

Editorial

This *Latin American Economic Outlook 2019* (LEO 2019) presents a new approach to continue supporting Latin America and the Caribbean's (LAC) transition to more inclusive and sustainable development. At the core of this approach is the understanding that development challenges and opportunities in LAC have significantly evolved with the region's progress. Consequently, the international co-operation system for development should continue innovating to support countries in pursuing their development objectives and, in particular, the 2030 Agenda and Sustainable Development Goals (SDGs).

We believe various reasons explain the need for this new approach.

First, we are living in times of extraordinary economic, social and political change. Rapid technological progress and digitalisation, ageing, increased migration, better human capital, the greater incidence of climate change, the heterogeneous impact of globalisation across different socio-economic groups and rising social discontent are some of the notable megatrends that have grown stronger in recent years, posing both challenges and opportunities for the region. These tectonic shifts test our shared views and call for innovative solutions to reduce inequalities, improve people's well-being and rebuild trust in institutions, both domestically and at the multilateral level.

Second, after a period of notable socio-economic progress, LAC countries have increased their domestic capacities and also their willingness to contribute to the global development agenda. Yet, they are confronting persistent and new domestic and global vulnerabilities that call for critical transformations to maximise opportunities for development. Potential gross domestic product (GDP) growth has declined to around 3%, and labour productivity, at about 40% the level of the European Union, has been stagnant or even declining in some countries. Access to digital technologies also remains a challenge with only 57% of Latin Americans connected to the Internet. In addition, around 40% of Latin Americans are at risk of falling back into poverty, holding informal jobs and poor social protection. At the same time, around 64% of the population have no confidence in their national governments. All these trends occur in a region that bears a disproportionate environmental burden. LEO 2019 provides new insights into these longstanding symptoms and new challenges by focusing on four structural traps that hinder a successful structural transformation. These are the productivity, social vulnerability, institutional and environmental traps, which interact with each other in self-reinforcing dynamics to limit the region's inclusive and sustainable development opportunities.

Third, greater national income is not automatically leading to higher levels of well-being for all. Income and well-being outcomes gradually delink as countries become richer in terms of GDP per capita. Indeed, income levels in LAC do not necessarily reflect development outcomes across and within countries. For instance, the homicide rate of Bolivia (6 deaths per 100 000 inhabitants), a low middle-income country, is below four of the five LAC high-income countries. Also, income inequality, as measured by the Gini index, in El Salvador (40), a low middle-income country, is lower than in Argentina (42), Chile (47) and Panama (50), all high-income countries. Moreover, cross-country disparities in well-being at a given level of income per capita are significant in LAC.

A new approach for transitioning to more inclusive and sustainable development recognises that no single path to development exists and embraces wide-ranging efforts to upgrade policy responses to this evolving context. Ever more complex issues require development strategies with more sophisticated policy mixes and further co-ordination and coherence. Ambitious efforts must be put in place to overcome the traps and turn

vicious circles into virtuous ones. International co-operation can play a facilitating role in supporting countries in the region in their transition path for inclusive and sustainable development.

What is key for this journey?

A multi-dimensional approach to development in line with the 2030 Agenda. Moving beyond income metrics as the sole indicator of development success and using indicators that actually reflect development levels to inform the design, implementation, monitoring and evaluation of policies is still a global pending issue. Many efforts inside and outside our institutions already exist to build useful alternative indicators, such as the Well-being and Progress Framework (OECD), the Structural Gap analysis (ECLAC) and the Human Development Index (UN). We need to build on these existing efforts for concrete policy action tailored to the specific needs and demands of the region. This requires identifying the dimensions of life that matter most to people in LAC, collecting relevant data on them and plugging them into the decision-making process.

Stronger institutional capacities at the domestic level that effectively translate into comprehensive responses. International co-operation for development should be rooted in the specific needs of each country, not externally imposed. It should place national strategies front and centre and strengthen countries' domestic capacities. That is why National Development Plans (NDPs) are critical tools for prioritising policy actions, adopting a strategic, co-ordinated and comprehensive approach to policy making, and, ultimately, designing, implementing and evaluating plans through specific policies and programmes. Increasing domestic resources for financing development, considering the roles played by taxes, financial markets, development finance institutions and public-private partnerships, as well as improving public spending, are of similar importance.

International co-operation for development should play a relevant facilitating role through an expanded toolbox of modalities and instruments that strengthen South-South, triangular and multilateral co-operation. We should not think of development co-operation in isolation, but as integrated into a broader portfolio of international co-operation. An expanded toolbox means breaking traditional definitions, exploring new structures and building new synergies. As countries progress, this toolbox should include instruments for greater technical co-operation, such as knowledge sharing, multilateral policy dialogues, capacity building, access to technology and collaboration on science, technology and innovation. Expanding countries' ability to tax effectively through targeted capacity building, international agreements against tax avoidance and evasion, new technologies in tax administration, and better enforcement and communications to increase tax morale exemplify innovative co-operation modalities and should be priorities.

A prerequisite to successful international co-operation is that countries at all income levels can build and participate in policy partnerships, as equal partners, and address common concerns. This is not only legitimate, but also beneficial for exchanging lessons and ensuring that the global nature of many development concerns receives necessary global responses. Issue-driven international discussions call for issue-specific partnerships and fora where countries exchange experiences and solutions as true peers. International organisations like ours already work together to provide such spaces for policy dialogue; we stand ready to strengthen our efforts to serve as platforms for these issue-specific debates.

We firmly believe that we can further support LAC countries in their quest to improve well-being for all by continuing to rethink and innovate the international co-operation system for development. We advocate a paradigm shift that does not detract from financial resources or create conflict among countries at different levels of development, but promotes a model of inclusive international co-operation. We believe the LAC region, because of its diversity and progress, is an excellent and fertile arena to innovate and pursue this. LEO 2019 sheds light and presents ways to move forward in that direction.

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