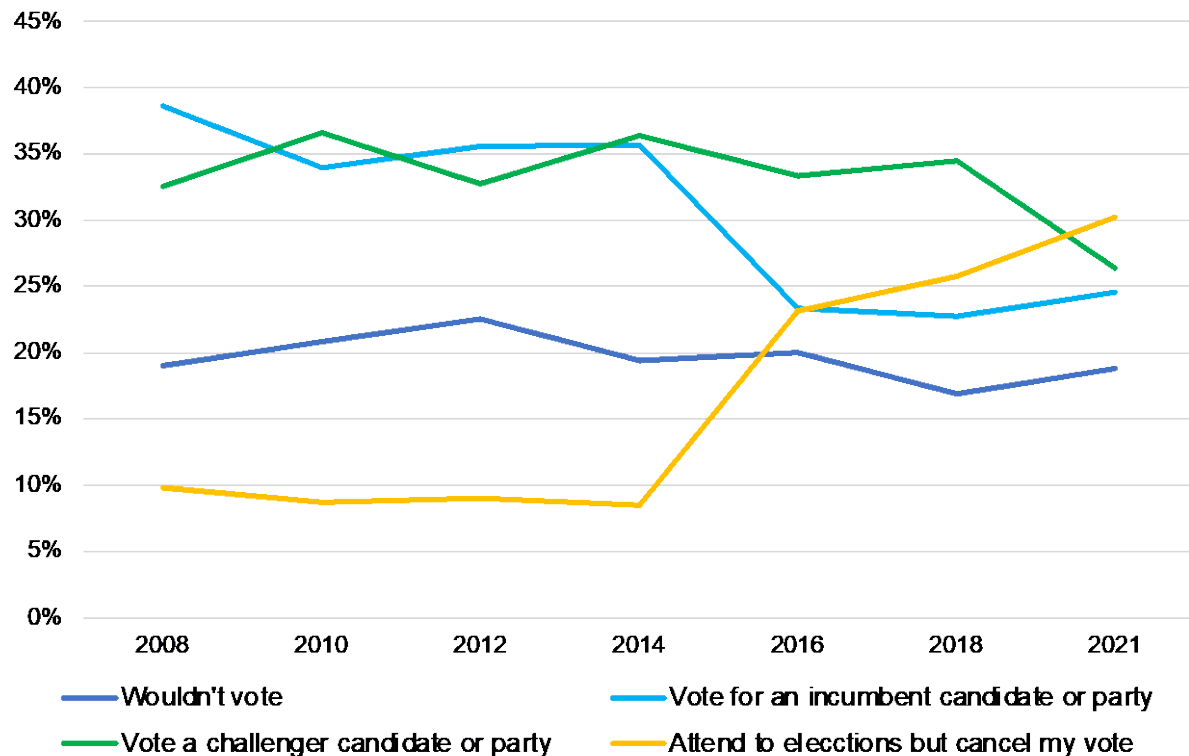


Source: The Guardian (2017). "The Industry of Inequality: Why the World Is Obsessed with Private Security"

# There is a rise in “anti-system” attitudes among LAC voters

## People in LAC show a commitment to elections, but want a radical change in the political landscape

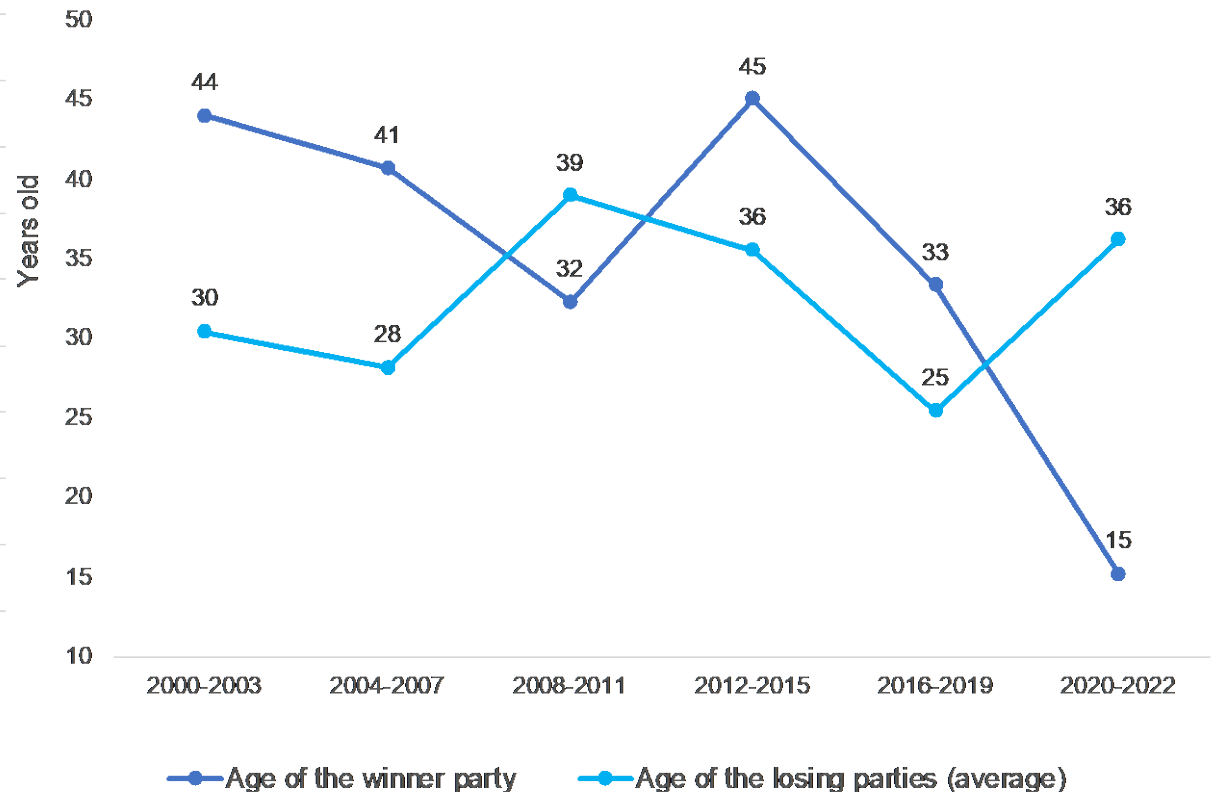
*If the next presidential elections were being held this week, what would you do?*



Source: LAPOP. Americas Barometer. Vanderbilt University  
(UNDP RBLAC, Graph For Thought)

## New political parties are emerging to process the discontent in Latin America

*Avg age of winning parties in presidential elections has dropped substantially in the last 10 years*

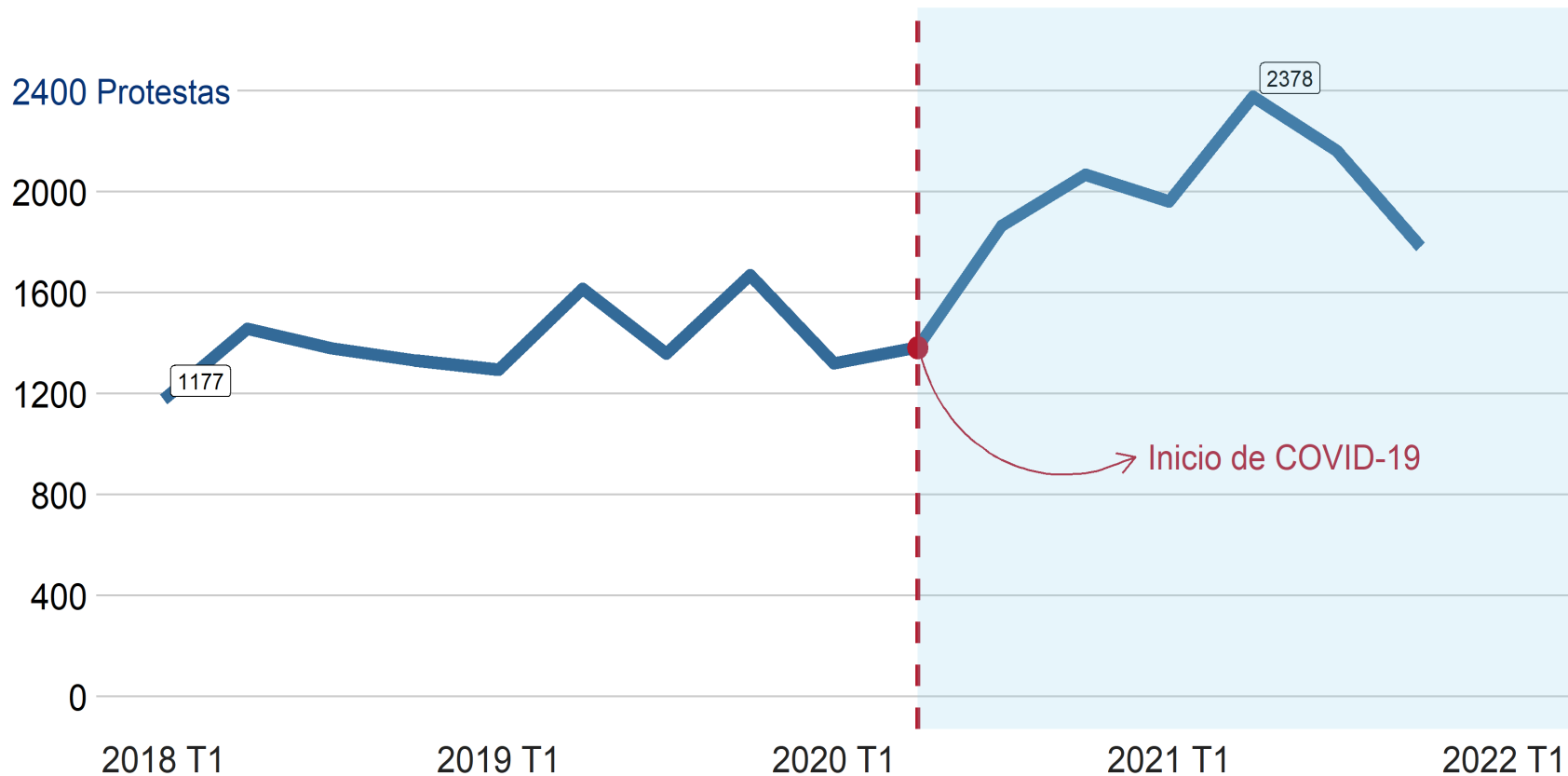


Source: UNDP RBLAC, Graph For Thought.

# The number of protests in LAC doubled between 2018-2021

## En ALC, el número de protestas se duplicó entre 2018 y 2021

Los datos presentan las cifras trimestrales para cada año



A blue horizontal band with a white text overlay. The band is decorated with a geometric pattern of overlapping circles and diamonds in various shades of blue, primarily visible on the left and right edges.

Promoting an inclusive recovery will  
require rethinking **fiscal policy**

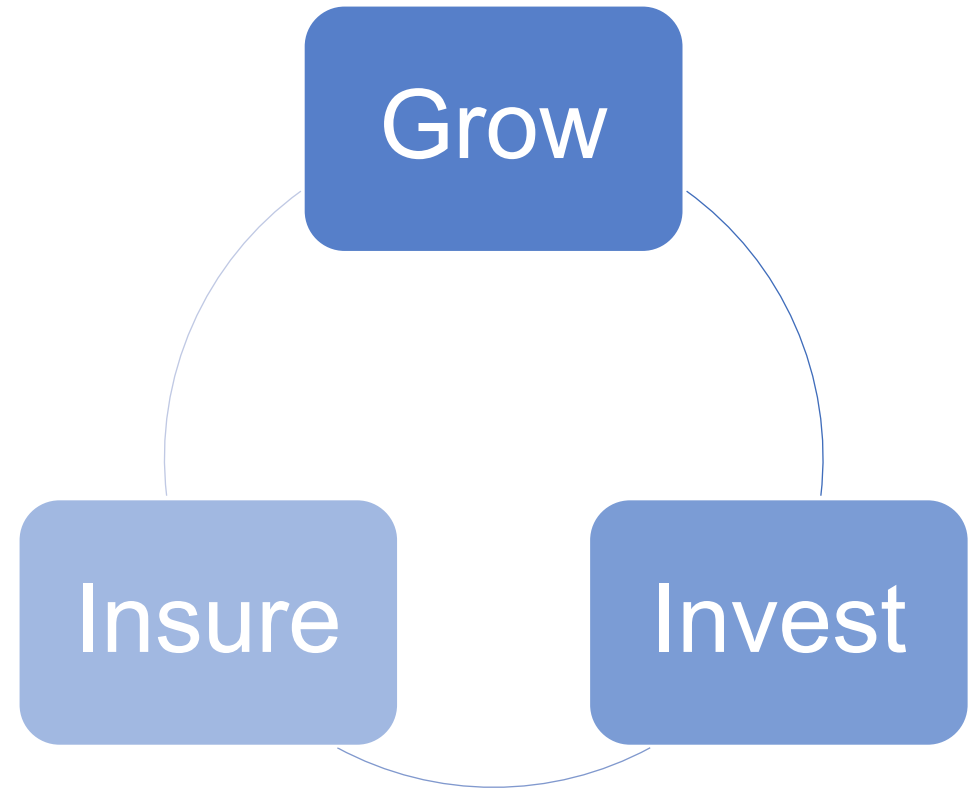
# The road ahead requires fiscal policies that...

## In the **short-term**

- Strengthen safety nets to support vulnerable households (for example, through the provision of targeted cash transfers)

## In the **long-term**

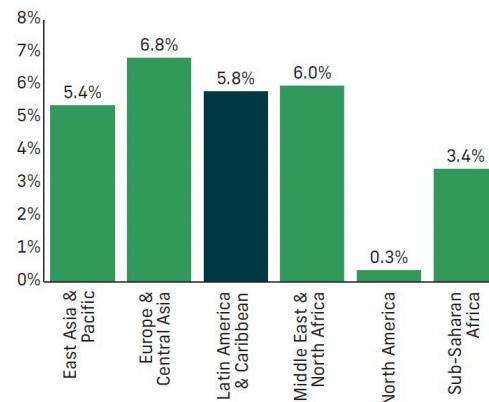
- Invest in the productive capacity of the poor (for example, through investments in high quality universal services such as education and health)
- Build coherent social protection policies that reduce informality and enhance growth potential



This means not only thinking about **how much** fiscal space is available

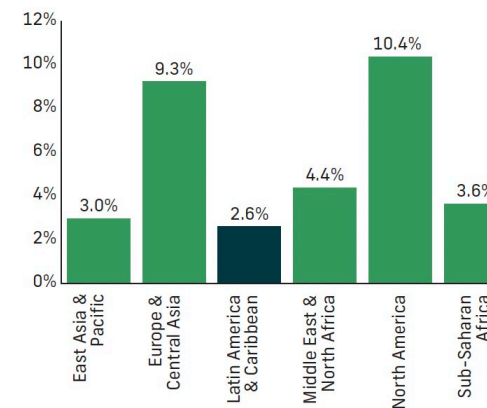
**Figure 2.1. Value Added Tax Collection**

a. As percent of GDP by region



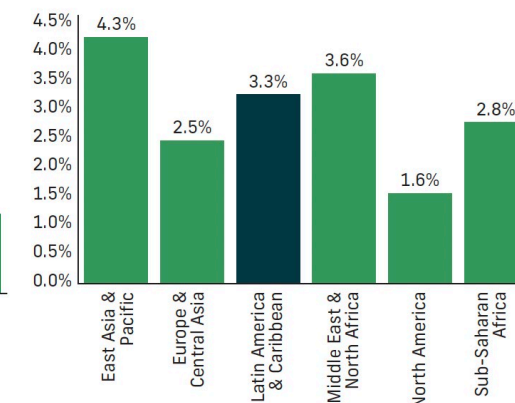
**Figure 2.2. Individual Income Tax Collection**

a. As percent of GDP by region

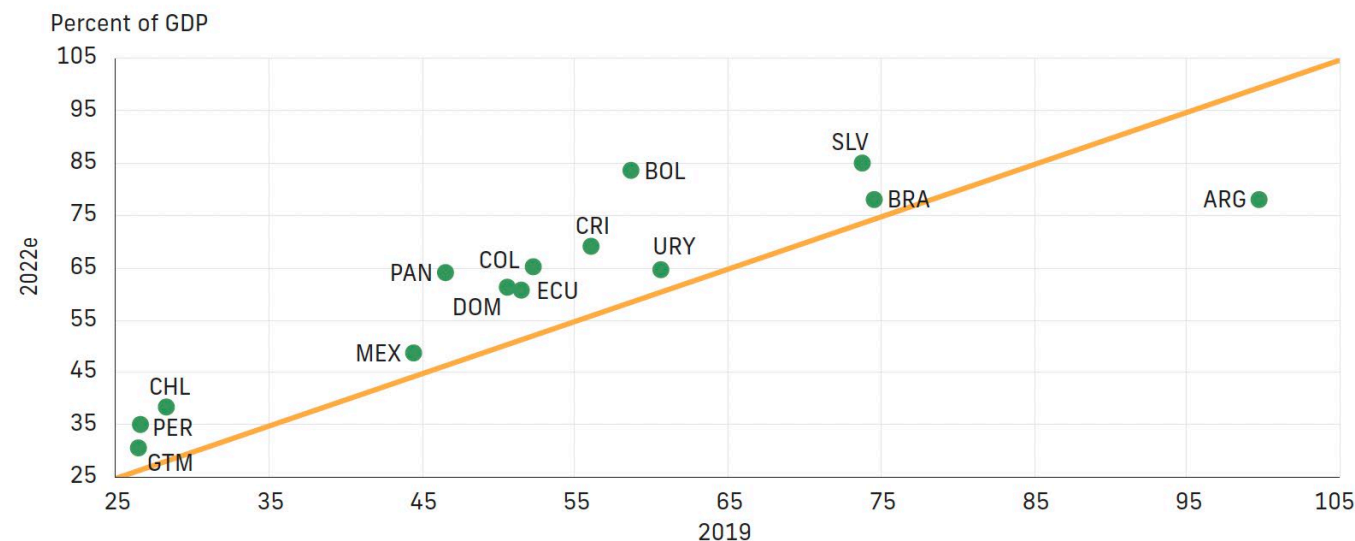


**Figure 2.3. Corporate Income Tax Collection**

a. As percent of GDP, by region



**Figure 1.17. Debt Levels in 2022 Are Significantly Higher than Before the Pandemic**



Source: Macroeconomics, Trade and Investment Global Practice, World Bank (as of September 23, 2022).

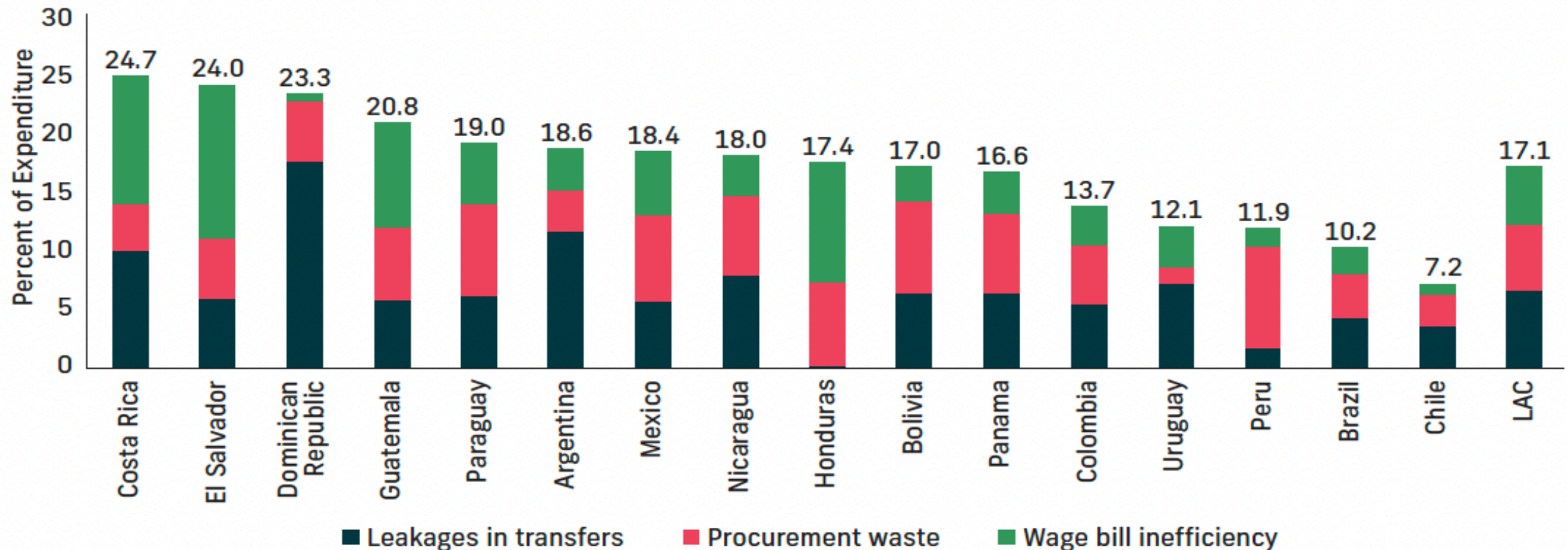
Note: "e" = estimate. International Organization for Standardization (ISO) country codes are used to indicate the country.

Source: World Bank LAC Economic Review (October 2022). "New approaches to closing the fiscal gap"

# But also about **how effectively** existing fiscal space is being used

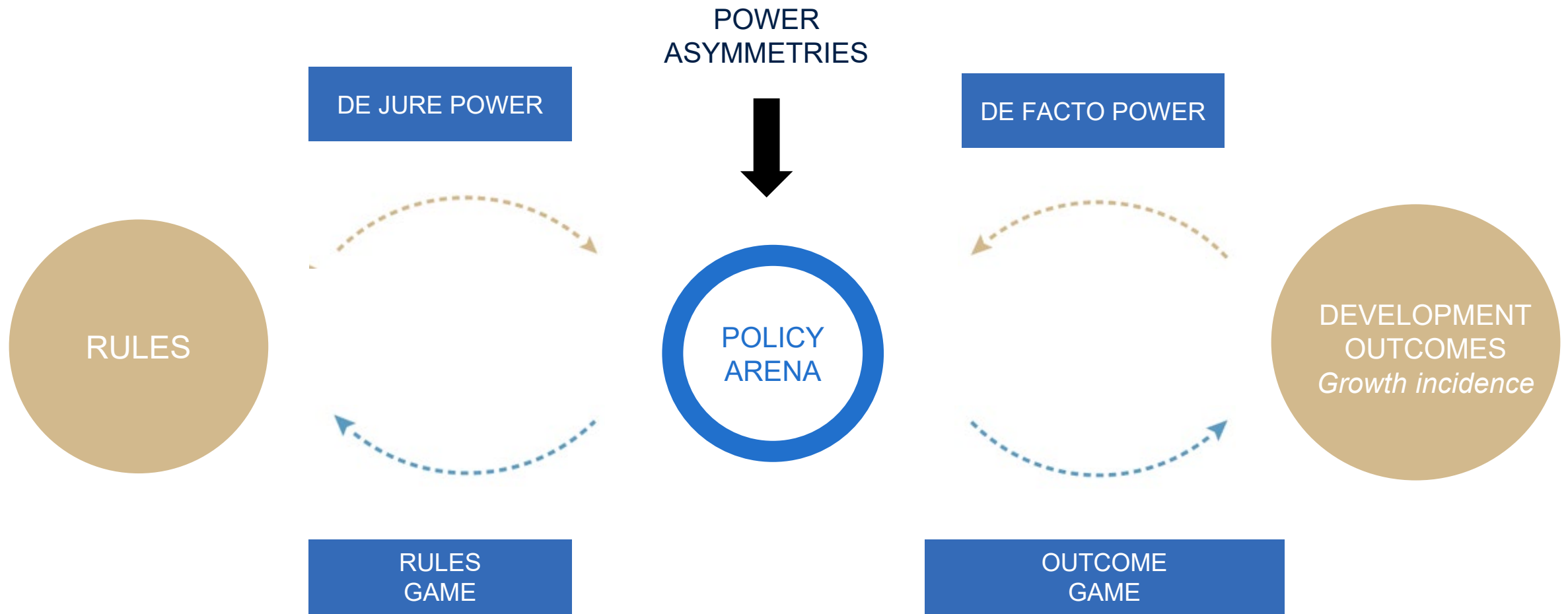
**Figure 2.16. Cost of Waste and Inefficiencies in Public Spending in LAC as a Percent of GDP and**

**b. As percent of total public spending**

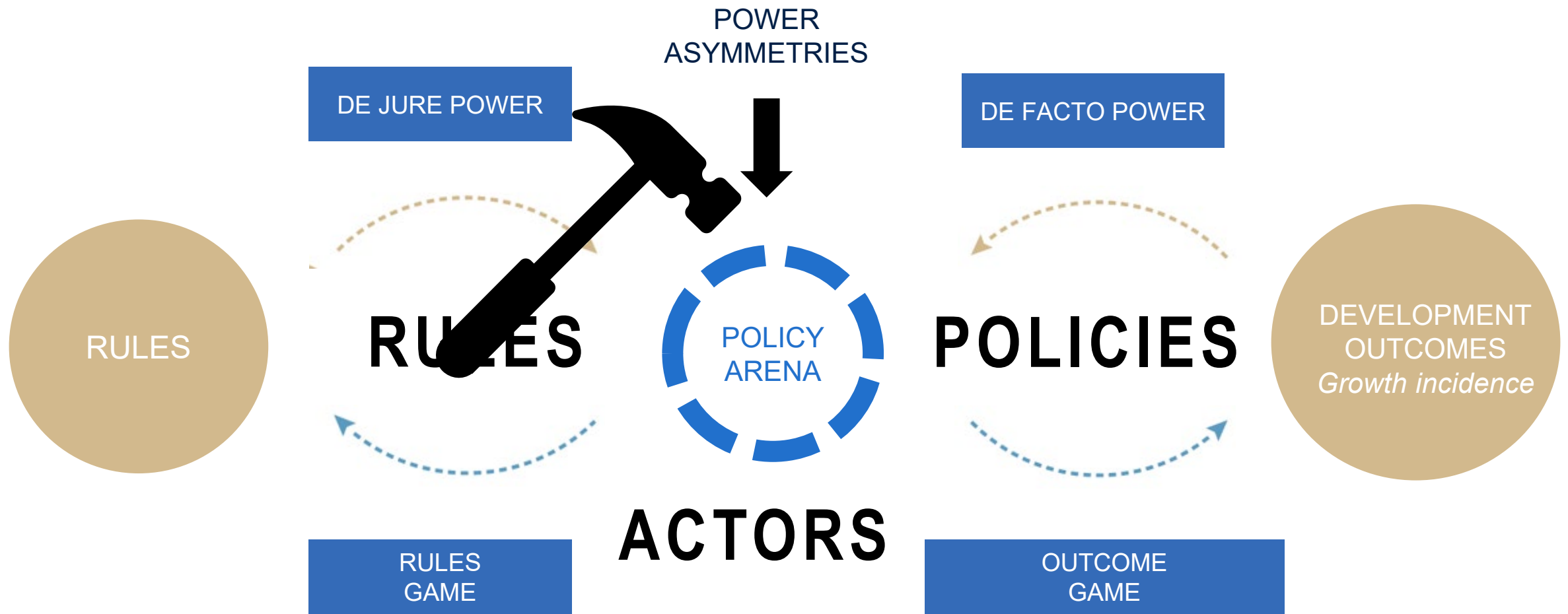


Source: World Bank LAC Economic Review (October 2022). "New approaches to closing the fiscal gap"

# Ultimately addressing this is a question of “governance”



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# Thank you

@LFLopezCalva