

# Well-being in Latin America & the Caribbean

## Metrics for Policies for Well-being and Sustainable Development in Latin America and the Caribbean



### Summary

The European Commission, OECD and UN ECLAC<sup>1</sup> are joining forces with countries in Latin America and the Caribbean to identify the most policy-relevant metrics for achieving the SDGs, improving people's well-being, and leaving no-one behind. Over three years (from July 2018 to June 2021), the project will provide a platform for political and technical dialogue with statisticians, planning ministries, development cooperation agencies and other policy actors from across the region and the world, aiming to identify top-level indicators and best practice for informing national policy and international cooperation strategies. Key outputs will include conferences on the policy uses of high-level metrics for development and well-being, expert meetings to identify and address data gaps, and a final publication presenting headline indicators, case studies on their policy use, and general results. The intended outcomes of the project will be more impactful policies and more effective development cooperation strategies centred people's well-being. The project is being undertaken in the context of the EU Regional Facility for Development in Transition in Latin America and the Caribbean.

### Context and key issues

#### *Policy makers need better metrics and frameworks that address the multidimensionality of development*

The fact that development is multidimensional and cannot adequately be captured by a single measure, such as per capita national income, has become increasingly accepted by the international community. The UN 2030 Agenda for Sustainable Development embodies this paradigm shift, recognising the well-being of people and the planet as the ultimate objective of development, and spanning a wide range of social, environmental and economic issues in its 17 Sustainable Development Goals (SDGs) and 169 targets. The 2030 Agenda represents a significant achievement, forging a global consensus around development priorities on an unprecedented scale and level of ambition. However, the scope and complexity of the goals, targets and indicators can be overwhelming for policy makers to navigate. A number of commentators, including Ravi Kanbur, Ebrahim Patel and Joseph Stiglitz in their chapter in "For Good Measure" (the 2018 follow-up to the Stiglitz-Sen-Fitoussi report)<sup>2</sup> argue that to operationalise the SDGs at the national level, it will be

<sup>1</sup> An EC-OECD-ECLAC Joint Project under the EU Regional Facility for Development in Transition in Latin America and the Caribbean. See: [https://ec.europa.eu/europeaid/news-and-events/european-union-launches-regional-facility-development-transition\\_en](https://ec.europa.eu/europeaid/news-and-events/european-union-launches-regional-facility-development-transition_en)

<sup>2</sup> See Kanbur et al. (2018), "Sustainable Development Goals and the measurement of economic and social progress" in, *For Good Measure: Advancing Research on Well-being Metrics Beyond GDP*, OECD Publishing, Paris, <http://www.oecd.org/publications/for-good-measure-9789264307278-en.htm>

necessary to select a limited dashboard of top-level indicators to guide planning and policy making. This is an approach already taken in a number of countries within the region and around the world. These national dashboards do not replace the full SDG indicator set, nor other in-depth statistical frameworks used to monitor development outcomes, but provide more manageable and country-specific guideposts to inform the policy process, from diagnosis, to design, implementation and evaluation. The selection of such headline indicators needs to take into account both technical and political considerations to reflect what matters most within a country or a region, and to guide national and international policy action for achieving sustainable development and improving all people's well-being.

***The “Development in Transition” approach aims to rethink the challenges and opportunities of development, and generate new domestic and international cooperation capacities for greater well-being in the region.***

This approach is based on a multidimensional vision of development, which is particularly important in the Latin American and Caribbean contexts. In effect, the region has experienced remarkable socioeconomic progress since the beginning of the century. The macroeconomic situation of most of countries has strengthened, the standard of living of their inhabitants has improved, and both poverty and inequality were reduced. However, major structural vulnerabilities still prevail, and new challenges have arisen. Many of these challenges are related to the transition of the countries in the region to higher levels of income and development. The “Development in Transition” approach for the region, embodied in the Latin American Economic Outlook 2019 (LEO)<sup>3</sup>, presents a renewed analytical perspective that assesses four development pitfalls related to productivity, social vulnerability, institutions and the environment. Possible opportunities are explored at the domestic level to respond to these traps and to look for ways to improve global public goods in view of consolidating national agendas, within the context of the UN 2030 Agenda. To this end, it is necessary to improve domestic capacities and adopt a new vision of international cooperation as a facilitator to support these efforts.

***Existing well-being frameworks offer an established approach to selecting policy-relevant, multi-dimensional metrics that are aligned with the SDG framework, and can be usefully adapted for the LAC region***

Since the launch of its Better Life Initiative in 2011, the OECD has been working to promote the measurement of well-being and embed this notion in policy making. At the heart of this work is a well-being framework that was developed in collaboration with experts and representatives from national governments, building on the recommendations of the Stiglitz-Sen-Fitoussi report.<sup>4</sup> The OECD approach is underpinned by some core guiding principles:

- First, it considers **well-being today and into the future**. As such, it encompasses dimensions of people's current well-being (from income, to housing health, education, social connections, security, and subjective well-being) as well as the natural, human, economic and social resources needed for the sustainability of well-being. The indicators of current well-being focus on individuals and households, rather than the economic system, whereas the indicators of sustainability focus on the shared resources that shape people's lives today, tomorrow and for generations to come.
- Second, it emphasises the need to measure the distribution of outcomes across all dimensions of well-being, highlighting **inequalities across and between population groups**. Measuring inequality is a complex task, and the OECD has recently stepped up its research efforts in this area, proposing different

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<sup>3</sup> For more information on the annual Latin American Economic Outlook (LEO) report produced by the OECD, CAF, ECLAC and the European Commission, and the LEO 2019 edition on “Development in Transition”, see <http://www.latameconomy.org/EconomicOutlook/>.














<sup>4</sup> Stiglitz, J.E., A. Sen and J.-P. Fitoussi (2009), *Report by the Commission on the Measurement of Economic Performance and Social Progress*, [www.insee.fr/en/information/2662494](http://www.insee.fr/en/information/2662494).

types of indicators to measure (i) vertical inequalities, or the dispersion of all individuals within a society on given variables (ii) horizontal inequalities, or differences among groups that share certain common traits (e.g. by age, gender, ethnicity/race, territory, etc.), and (iii) indicators of deprivation, that focus on the lower end of the distribution (e.g. the poverty rate). These indicators are now presented systematically for the various dimensions of current well-being.

- Third, it considers both **subjective and objective indicators**, as people’s evaluations and feelings about their lives matter for their well-being as much as their objective life conditions.
- Fourth, it focuses on **outcomes** rather than inputs or outputs, recognising that different combinations of inputs and outputs may be equally effective in delivering the same outcome.

The OECD well-being framework and the UN Sustainable Development Goals have much common in terms of content and intent, with a shared aim of improving people’s lives across key social, environmental and economic domains. Indeed, all SDGs apart from the process-oriented Goal 17 are represented in the well-being framework (see Fig 1). While the SDG Agenda consists of a series of political and aspirational commitments that mix up indicators of inputs, outputs, outcomes, and processes, the OECD well-being approach is intended to be a diagnostic, analytic and policy actionable tool, built on a clear conceptual framework. It can help countries to understand how best to sequence policies for SDG implementation, which requires selecting high-level metrics that can help prioritise actions and identify trade-offs and synergies. In this sense, the two approaches are complementary: viewing the SDGs through the lens of well-being can help countries in identifying the most relevant indicators for informing policies towards achieving sustainable development.

**Fig.1 Mapping of the SDGs to the dimensions of the OECD well-being framework**

OECD well-being framework		Sustainable Development Goals
Current well-being	 Income & wealth	SDG 1 (poverty); SDG 2 (food)
	 Jobs and earnings	SDG 8 (decent work & economy)
	 Housing	SDG 11 (cities)
	 Health status	SDG 3 (health)
	 Work-life balance	SDG 8 (decent work & economy)
	 Education & skills	SDG 4 (education)
	 Civic engagement & governance	SDG 16 (institutions)
	 Environmental quality	SDG 6 (water); SDG 11 (cities)
	 Personal security	SDG 16 (institutions)
Inequalities	[captured throughout all dimensions]	SDG 1 (poverty); SDG 5 (women); SDG 10 (inequality)
Resources for future well-being	 Natural capital	SDG 13 (climate); SDG 14 (oceans); SDG 15 (biodiversity); SDG 12 (sustainable production)
	 Economic capital	SDG 7 (energy); SDG 8 (work & economy); SDG 9 (infrastructure); SDG 12 (sustainable production)
	 Human capital	SDG 3 (health); SDG 4 (education)
	 Social capital	SDG 16 (institutions)

Indeed, for indicators to contribute to better outcomes, they must be used in decision-making by policy makers. A number of countries around the world (including in the LAC region) have started to develop tools to integrate multidimensional well-being indicators in policy-setting mechanisms, some with the objective to align their national development strategies with the SDGs and the 2030 Agenda. The OECD has been working with many of these initiatives to understand how to maximise the policy impact of well-being and

sustainable development indicators<sup>5</sup>. Understanding how best to adapt the well-being framework for Latin American policy priorities, and exchanging knowledge and experiences on the policy use of well-being indicators in the Latin American context, will be central aspects of the joint project.

### ***National statistical offices are facing unprecedented demands and challenges***

National statistical offices are being asked to shoulder a larger burden than ever before, with more complex challenges, and often with limited budgets and resources. In particular, the responsibility of defining, measuring, validating and communicating the 232 SDG indicators is being shouldered by national statistical offices. This is a task of exceptional magnitude, with only 40 per cent of the selected indicators classified as Tier 1, meaning that the indicator is conceptually clear, with an established methodology and set of standards, and that data are already regularly produced by countries. Further, the level of granularity required to track outcomes for different key groups (e.g. by gender, age, ethnicity, etc.) is rarely possible with current data sources. Through the Statistical Coordination Group for the 2030 Agenda in Latin America and the Caribbean of the Statistical Conference of the Americas of ECLAC, statisticians in the region have identified a prioritised set of indicators for coordinated measurement efforts.<sup>6</sup> This set consists of 154 indicators, of which 120 are from the global indicator framework for the Sustainable Development Goals, 30 are complementary indicators and 4 are proxy indicators. Efforts to identify headline well-being indicators for the LAC region's countries and the region as a whole will need to take this work into account.

### **Purpose and Objectives**

As a response to the challenges and needs set out above, and building on existing national and regional initiatives, the Joint EC-OECD-ECLAC Project will work with a group of participating countries to develop policy-relevant metrics for achieving well-being and sustainable development in the LAC region. In particular, the project will pursue the following objectives:

- Agreeing on a limited set of key, policy-relevant well-being indicators for Latin American and Caribbean countries that will inform national policy and international cooperation actions to achieve equitable and sustainable development in the region.
- Identifying steps to be taken to address data gaps and other statistical challenges for producing the selected indicators.
- Providing a platform for policy dialogue and building a network of practitioners on the policy use of well-being metrics.

The ultimate purpose of the project is to promote the use of policy-oriented, multi-dimensional measurement frameworks of well-being and sustainability at all levels of policy-making (sub-national, national and regional/international), in order to achieve improved outcomes for all people in the region, today and in the future. In particular, the project aims to support policy makers in identifying national and regional priorities for development and designing policies and programmes to achieve them.

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<sup>5</sup> See Durand, M. (2018), "Countries' experiences with well-being and happiness metrics", Global Happiness Policy Report, Sustainable Development Solutions Network, New York, <http://bit.ly/countries-well-being> and Durand, M. and Exton, C. (2019), "Adopting a Well-being Approach in Central Government: Policy Mechanisms and Practical Tools", Sustainable Development Solutions Network, New York, [https://s3.amazonaws.com/ghwbpr-2019/UAE/GH19\\_Ch8.pdf](https://s3.amazonaws.com/ghwbpr-2019/UAE/GH19_Ch8.pdf). See also the Slovenian development Strategy 2030, which was developed with the involvement of the OECD: [http://www.vlada.si/en/projects/slovenian\\_development\\_strategy\\_2030/](http://www.vlada.si/en/projects/slovenian_development_strategy_2030/)

<sup>6</sup> See <https://www.cepal.org/en/publications/42397-proposal-regional-framework-indicators-monitoring-sustainable-development-goals> and <https://www.cepal.org/sites/default/files/events/files/sca-executive-committee-17.3-report-prioritization-indicators-regional-statistical-follow-up-to-sdg-lac.pdf>

## **Activities and Provisional Timeline**

### ***Regional Expert Network***

A central pillar of the project is the establishment of a Regional Expert Network, bringing together key representatives of the statistical and policy communities from selected countries in the region. Involving stakeholders from national statistical offices, national planning ministries, and other relevant development policy actors, the Network will provide guidance on the selection of policy-relevant headline indicators and other key outputs of the project. The first meeting of the Regional Expert Network will be held on the margins of the Forum of the Countries of Latin America and the Caribbean on Sustainable Development at ECLAC Headquarters in Santiago, Chile in April 2019.

### ***Country-level Pilot Studies***

As a first step towards identifying the most relevant indicators for the region as a whole, the project will first concentrate on applying the principles of the well-being framework to the national context for a small selection of country-level pilot studies throughout 2019. The studies will first use a technical approach to identifying potential priority areas, using a combination of two methodologies developed by the OECD: the well-being framework (adapted as necessary to include more LAC-specific indicators), and the Measuring Distance to SDG Target methodology for benchmarking progress towards the SDGs.<sup>7</sup> The project will explore the changes needed to adapt these approaches for LAC countries. The results of these analyses will then be compared with national policy priorities set out in national development plans, and discussed with national members of the Regional Expert Network (from a statistical and policy perspective), to identify the 10-12 most pertinent indicators in each context.

### ***Regional Indicators***

Agreeing on policy-relevant headline well-being indicators for an entire region is an immensely complex task. The project will work towards this by making a proposal based on (i) the results of the country-level pilot studies, (ii) further technical analysis for countries not included in the pilot studies, and (iii) desktop research on other sources of stated national priorities (e.g. national development plans, public consultations, etc.). This first proposal will be shared with the Regional Expert Network for comments and reactions, with a view to arriving at an agreed set of indicators.

### ***Statistical Gaps and Capacity Building***

On the basis of the above analysis, research and discussions to identify priority indicators for the region, the project will organise statistical meetings (at least two) to address the most pressing methodological and data production issues. By bringing together statisticians from across the region, as well as relevant non-LAC experts from Europe and the OECD where necessary, the project will support international coordination to fill data gaps and contribute to capacity-building efforts for improved information frameworks for sustainable development and well-being.

### ***Regional Conference on the Policy Uses of Sustainable Development and Well-being Indicators***

In order to facilitate the exchange of knowledge on the policy use of multidimensional measurement frameworks, a regional conference will be held in Bogotá in October 2019 (dates to be confirmed). The purpose of the event will be to showcase and discuss country experiences, and to promote debate around the tools and metrics needed to support policies and programmes focusing on sustainable and equitable well-

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<sup>7</sup> See OECD (2017), “Measuring Distance to the SDG Targets: An Assessment of where OECD countries stand”, <http://www.oecd.org/sdd/OECD-Measuring-Distance-to-SDG-Targets.pdf>

being. The conference will focus on the needs and experiences of Latin American and Caribbean stakeholders (representing statistics and policy, but also academia, civil society, business and other sectors) but will also include relevant international perspectives. A Call for Papers will be launched as part of the preparation for the event, and selected papers will be presented at the conference as well as published online in a Proceedings document after the event.

### ***Final Publication***

The culmination of the project will be a final publication presenting the selected high-level indicators and results for the region, as well as case studies and other accumulated knowledge related to the policy use of well-being and sustainable development metrics.

### ***Final Conference***

A final conference will be held at the end of the project (June 2021) to launch the publication, discuss the lessons learned and provide an opportunity to present the results and next steps for promoting the use of the selected indicators in policy and development cooperation.

### ***Provisional Timeline for Key Activities***

<i>Activity</i>	2018		2019				2020				2021	
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Background research and preparation												
Regional Expert Network												
Country-level Pilot Studies												
Regional Framework and Indicators												
Statistical Gaps and Capacity Building												
Regional Conference on Policy Uses												
Final Publication												
Final Conference												

Ongoing activity
  Milestone/event

### **Contact and further information**

For further information please contact:

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