New Economical, Political and Social Trends in Latin America, and the Demands for Participation

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AGENDA

1. POLITICAL CHANGES
2. THE STRUCTURAL ROOTS OF THE DEMAND FOR CHANGE
3. THE LATIN-AMERICAN PARADOX
4. IMPACT OF INEQUALITY ON POVERTY
5. NEW SOCIAL DEMANDS FOR CITIZENSHIP PARTICIPATION
• Inter-American Initiative on Social Capital, Ethics, and Development:  [www.iadb.org/etica](http://www.iadb.org/etica)

• Bernardo Kliksberg, “Más Ética, Más Desarrollo” (Temas, Argentina)
I. POLITICAL CHANGES

- 8 Presidents resigned before finishing their term in the last 10 years
- The reason was not coup d’etat but massive social unrest through democratic channels
- The political map of the region is changing dramatically
- In Argentina, Brazil, Chile, Uruguay, Bolivia, and Venezuela different variants of the centre left or left are in power
- For the first time in the region’s history:
  - a single woman with children has been elected president of Chile, a very conservative and “machist” country
  - a steel worker is president of Brazil, the 8th largest economy of the world
  - an indigenous has been elected president of Bolivia
- Centre leftist candidates lead the polls in the next Mexican (July) and Equatorian (December) elections while a nationalist leads the polls in Peru (April)
II. STRUCTURAL ROOTS OF THE DEMAND FOR CHANGE

1. Persistent Poverty

Poverty and Extreme Poverty in Latin America 1980-2003
(% of people)

II. STRUCTURAL ROOTS OF THE DEMAND FOR CHANGE

Evolution of poverty in Latin America
*(% of population)*

<table>
<thead>
<tr>
<th>Year</th>
<th>Evolution of Extreme Poverty in Latin America</th>
<th>Evolution of Poverty in Latin America</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td>20%</td>
<td>40%</td>
</tr>
<tr>
<td>2000</td>
<td>17.8%</td>
<td>42.1%</td>
</tr>
<tr>
<td>2001</td>
<td>18%</td>
<td>43%</td>
</tr>
<tr>
<td>2002</td>
<td>20%</td>
<td>44%</td>
</tr>
<tr>
<td>2004</td>
<td>19%</td>
<td>43%</td>
</tr>
<tr>
<td>2005</td>
<td>19%</td>
<td>41%</td>
</tr>
</tbody>
</table>
II. STRUCTURAL ROOTS OF THE DEMAND FOR CHANGE

2. Poverty kills

<table>
<thead>
<tr>
<th>Country</th>
<th>Maternal Mortality Ratio (100,000 lb) 2003</th>
<th>Under 5 mortality rate (1,000 lb) 2004</th>
<th>Est. mortality rate from homicide (100,000 pop) 2000-2005</th>
<th>Life expectancy at birth (years) 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada</td>
<td>8</td>
<td>6,1</td>
<td>1,5</td>
<td>80,4</td>
</tr>
<tr>
<td>Latin America</td>
<td>94,7</td>
<td>33,2</td>
<td>25,3</td>
<td>72,6</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>30,5</td>
<td>11,9</td>
<td>6,2</td>
<td>78,5</td>
</tr>
<tr>
<td>El Salvador</td>
<td>173,0</td>
<td>--</td>
<td>43,4</td>
<td>71,4</td>
</tr>
<tr>
<td>Guatemala</td>
<td>153,0</td>
<td>48,1</td>
<td>23,1</td>
<td>67,9</td>
</tr>
<tr>
<td>Honduras</td>
<td>108,0</td>
<td>46,3</td>
<td>--</td>
<td>68,6</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>82,8</td>
<td>38,0</td>
<td>12,3</td>
<td>70,4</td>
</tr>
<tr>
<td>Panama</td>
<td>68,0</td>
<td>25,7</td>
<td>13,7</td>
<td>75,2</td>
</tr>
<tr>
<td>Argentina</td>
<td>43,6</td>
<td>16,7</td>
<td>7</td>
<td>74,9</td>
</tr>
<tr>
<td>Bolivia</td>
<td>230</td>
<td>67,6</td>
<td>14</td>
<td>64,9</td>
</tr>
<tr>
<td>Brasil</td>
<td>73,1</td>
<td>33,3</td>
<td>31</td>
<td>71,3</td>
</tr>
<tr>
<td>Paraguay</td>
<td>174</td>
<td>43,6</td>
<td>18,4</td>
<td>71,5</td>
</tr>
<tr>
<td>Uruguay</td>
<td>-</td>
<td>-</td>
<td>5,2</td>
<td>75,9</td>
</tr>
</tbody>
</table>
II. STRUCTURAL ROOTS OF THE CHANGES

3. The Situation of young people

- 40% of the population is young
- Problems:

  a) More poverty

  - Between 1990 and 2002, there were 17,600,000 more youth in poverty totaling 58 million
  - 800,000 more homeless young people totaling 21 million
II. STRUCTURAL ROOTS OF THE CHANGES

3. The Situation of young people

b) Unemployment

- Rise in unemployment. Youth unemployment is two and a half times the general rate of unemployment

- For every 100 new jobs, 93 are for adults and 7 are for young people

- Instability of youth employment in the face of economic cycles
II. STRUCTURAL ROOTS OF THE CHANGES

3. The Situation of young people

   c) Access to Education

   ➢ 39.8% of young people graduate from high school, whereas in OECD countries 85% graduate
   ➢ In 20% of the poorest people, only 12% graduate from high school
   ➢ 6.5% graduate from university
   ➢ In 20% of the poorest, only 0.9% graduate
   ➢ A “Catch 22” situation
     ➢ 80% of young people whose parents did not finish primary school, do not finish either
3. The Situation of young people

d) Young people excluded

- 1 of 4 youth aged 15-29 years old is outside the school system and the labor market

e) High youth mortality

- Mortality rate is 134 per 100,000
  (In Spain, 49 per 100,000)

- Of every 100 deaths of male youth, 77 are from violent causes
II. STRUCTURAL ROOTS OF THE CHANGES

4. Children at Risk

- 58% of children under 5 are poor (Economic Commission for Latin America and the Caribbean - ECLAC)
- 36% of children under 2 are in high-risk situations from the perspective of nutrition (ECLAC)
- 190,000 children die annually from preventable diseases linked to poverty (WHO)
- 22 million children under 14 work (ILO)
5. The family at risk

- A large majority of young people live with the family
  - 58% nuclear families; 33% in extended families
- Surveys reveal that people give a lot of value to the family
- People value care, support, spaces of trust, and resolving problems through dialogue
- Poverty causes broken families
- Around 30% of families have a poor single mother as head of the household
- Many families have become the “new poor”; this has produced high interfamily tensions. (Research from the University of Buenos Aires)
- There has been increasing rate of young people who want to marry but they did not because of fear of economic factors
6. Discrimination

- There are 40 million indigenous, 80% of which are below the poverty line.
- 30% of the region are Afro descendents; poverty and illiteracy rates are much higher than the average.
- The rate of female unemployment is 50% higher than male; informality is 12% higher for women.
- There are 50 million people with disabilities. Their poverty levels are higher than the average.
- The rates of poverty of young women are 2.7% greater than that of men.

II. STRUCTURAL ROOTS OF THE CHANGES
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7. Alarming Juvenile Delinquency

- The number of homicides grew by 40% in the 1990s
- There are 40 homicides for every 100,000 inhabitants each year (more than 6 times the petty crime rate of Western Europe)
- Among the principle causes:
  - High levels of youth unemployment
  - Destroyed families: According to an ECLAC study in Uruguay, 2/3 of juvenile delinquents come from single-parent households
  - Low education levels
III. THE LATIN-AMERICAN PARADOX

Brazil
- 8th in the world in annual GDP / 58th in GDP per capita
- 108th in life expectancy
- 108th in literacy
- 113th in infant mortality

Mexico
- 12th in the world in annual GDP / 57th in GDP per capita
- 64th in life expectancy
- 92nd in literacy
- 108th in infant mortality

Argentina
- 5th producer of food in the world
- Exported in 2002 enough food for 300 million people
- The country’s most populous region, Greater Buenos Aires, sees 20 percent infant malnutrition
IV. IMPACT OF INEQUALITY ON POVERTY

Latin America is one of the most unequal regions of the world with 10% of the richest of its inhabitants possessing 48% of income and 10% of the poorest possess just 1.6%
IV. IMPACT OF INEQUALITY ON POVERTY

1. Dimensions of Inequality
   - The highest-earning 10%, earn around 50 times more than the lowest 10% and 19 times more than the lowest 40%
   - Between 2/3 and 3/4 of the population, depending on the country, have an income per capita lower than the country’s average income

2. Education and years of schooling
   - The richest 10% of the population: 12
   - The poorest 30% of the population: 5
IV. IMPACT OF INEQUALITY ON POVERTY

Income of the Wealthiest 5%
(percentage of total income)
IV. IMPACT OF INEQUALITY ON POVERTY

Income of the Poorest 30%
(percentage of total income)
### IV. IMPACT OF INEQUALITY ON POVERTY

**Indicators of inequality for some Latin American Countries, United States and Italy**

<table>
<thead>
<tr>
<th>Country</th>
<th>Coeficiente de Gini</th>
<th>Porcentaje del 10% superior en el ingreso total</th>
<th>Porcentaje del 10% inferior en el ingreso total</th>
<th>Relación entre los ingresos del décimo decil y el primer decil</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brasil (2001)</td>
<td>59,0</td>
<td>47,2%</td>
<td>2,6%</td>
<td>54,4</td>
</tr>
<tr>
<td>Guatemala (2000)</td>
<td>58,3</td>
<td>46,8%</td>
<td>2,4%</td>
<td>63,3</td>
</tr>
<tr>
<td>Colombia (1999)</td>
<td>57,6</td>
<td>46,5%</td>
<td>2,7%</td>
<td>57,8</td>
</tr>
<tr>
<td>Chile (2000)</td>
<td>57,1</td>
<td>47,0%</td>
<td>3,4%</td>
<td>40,6</td>
</tr>
<tr>
<td>México (2000)</td>
<td>54,6</td>
<td>43,1%</td>
<td>3,1%</td>
<td>45,0</td>
</tr>
<tr>
<td>Argentina (2000)</td>
<td>52,2</td>
<td>38,9%</td>
<td>3,1%</td>
<td>39,1</td>
</tr>
<tr>
<td>Jamaica (1999)</td>
<td>52,0</td>
<td>40,1%</td>
<td>3,4%</td>
<td>36,5</td>
</tr>
<tr>
<td>Costa Rica (2000)</td>
<td>46,5</td>
<td>34,8%</td>
<td>4,2%</td>
<td>25,1</td>
</tr>
<tr>
<td>Uruguay (2000)</td>
<td>44,6</td>
<td>33,5%</td>
<td>4,8%</td>
<td>18,9</td>
</tr>
<tr>
<td>Estados Unidos (1997)</td>
<td>40,8</td>
<td>30,5%</td>
<td>5,2%</td>
<td>16,9</td>
</tr>
<tr>
<td>Italia (1998)</td>
<td>36,0</td>
<td>27,4%</td>
<td>6,0%</td>
<td>14,4</td>
</tr>
</tbody>
</table>

### IV. IMPACT OF INEQUALITY ON POVERTY

#### Education Inequality in LAC

<table>
<thead>
<tr>
<th>Country</th>
<th>Education Inequality measure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Norway</td>
<td>0.11</td>
</tr>
<tr>
<td>Finland</td>
<td>0.15</td>
</tr>
<tr>
<td>Sweden</td>
<td>0.16</td>
</tr>
<tr>
<td>USA</td>
<td>0.13</td>
</tr>
<tr>
<td>Canada</td>
<td>0.13</td>
</tr>
<tr>
<td>Denmark*</td>
<td>0.11</td>
</tr>
<tr>
<td>China</td>
<td>0.37</td>
</tr>
<tr>
<td>Chile</td>
<td>0.23</td>
</tr>
<tr>
<td>Colombia</td>
<td>0.36</td>
</tr>
<tr>
<td>Paraguay</td>
<td>0.35</td>
</tr>
<tr>
<td>Bolivia*</td>
<td>0.38</td>
</tr>
<tr>
<td>Peru</td>
<td>0.30</td>
</tr>
<tr>
<td>Uruguay</td>
<td>0.24</td>
</tr>
<tr>
<td>Venezuela</td>
<td>0.30</td>
</tr>
<tr>
<td>Argentina*</td>
<td>0.22</td>
</tr>
<tr>
<td>El Salvador</td>
<td>0.45</td>
</tr>
<tr>
<td>Ecuador*</td>
<td>0.33</td>
</tr>
<tr>
<td>Dominican Rep.*</td>
<td>0.38</td>
</tr>
<tr>
<td>Guatemala*</td>
<td>0.54</td>
</tr>
<tr>
<td>Haiti</td>
<td>0.61</td>
</tr>
</tbody>
</table>

Year 2000 except:
- Denmark* 1992
- Argentina* 2001
- Bolivia* 1998
- Ecuador* 1998/1999
- Dominican Rep.* 2002
- Guatemala* 1998/1999
The Effect of Inequality on Poverty in Latin America, 1970-1995

- This is an econometric simulation model prepared by Nancy Birdsall (former Vice President of the IDB) and other economists to measure the impact of Latin American inequality on poverty.

- The first curve represents the level of poverty, which has been increasing from 40% of the population in 1980 to 44% in 2002.

- The second curve represents a projection of poverty levels had inequality remained the same as in the end of the 60s. It was high then but has grown in recent decades.

- It is estimated that poverty would be half what it is.

- They call it “unnecessary poverty” caused only by the growth in inequality.

V. NEW SOCIAL DEMANDS FOR CITIZENSHIP PARTICIPATION

- Social pressure for moving from a passive democracy to an increasingly active one
- In Latin America, demand for participation is growing every day with the spread of democratization
- Citizens no longer tolerate that in a region with such wealth potential, there is so much poverty. They see participation as a way to control and improve the situation
- The capabilities of civil society to participate are growing
V. NEW SOCIAL DEMANDS FOR CITIZENSHIP PARTICIPATION

- Call for more active public policies
- Universal access to education and health
- Access to credit
- Pressure on the State to be decentralized, strengthening municipalities and facilitating participation
- Demands for concrete forms of participation by the population in social programs, budgeting, public services, and social control of public management
V. NEW SOCIAL DEMANDS FOR CITIZENSHIP PARTICIPATION

Example of a successful case

Participatory Municipal Budget of Porto Alegre, Brazil

According to IDB’s evaluation, PMB enabled the 1,2 million Porto Alegre citizens to:

- Express their understanding of the crucial problems facing the city
- Set priorities in terms of problems that merited the most immediate attention
- Choose the priorities and devise practical solutions
- Have the opportunity to compare solutions with those adopted in other parts of the city or in other subject areas
- Arrive at a final decision about whether or not to approve the spending plan
- Examine the successes and failures of the spending plan so as to improve the criteria for the following year
V. NEW SOCIAL DEMANDS FOR CITIZENSHIP PARTICIPATION

Example of a successful case
Participatory Municipal Budget of Porto Alegre, Brazil

Some Results:
- Notable increase in school attendance, access to potable water and sewage, paving of poor areas and facilities for SMB’s
- Nearly eradicated corruption and clientelism
V. NEW SOCIAL DEMANDS FOR CITIZENSHIP PARTICIPATION

Example of a successful case
Participatory Municipal Budget of Porto Alegre, Brazil

IDB’s Evaluation. Final Conclusion:

“Good materials, however, were only part of the benefits realized by the city of Porto Alegre. The participatory process has also had an incommensurable impact on the capacity of citizens to confront problems together with the community and to work collectively to improve the quality of public administration and in turn the quality of live.”
V. NEW SOCIAL DEMANDS FOR CITIZENSHIP PARTICIPATION

According to public opinion surveys, citizens demand also:

- Eradication of all forms of corruption
- Public policies that are ethical consistent
- Corporate social responsibility
- Ethical responsibility in the media
- Strengthening of volunteerism