FROM TRANSITION TO ACTION: AN INSTITUTIONAL PERSPECTIVE

Forum of the Countries of Latin America and the Caribbean on Sustainable Development – March 2022

Luis F. López-Calva
UNDP Regional Director for Latin America and the Caribbean
Countries undergo different types of transitions (i.e. demographic, digital, green)

The underlying transition:

A MODEL BASED ON FACTOR ACCUMULATION

TO A MODEL BASED ON PRODUCTIVITY AND INNOVATION
LAC’s growth model is for the most part based on factor accumulation.

Decomposition of per capita output growth, LAC, 1962-2017, annualized, %

“Productivity is not everything, but, in the long run, it is almost everything”

-Paul Krugman

Source: UNDP LAC RHDR 2021
WHY DO COUNTRIES GET TRAPPED?

Transitioning successfully requires INSTITUTIONAL ADAPTATION
An interpretation of the middle-income trap

If institutions are unable to adapt, countries can get trapped.

Figure S6.2 Checks on corruption and accountability institutions improve more in countries that escape upper-middle-income status to achieve high-income status than in countries that are “non-escapees”

Source: WDR, 2017. Governance and the Law
LAC FINDS ITSELF IN A LOW-GROWTH, HIGH-INEQUALITY TRAP

GOVERNANCE:
- Concentration of Power
- Violence
- Distortive Elements in Design of Social Protection Systems and Labor Market Regulations

High Inequality

Low Growth/ Low Productivity

Perceptions on Inequality

Source: UNDP LAC RHDR 2021
Moving from Development in Transition to Development in Action is about lifting institutional constraints, such as:

- Creating a favorable conditions for investment
- Reinforcing the rule of law
- Strengthening Contract enforcement
- Creating the enabling conditions that allow small enterprises to grow
How can multilateralism can bring about change?

Through various instruments (i.e. ODA, technical assistance, institutional norms and global agendas) the international community can support coalitions for change.
If this STRUCTURAL CHANGE is achieved (ADAPTIVE INSTITUTIONS), the CONDITIONS FOR OTHER TRANSITIONS to be successful will have been ESTABLISHED.
THANK YOU
@LFLOpezCalva