

**“Development in transition in Latin America and the Caribbean:
A new approach for inclusive and sustainable development in the region”**

Judging by GDP statistics, growth in Latin America and the Caribbean since the 90s is undeniable. The region’s income per capita has increased by around 50%. Most countries have moved up from low-income status and are now upper middle-income economies. Some have even moved from middle to high-income, including Argentina, Chile, Panama, Trinidad & Tobago, and Uruguay, while others such as Costa Rica or Mexico should do so in the next few years.

But higher national income in Latin American countries has not automatically translated into higher levels of well-being for all. Many still present socioeconomic conditions typical of low-middle income economies, like high informality and low social protection coverage. Countries across the region present disproportionate impacts of climate change, inequalities remain high and other vulnerabilities such as homicide rates and violence are still persistent or growing.

This non-conventional narrative is at the roots of the Development in Transition (DiT) approach, promoted by the UN Economic Commission for Latin America and the Caribbean, the European Commission and the OECD Development Centre. The idea of better understanding LAC’s development process made us quickly realise that the region is not following a linear development pathway. LAC countries are far from following their peers in South-east Asia where many have managed to translate economic growth into inclusive and wealthier societies and have surpassed the middle-income trap in few years. LAC countries present dynamic economies but they also show persistent vulnerabilities that require a renewed look at the “development models” of the region, including by developing new tools at the national and international levels to meet their full potential.

Persistent challenges in the region have evolved as self-reinforced traps impeding countries to move to a sustainable development pathway. The social vulnerability trap appears since 40% of LAC’s population is currently at risk of falling back into poverty. This “vulnerable middle-class” is caught in a vicious cycle of low-quality jobs, poor skills and volatile income, and unequal access to public services. Additionally, a low labour productivity: output per worker has remained stuck at 40% of that of the European Union for the last 30 years. Furthermore, an institutional trap: 64% of Latin-Americans express no confidence in their own government, more than 1/3 are not satisfied with the education available in their country and more than 1/2 are not happy with the health care they receive, and are therefore less willing to pay taxes. And finally, an environmental trap: LAC - which holds 40% of the planet’s biodiversity and has one of the world’s lowest ecological footprints - withstands the worst of collective global inaction. The Caribbean’s exposure to surging natural disasters is a stark example.

International co-operation can do a lot to help countries escape these traps. International co-operation as a facilitator can provide countries with the necessary tools to increase the share of policy experiences and to promote more inclusive partnerships. Stronger domestic capacities are indeed necessary to address LAC’s persistent challenges, coupled with stronger multilateral collaboration that can also help identify further policy priorities and co-ordinate knowledge sharing dialogues between peer countries. Indeed, a renewed international co-operation system that would better fit more complex social and economic realities should be focused on at least three main features :

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- **Working inclusively:** Engaging countries at all development levels on equal footing as peers, to build and participate in multilateral and multi-stakeholders partnerships to tackle shared multidimensional development challenges with multidimensional responses.
- **Building domestic capacities:** Strengthening countries' capacities to design, implement and evaluate their own development policy priorities and plans, encouraging the alignment between domestic and international priorities and ensuring integrated approaches to more complex and interlinked challenges.
- **Operating with more tools and actors:** Expanding the tools for greater international co-operation, such as knowledge sharing, policy dialogues, capacity building, technology transfers, and including more actors, including public actors in a “whole-of-government” approach.

For structural challenges we need structural solutions. The international co-operation system needs a structural transformation if we aim at leaving no-one behind.