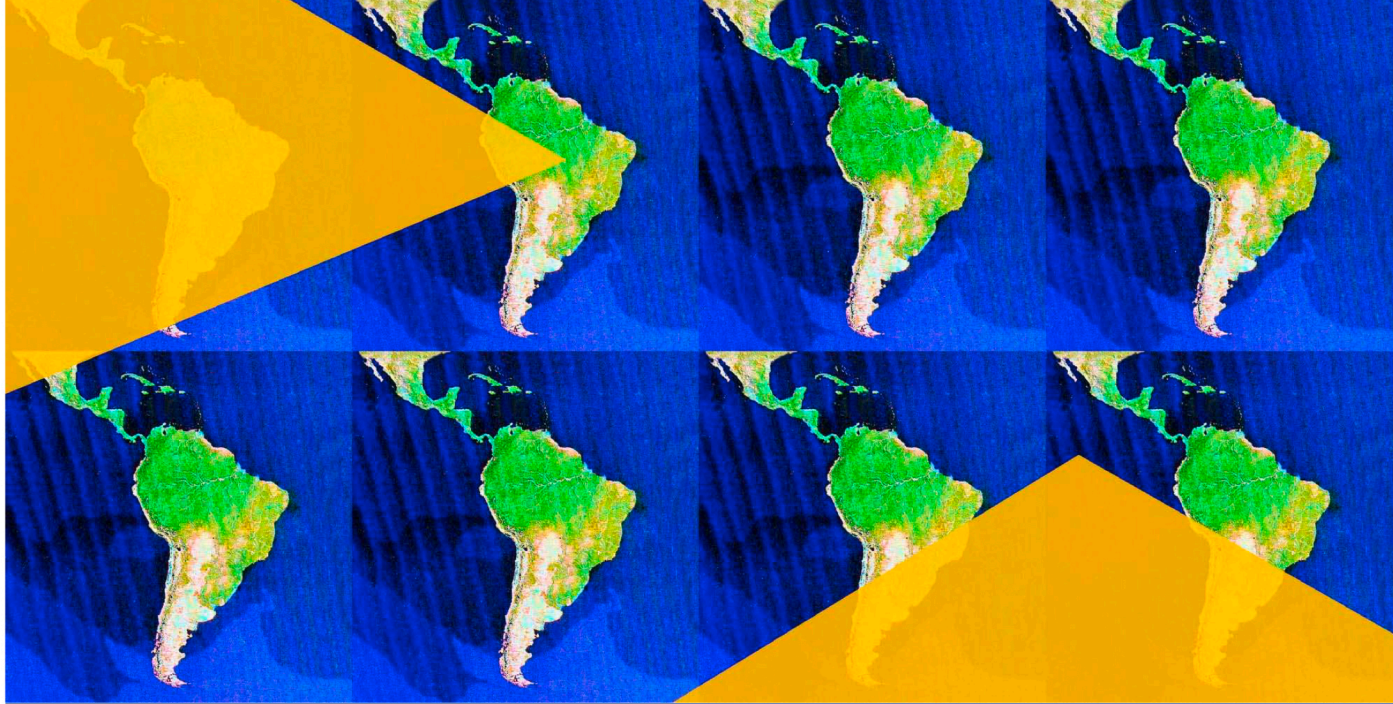




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THE MILLENNIUM DEVELOPMENT GOALS

A LATIN AMERICAN AND CARIBBEAN PERSPECTIVE



Quotation appearing on back cover:

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Notes and explanations of symbols

The following symbols have been used in this study:

Three dots (...) indicate that data are not available or are not separately reported.

A minus sign (-) indicates a deficit or decrease, unless otherwise indicated.

A full stop (.) is used to indicate decimals.

Use of a hyphen between years, e.g. 2000-2002, signifies an annual average for the calendar years involved, including the beginning and ending years.

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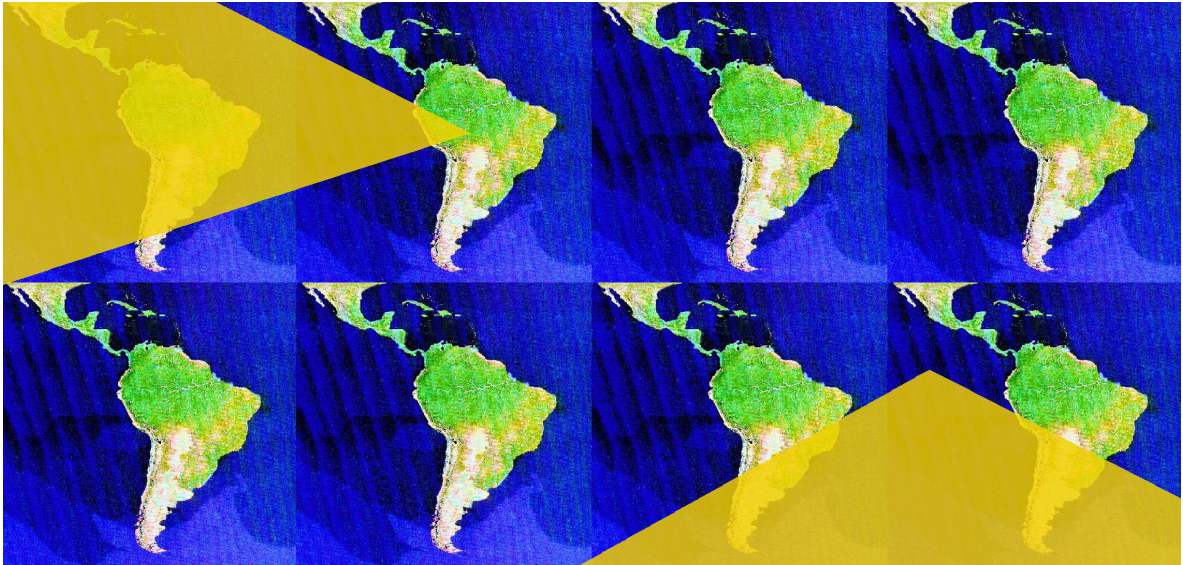
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Foreword

In September 2000, 147 Heads of State and Government, together with 42 ministers and heads of delegation, gathered at the General Assembly of the United Nations to explore ways of pooling their combined will and efforts to revitalize international cooperation on behalf of the less developed countries and, in particular, to mount a frontal assault on extreme poverty.

On that occasion they identified goals for their efforts to combat poverty and hunger, reverse environmental degradation, achieve improvements in the fields of education and health, and promote gender equality. It also became clear that, because the lack of development is a problem that concerns the entire world, the formation of a partnership to enrich and reinvigorate international cooperation, while at the same time honing it and increasing its effectiveness, should be one of these goals. These deliberations thus gave rise to what came to be known as the eight Millennium Development Goals.

The Goals are underpinned by a comprehensive approach to development that is framed by the agreements reached at world summits held by the United Nations in the 1990s. They are derived from the Millennium Declaration, which is even broader in scope and proposes that action be taken to build consensus in such crucial areas as peace, security and disarmament, human rights, democracy and good governance, and measures for strengthening the United Nations.

Every effort was made to express the Goals as clearly as possible, and specific targets were set for the progress to be made by 2015 in relation to the major economic and social issues involved in meeting the Goals. The countries also agreed to review the progress made towards the Goals on a regular basis in order to ensure that efforts to attain the Goals would not fade as time went on.

We are nearing one of the milestones in that follow-up process, as the General Assembly will undertake such a review in September 2005. To facilitate its work, on 21 March the Secretary-General of the United Nations submitted a report entitled, "In larger freedom: towards development, security and human rights for all".¹

In that report, after recalling the problems that have hindered efforts to build a common future for all the world's peoples, the Secretary-General noted that: "We need to see the Millennium Development Goals as part of an even larger development agenda. While the Goals have been the subject of an enormous amount of follow-up both inside and outside the United Nations, they clearly do not in themselves represent a complete development agenda. They do not directly encompass some of the broader issues covered by the conferences of the 1990s, nor do they address the particular needs of middle-income developing countries or the questions of growing inequality ...".

In the course of this review, the countries will also have before them the report submitted to the Secretary-General by the Millennium Project. In addition to these two documents, the representatives of Latin American and Caribbean countries will have the benefit of an in-depth survey of progress and specific concerns in the region. This more comprehensive analysis will facilitate their task of ensuring that the Latin American and Caribbean countries' views are accorded due consideration in the deliberations of the General Assembly. That survey is presented in this report.

This is not the document's only purpose, but it is surely its most immediate aim, and all the international organizations working in the region have pooled their efforts in order to prepare it. The secretariat of ECLAC has had the honour of coordinating those efforts, which have been directed towards providing a systemic, integrated perspective on the situation which is shared by all the relevant bodies.

The following pages contain a description of how these international organizations went about preparing this report and what the outcome of their work has been. The purpose of this explanation is to clarify the method used to identify and quantify the progress made by the Latin American and Caribbean region and the challenges that remain to be met. The analysis also looks at the differences across countries in terms of their chances of attaining the Goals and, wherever possible, the differences between trends in various segments of the population (classified by gender, ethnic group, age group, place of residence and income stratum) as a means of helping to pinpoint the areas in which efforts must be redoubled in order to ensure that advances are of benefit to all. This is supplemented by an integrated analysis of macroeconomic (including fiscal) factors as they relate to the Goal of eradicating poverty.

¹ A/59/2005.

The member organizations of the United Nations system that helped to prepare this document are confident that it will prove valuable for national authorities and for representatives of international cooperation agencies, as well as for civil society and non-governmental organizations. In fact, we believe it will be of interest to all those who are committed to increasing the well-being of the region's peoples, to whom the Millennium Declaration promises not only to revitalize international cooperation but also to rekindle the hope of eliminating extreme poverty once and for all and shaping a more just and secure world.

José Luis Machinea

Executive Secretary

Economic Commission for Latin America and the Caribbean (ECLAC)

How this document was prepared

The work of many different specialized agencies, programmes and funds of the United Nations has gone into the preparation of this report. In addition to providing specific inputs in their fields of expertise, the contributing organizations took part in a critical review of the text as it evolved. In so doing they helped to identify the many synergies that arise when different sectors and variables are brought together, as well as providing an essential overall perspective. An element of enormous importance in paving the way for this process was the fact that all of these organizations heeded the Secretary-General's call and adopted the Millennium Development Goals as a true road map and, consequently, have been conscientiously monitoring progress in all the areas related to their mandates. This enabled us all to provide valuable inputs for this joint initiative and to do so more efficiently.

The contributions provided by each of the organizations involved in this undertaking are too numerous and varied to enumerate or acknowledge here. A simple list of all the contributing organizations will have to suffice. They are: the International Labour Organization (ILO), Food and Agriculture Organization of the United Nations (FAO), United Nations Educational, Scientific and Cultural Organization (UNESCO), World Health Organization/Pan American Health Organization (WHO/PAHO), United Nations Development Programme (UNDP), United Nations Environment Programme (UNEP), United Nations Children's Fund (UNICEF), United Nations Population Fund (UNFPA), World Food Programme (WFP), United Nations Human Settlements Programme (UN-Habitat) and United Nations Development Fund for Women (UNIFEM). We believe that this effort provides a more solid foundation for future collaboration within the regional arena.

The authors are grateful to the Inter-American Development Bank (IDB) for its comments on a first draft of this report. In the preparation of this document, data drawn from IDB and World Bank publications and databases were used to supplement the information compiled by the United Nations Secretariat and specialized agencies.

The country reports available at the time of writing have also been consulted, and acknowledgement is due to the countries for the enormous efforts deployed in preparing those reports. A number of differences in the measurement of indicators and information sources are noted throughout this document. The authorizing institutions wish to emphasize that, far from seeking to supplant the countries' individual perspectives, this study is intended to complement them by offering a *regional* perspective.

To that end, we began by weighing the advisability of disaggregating the data by subregions. It soon became evident, however, that it would be more useful to discard this geographic approach in favour of a country classification based on per capita income levels, in conjunction with other indicators of the population's living standards.¹ As the reader will see, this method yielded significant parallels, despite the differing approaches used, in terms of the resources available to the countries for this effort and the relative degrees of difficulty associated with their differing starting points. This regional perspective will serve both to facilitate the work of the representatives attending the General Assembly and to supplement the information and analyses available to national authorities for use in pursuing the targets set by each country, targets which are in some cases more ambitious than those envisaged in the Millennium Declaration.

The data

A few points should be clarified with regard to the comparability of the data used in this study and the information furnished by the countries in their reports and by some international sources. Not all the countries employ the same sources as those used for this document, for a number of reasons. In some cases, these reasons have to do with the availability of relevant information at the country level; in others, they are related to the degree of detail provided by the information on the countries contained in the international and regional statistical databases on which this study is based. It therefore comes as no surprise that we have found (and may continue to find) some minor and other more substantial differences between estimates of how much progress has been made in some instances. In none of these cases, however, have the differences in the information and estimates been significant enough to alter the trends we have identified or the recommendations we have made, either for any of the various groups of countries or for the region as a whole.

Even more importantly, we have detected major gaps and inaccuracies in the data for some variables. Thanks to the advances made by the region in the field of statistics in recent years, we were able to compile up-to-date information for many of the indicators, but data for 1990 —the base year for the measurement of progress towards the Goals— were not available in all cases. Where such information was lacking, partial information and backward extrapolations were used, as necessary and possible. An interesting by-product of this effort was the identification of those areas in which national and international efforts to upgrade statistical systems can be focused to greatest advantage.

In keeping with the guidelines provided by the Secretary-General and the General Assembly, alternative or supplementary indicators for measuring progress towards the Millennium Development Goals are proposed in some instances, as in the case of child undernutrition. Additional indicators have also been used in some cases (e.g., primary schooling) in an effort to more fully reflect certain features that are specific to the countries of Latin America and the Caribbean.²

¹ Many Caribbean countries were placed in a separate group owing to the unavailability of comparable information.

² See United Nations (2001) and resolution 57/270.

Introduction

The pivotal theme of this report is the question of inequality. Despite the major strides made in relation to a number of social issues, the Latin American and Caribbean region still has the dubious distinction of being the most inequitable region in the world. Hindered by protracted periods of slow growth, the region has been unable to reduce the inequality associated with its distribution of income and access to productive assets. Another equally important contributing factor has been the shortage of quality jobs of the sort that would allow workers to lift themselves out of poverty. People who live in poverty see that their children have little access to suitable health and education services or, in many cases, to an adequate supply of food. As a consequence of all these factors, there is a high probability that the children of poor households will fail to obtain quality employment and will remain in that position when they reach adulthood. This situation is one of the major manifestations of the vicious circle of poverty.

As discussed throughout this text, the initial inequality existing in the region, slow and volatile economic growth and the concomitant shortage of quality jobs are the underlying causes of the perpetuation of poverty; in all, 43% of the population is classified as poor, and this includes 19% who are living in extreme poverty. It is therefore imperative that these factors be addressed if poverty is to be reduced. The fact that this large group within the population is at such a disadvantage in terms of education and health services undermines its members' ability to share in and contribute to the countries' economic development. This, in turn, makes it harder for each country to narrow the economic and social gap separating it from more developed nations.

This analysis also sheds light on another circular causative mechanism that influences the development of our countries: income levels are too low to sustain a sufficiently high savings rate to finance the investment needed to raise productivity and thus fuel a satisfactory rate of GDP growth. In addition to this loop between total saving and investment, because income levels are as low as they are, tax revenues are too limited to spur investment in economic and social infrastructure.

Yet another aspect of these vicious circles is that they often give rise to serious problems of governance which may condemn many countries to remain in their present disadvantageous positions.

The data also show that some low-income countries that have not made much economic headway in recent years have nonetheless succeeded in making major inroads in specific, although isolated, areas by using social programmes to target particular aspects of poverty. This attests to the fact that such programmes can be used to enhance the well-being of the neediest sectors while more structurally based solutions for poverty are being sought.

This report also indicates that, at the international level, unless certain measures are adopted by developed countries, including steps to promote cooperation for development, the world will not succeed in reaching the Millennium Development Goals and achieving a harmonious form of economic and social development on a global scale.

Main findings, challenges and policy directions

The report provides a wealth of detailed information about the status of the region five years after the Millennium Development Goals were forged. This analytical work has provided the substantive underpinnings for the identification of certain public policy directions, both for the countries of the region and for the international community at large. This is not the place for an exhaustive enumeration of the study's contents, but a few of the most significant findings merit mention here:

- (i) Not enough progress has been made towards the target of halving extreme poverty. An analysis focusing on national poverty lines calculated by ECLAC indicates that only one country has already reached the target and that, at this point, when 14 of the 25 years spanning the period established for the targets' achievement (1990–2015) have elapsed, another five are on track to do so. All the other countries have made too little progress or, in some cases, have slipped backward.
- (ii) The region is, however, on track to meet the target on hunger. In fact, 15 out of 24 countries have reduced undernourishment. It is nonetheless disturbing to note that most of the countries that started out with the highest levels of hunger have not been progressing fast enough to stay on track towards this target.
- (iii) The shortage of jobs and their poor quality are among the region's most pressing problems. Open unemployment rose from 6.9% in 1990 to 10% in 2004, and low-productivity agricultural activities and the informal urban sector absorb over one half of the region's workforce. The Millennium Development Goals do not devote due attention to this problem, which is of prime importance to the region.
- (iv) The amount of progress made towards some of the targets (including those dealing with gender equity in education, access to an improved water source and the reduction of child mortality) indicates that the region is on track to achieving them.
- (v) The degradation of the natural and built environment, which has adverse effects on the poor population in urban and rural areas alike, is serious and is growing worse.

Some of the major policy challenges to be met are as follows:

- (i) In order to halve extreme poverty and hunger by 2015, the region will have to achieve a rapid and sustained pace of economic growth over the next 10 years. The rates at which per capita GDP would have to grow do vary, but an annual average of at least 2.9% is needed. For the poorer countries that have made much less progress in the past 14 years, an average annual growth rate of 4.4% will be required.
- (ii) Economic growth is not a sufficient condition for the region to reach the Millennium Development Goals. An appropriate approach to achieving growth with equity will entail institutional changes that will allow social policy to be placed at the centre of development strategy.
- (iii) At the same time that efforts are being devoted to reducing poverty and hunger in the short run as a matter of the utmost urgency, investments also need to be made in human capital. Channels for these investments include social programmes that provide tied monetary transfers in order to ensure that children are attending primary and secondary school and that people seek proper health care. School meal programmes, nutrition programmes and preventive medical care (“well-care”) programmes, especially for pregnant women and newborns, are other useful means to this end.
- (iv) The countries of the region will have to make a determined effort if they are to attain the Millennium Development Goals. They must build a consensus regarding a new and authentic fiscal covenant in order to see to it that State resources are used efficiently and to ensure transparency in the management of such resources, accountability and a greater flow of funds so that the State can meet the new demands placed upon it. Even with this effort, however, official development assistance to supplement the domestic resources of the poorest countries in the region (including Bolivia, Guatemala, Guyana, Haiti, Honduras and Nicaragua) must be increased.
- (v) It is imperative that the negotiations of the Doha Development Round be completed so that the region can gain access to developed-country markets, especially for agricultural products.

Chapters

Chapter I provides an overview of the Latin American and Caribbean region’s development success stories and the stumbling blocks it has encountered in recent years, together with some thoughts about how to tackle contemporary development challenges. An analysis of these issues is essential if the Millennium targets are to be achieved, and this is particularly true in the case of the targets relating to poverty. Under the current circumstances, the region will need to mount a comprehensive strategy for meeting those challenges if it is to succeed. It is no longer possible to design an economic policy without taking social objectives into account, nor is it possible to draw up suitable social policies without considering economic objectives, as becomes especially clear in the case of education.

Chapter II outlines the situation with respect to the region’s unequal income distribution. Extreme poverty and the existence of unmet needs in vast sectors of the population stem not only from most countries’ low income levels, but also from the persistence of a highly unequal distribution of that income. This situation stands out clearly in relation to the targets for reductions in extreme poverty and hunger. A number of different studies have demonstrated that these targets could be met considerably sooner if the fruits of economic growth were distributed more evenly (ECLAC, 2003a and ECLAC/IPEA/UNDP, 2003). In fact, the countries faced with the most critical situations in terms of the food supply and undernourishment could halve the percentage of the

population suffering from hunger simply by achieving a moderate reduction in existing inequalities in access to food (ECLAC, 2003a).

This chapter also contains a discussion of the fact that, in addition to the high degree of income concentration, inequalities in the region are also attributable to inequities associated with such variables as gender, ethnic background and place of residence. In order to shed light on these inequalities and how they interact, an analysis has been carried out on a disaggregated basis wherever the available information made this possible.

Chapter III addresses the topic of education as a fundamental factor of development. In addition to being necessary in order to uphold basic social rights, a combination of increased access, the completion of educational cycles and qualitative improvements in scholastic achievement helps to increase economic growth and equity by promoting human capital formation, improving health conditions and strengthening institution-building capacity in general.

Although the region has attained high enrolment rates in primary education, most of the countries have not achieved universal coverage (defined as the actual completion of that level by all boys and girls alike), and many will not have done so by 2015. This chapter provides a clear picture of the situation through the use of an indicator based on household survey data that complements the indicators proposed for measuring progress towards the Millennium Development Goals.

In countries where achievement of the above-mentioned target for universal coverage is feasible, more ambitious targets should be pursued. In point of fact, many countries in the region have set themselves the task of gradually broadening the coverage of secondary education. Completion of secondary education is, of course, a valuable achievement in and of itself and, as will be explained, also constitutes a necessary condition for having a reasonable chance of escaping poverty. An effort should also be made to expand the coverage of preschool education.

There are a number of other areas, in addition to education, in which the region is in a position to set itself targets that go beyond those established at the global level. These global targets may, in fact, be interpreted as a basic minimum, which is what they actually are. These areas will be discussed in the corresponding chapters.

The Millennium Declaration makes it clear that gender and ethnicity are cross-cutting issues in the sense that progress towards greater equity in these two dimensions is a necessary condition for achieving the other Goals. Social inequalities based on differences between men and women or on racial/ethnic differences are therefore given special attention in this document. *Chapter IV* emphasizes the need to provide an explicit characterization of the relationships between increased gender equality and the empowerment of women, on the one hand, and the achievement of the remaining Goals, on the other. The chapter also explores other topics that are closely linked to gender equity and the empowerment of women, such as the elimination of violence, respect for sexual and reproductive rights, and the valuation of work performed by women.

Three of the 8 Goals and 7 out of the 18 targets make specific reference to health issues. Despite the heterogeneity of institutions and situations in the field of health and health care, common denominators can be identified in terms of coverage, access to basic services and social protection. *Chapter V* describes how, within the framework of the Millennium Development Goals, the right to health and investment in this sector have been placed at the heart of social development strategies. This constitutes recognition of the need to increase public and private spending, as well as improving the allocation of national resources, in order to broaden the coverage of health services, improve access to medications and expand infrastructure for the delivery of drinking water and sanitation services. All of these services have a strong influence on a community's primary health status.

Chapter VI, which deals with sustainable development, outlines the advances made in developing precise indicators of natural resource degradation and in mainstreaming this issue into

public policy. The proposal set forth in the Millennium Declaration paves the way for a more comprehensive examination of the sustainability of development based on a combination of economic, social and environmental indicators, particularly in terms of energy, water use and biodiversity. A sense of equity demands that each generation should care for, conserve and repair any damage done to the natural heritage it hands down to the next generation; this chapter therefore focuses on these issues, with special emphasis on the need to mainstream the environmental dimension into economic and social policy.

Particular attention is devoted to the urban environment, which is of crucial importance in a region where 75% of the population is already living in cities and where 81% will be doing so by 2015. The Millennium Development Goals are backed up by well-defined targets concerning drinking water, sanitation and improvements in the lives of slum dwellers. Achievements and delays in this connection are examined in this chapter.

The Millennium Declaration calls upon developed nations and less developed countries to build a partnership in order to achieve the targets associated with the Goals. This means that, in conjunction with the efforts deployed by developing countries, the developed world needs to play an active role in helping to remedy the inequities and asymmetries of the institutional framework for the globalization process. *Chapter VII* analyses the inroads made in this area and their implications for the region in relation to the targets associated with Goal 8. Although the steady downward trend in official development assistance (ODA) has been reversed and such assistance is now on the rise, the scale and coverage of the ODA being channelled to Latin America and the Caribbean are still far more limited than what is needed. Moreover, these ODA flows are generally confined to just a few countries. Special attention is devoted in this respect to landlocked countries and small island developing States.

Within the sphere of international trade, the instability of commodity prices and the direct or indirect protection that most of the developed countries continue to provide for their agricultural products and natural-resource-based manufactures pose a serious problem for developing countries.

In respect of the question of debt relief, although the debt-to-exports ratio has declined in all regions of the developing world since 1990, this coefficient remains above the threshold figure of 1.5 in Latin America and the Caribbean. There are, therefore, grounds for widening the scope of the initiative for reducing the debt burden to include some middle-income countries that are grappling with extremely difficult conditions because of their debt levels.

Chapter VIII provides an overview of the progress made towards the eight Millennium Development Goals and focuses on the interrelationships between the Goals and their associated targets. Two major considerations pointed up by the analysis of these interrelationships and synergies are as follows: (i) the need to place priority on areas of public policy where action can have the greatest positive spillovers, thereby expediting or facilitating progress towards the Goals by obtaining the most “bang for the buck” out of the resources invested in this effort; and (ii) the need to identify those activities and modalities of technical assistance that constitute good practices which should be shared with other countries. This includes the dissemination of the success stories of selected Latin American and Caribbean countries at the intraregional level, which will require increased international cooperation and the active participation of United Nations agencies and organizations.

Chapter I

The Millennium Declaration

A. The development agenda from a Latin American and Caribbean perspective

As this new century began, the international community took a fresh look at its development agenda. This reassessment has been undertaken from a comprehensive perspective and is framed by the agreements reached at the global conferences on social issues¹ held by the United Nations in the 1990s. In September 2000, 189 States Members of the United Nations, of which 147 were represented by Heads of State or Government, made a new global commitment to development. The Millennium Declaration is the political manifestation of that commitment. The Declaration serves as the cornerstone for a development agenda founded upon values that will serve as a deep source of inspiration for international relations in the twenty-first century: freedom, equality, solidarity, tolerance, respect for nature and common but differentiated responsibilities.²

In order to translate these shared values into action, the Declaration addresses numerous topics of collective interest.³ Each section sets out objectives that form the ethical and political framework for a partnership between developed and developing countries. The partners forming this alliance are striving to focus world attention on the need for equity in the light of the asymmetries existing

¹ World Summit for Children (1990), United Nations Conference on Environment and Development (1992), International Conference on Population and Development (1994), Fourth World Conference on Women (1995), World Summit for Social Development (1995), United Nations Conference on Human Settlements-Habitat II (1996).

² See resolution 55/2, "United Nations Millennium Declaration", adopted by the General Assembly at its fifty-fifth session.

³ These topics include peace, security and disarmament; poverty eradication, protecting the common environment; human rights; democracy and good governance; protecting the vulnerable; meeting the special needs of Africa; and strengthening the United Nations (A/RES/55/2).

among citizens and nations. The multilateral agenda has thus returned to a comprehensive approach to development with a view to ensuring universal respect not only for civil and political rights, but also for economic, social and cultural rights based on the belief that all human beings have the same rights, regardless of sex, skin colour, language, culture or economic and social power.⁴

In sections III and IV of the Millennium Declaration, world leaders called for the creation of “an environment—at the national and global levels alike—which is conducive to development and the elimination of poverty”. They also outlined forms of collective solidarity as a basis for dealing with the world’s increasing degree of financial, social and environmental interdependence and vulnerability. The specific objectives known as the Millennium Development Goals emerged one year later, at the fifty-sixth session of the General Assembly, when the Secretary-General presented a “Road map towards the implementation of the Millennium Declaration”. In that document, he proposed that sections III and IV of the Declaration should be broken down into 8 goals, 18 targets and 48 indicators.⁵ Quantitative, time-bound targets were set in order to establish a stable and standardized system for follow-up, although it was recognized that quantitative monitoring of progress would be easier for some targets than for others. To facilitate periodic monitoring, 1990 was taken as the baseline year, and the period set aside for reaching those targets thus spans the decade in which so many United Nations conferences focusing on social issues took place.⁶

The first seven Goals embody commitments to be fulfilled primarily by developing countries as they gradually achieve the capacity to provide universal access to minimum levels of well-being. Goal 8 is to “develop a global partnership for development”. On the one hand, this Goal entails a series of commitments on the part of developed countries to support the efforts of developing nations. On the other, it outlines ways of beginning to redress international asymmetries that have worked against developing countries. In general, Goal 8 seeks to improve the quantity and quality of official development assistance and to encourage the creation of an open, rule-based, predictable, non-discriminatory trading and financial system capable of providing viable workouts for overindebted countries.⁷

The Millennium Declaration has thus become the road map for the United Nations system. In order to follow the path plotted out on that map, the countries have requested that the Secretary-General establish follow-up and accountability mechanisms. These mechanisms are to be used to assist States Members at the national, regional and global levels to arrive at a clearer definition of how responsibilities should be shared among the State, the private sector and civil society.

At world summits held since the Millennium Declaration was drafted, in particular the International Conference on Financing for Development (Monterrey, Mexico, March 2002) and the World Summit on Sustainable Development (Johannesburg, South Africa, September 2002), the international community has reaffirmed its commitment to the Millennium Development Goals, and the Goals have become more widely known in the various sectors of society. The international community is now aware of the pressing need to revitalize and strengthen the State and is cognizant

⁴ The concept of “human development” and Amartya Sen’s more recent concept of “development as freedom” are expressions of this perspective, which is deeply rooted in the development debate. This is exemplified by the gradual diffusion of global ideas and values, including the concepts of economic, political, social and cultural rights and respect for gender equity and for ethnic and cultural diversity.

⁵ See United Nations, section III, “Development and poverty eradication: the millennium development goals”, and section IV, “Protecting our common environment”, in “Road map towards the implementation of the Millennium Declaration” (A/56/326), New York, September 2001. Section III focuses on “sustainable development through poverty eradication, emphasizing the importance of halving the number of people who currently live on one dollar a day or less. Any effort to achieve sustainable development demands a concerted effort to reduce poverty, including finding solutions to hunger, malnutrition and disease. To achieve progress, the developing countries will need the political and financial commitment of their richer country partners.”

⁶ See United Nations (2001). A full description and technical details on the indicators can be found in the document entitled “Indicators for Monitoring the Millennium Development Goals: Definitions, Rationale, Concepts and Sources” (ST/ESA/STAT/SER.F/95), New York, 2003.

⁷ The targets proposed by the Secretary-General for Goal 8 refer to more favourable tariff treatment for developing-country goods, debt relief for highly indebted poor countries and access for those countries to technologies and communication, especially telephony and Internet connections.

of the State's specific responsibility to regulate social and private stakeholders and to build its capacity to rectify international and national asymmetries.

As the Secretary-General stated in his report to the fifty-ninth session of the General Assembly,⁸ in the brief span of just four years, the eight Goals that grew out of the Millennium Declaration have permeated every aspect of cooperation for development at the global level. The broad consensus that has built up around this set of clear, measurable, time-bound objectives has generated coordinated action on an unprecedented scale, not only within the United Nations system (including the Bretton Woods institutions), but also within the donor community in general and, more importantly, in developing countries themselves.

Box I.1

WHAT LINKS MONTERREY WITH JOHANNESBURG?

First and foremost, the two meetings addressed a common set of ethical and political principles. The principle of common but differentiated responsibilities, for example, lays the political foundations for the idea that industrialized nations should undertake greater commitments than developing countries. Another achievement of both meetings was to win acceptance for the tenet that it is neither possible nor desirable to “level the playing field” in respect of development issues. Yet another common denominator is the precautionary principle, which is now applied in both the economic and environmental fields. In relation to economic matters, this principle reflects the urgent need to adopt preventive policies during economic booms in order to promote a greater flow of information and improve regulatory schemes. In environmental affairs, the aim of applying this principle is to forestall unforeseen, irreversible impacts that could increase ecological or environmental vulnerability.

Second, both meetings called for the establishment of new types of peer networks and pointed out the wisdom of viewing international cooperation as the work of a constellation of institutional networks rather than simply as the sometimes bilateral actions undertaken by a few global agencies. Thus, they both focused on reinforcing multilateralism by consolidating institutional and regulatory schemes capable of strengthening established international regimes. These conferences bore witness to the need to revitalize multilateral cooperation on economic and financial matters by remitting these issues to the central organs of the United Nations. At the same time, they also acknowledged the benefits of partnering with the private sector, bilateral sources and non-governmental organizations as a means of complementing (rather than substituting for) multilateralism. Another major point made at these meetings was that the emergence of new actors does not necessarily entail a reduction in the State's role, but may instead reaffirm the State's responsibility to regulate and link the various production, community and societal sectors, particularly in the areas of education, public safety, environment and the provision of global public goods.

Third, the two meetings highlighted the importance of establishing quantitative, time-bound targets, and they both resulted in agreements to strengthen the Millennium Development Goals. Action in this direction is to be taken via specific financial mechanisms, in the case of the Monterrey Consensus, and, in the case of Johannesburg, on the basis of political commitments which, although not binding, nevertheless serve as a benchmark for evaluating progress.

Fourth, they both highlighted the pressing need to reverse existing trends. The International Conference on Financing for Development (Monterrey, Mexico, March 2002) represented a major stride towards achieving the Millennium Development Goals. The Conference underscored the need to halt the downward trend in official development assistance and resulted in a commitment to lighten the debt burden, especially for the least developed countries.

The World Summit on Sustainable Development (Johannesburg, South Africa, September 2002), for its part, made it clear that, far from being a luxury, environmental sustainability is something that the world cannot afford to do without. The Summit reaffirmed Principle 7 on common but differentiated responsibilities as enshrined in the Rio Declaration (Conference on Environment and Development, Rio de Janeiro, 1992). In keeping with this principle, the Summit explicitly recognized the environmental debt owed by the developed countries to the rest of the international community as a consequence of the externalities and cumulative impacts of their industrialization process. It also established the political rationale for the industrialized countries' assumption of greater commitments in meeting multilateral environmental goals. The explicit acknowledgement of these principles contrasts with the prevailing situation in respect of principles relating to the restructuring of the international economic architecture, especially in the area of trade (ECLAC, 2002a).

In fact, as noted by José Antonio Ocampo (2004), the very first report issued by the Secretary-General of the United Nations Conference on Trade and Development (UNCTAD) after its founding in the 1960s openly acknowledged the need to correct the asymmetries in the international economic system by providing official development assistance and committing to the provision of special and differential treatment for developing countries in the area of trade. This view was then superseded, however, by the idea that the international economy should be restructured in order to ensure uniform standards and rules—i.e., a “level playing field”—so that market forces could work freely and efficiently. This issue was at the centre of the debate in the World Trade Organization's Fourth Ministerial Conference, in Doha, and its Fifth Ministerial Conference, in Cancún, where developing countries expressed frustration about the fact that the move to correct international asymmetries had gone no further than the recognition of industrialized countries' responsibility towards the least developed countries.

⁸ See United Nations (2004a).

The underlying implication of the change made in the accepted policy approach in the wake of the Millennium Declaration, the Monterrey Consensus, the Plan of Implementation for the World Summit on Sustainable Development and the recent report of the United Nations Millennium Project⁹ is that the economic system ought to be subordinated to broader social objectives. Additional efforts will be required if developing countries are to have the capacity to fully meet the commitments established in the Millennium Declaration and the Monterrey Consensus regarding the redistribution and mobilization of more domestic resources, the reform of institutions to adapt them to national priorities and the adoption of effective economic and social policies that each country can use as it deems fit in furthering its economic development. The developed countries, for their part, must meet their obligations by increasing and improving development assistance, convening a new round of development-oriented trade negotiations, offering more comprehensive debt relief and promoting technology transfer.

During the 1990s, the conditions began to take shape that would eventually convert the world economy from an assemblage of national economies linked by financing, investment and trade flows into a constellation of global marketing and production networks in which transnational stakeholders play a central role. The world's institutional structure has not, however, kept pace with these processes, and since the agenda has largely been dictated by developed countries, it remains incomplete and asymmetrical from the standpoint of developing nations.

Even as the free movement of goods, services and capital is being encouraged, the movement of people is being restricted. International agreements on migration are an essential part of a contemporary global agenda. In such agreements, criteria designed to control migration to developed countries should be replaced with policies more in keeping with the dynamics of their labour markets and the protection of human rights. Nonetheless, steps in this direction continue to be controversial.

The sustained growth of international trade, the strengthening of multilateral rules within the framework of the World Trade Organization (WTO) and the concept of open regionalism as proposed by ECLAC can all help developing countries become more fully integrated into the global economy. These processes are being hampered, however, by the fact that developed countries have not fully opened their economies and by the demand that developing economies bring their practices into compliance with various bilateral and regional agreements on trade and other issues, all of which has an impact on these countries' autonomy in formulating their development strategies.

At the fifty-ninth session of the General Assembly, in his report on implementation of the United Nations Millennium Declaration, the Secretary-General noted that: *“the collapse of negotiations at the World Trade Organization (WTO) ministerial meeting held in Cancún, Mexico, on the Doha round of trade talks, which had for the first time explicitly placed the needs and interests of poor countries at the centre of the trade agenda, stalled progress for 10 months and was a serious setback in efforts to create a level playing field in which developing countries are able to take advantage of their comparative advantages, particularly in such areas as agriculture and textiles. With the agreement on 31 July by the 147 member Governments of WTO on a new framework, the prospects for the Doha round have significantly improved. In particular, for the first time, WTO member Governments agreed to abolish all forms of agricultural export subsidies by a specific date and to reduce trade-distorting domestic support for agriculture. According to World Bank estimates, a rollback of developed-country trade barriers and subsidies in agriculture would improve global welfare by about \$120 billion. The task now is to turn the new framework into a final agreement that delivers this great promise to the developing world.”* (United Nations, 2004a, p. 19).

⁹ See United Nations Millennium Project (2005).

The following overview of the highs and lows in the region's recent development history demonstrates that the Millennium Development Goals are not divorced from this process. Quite to the contrary, the Goals constitute a quantitative, time-bound threshold that will be difficult to cross in the absence of a comprehensive development process. This chapter will set out a number of considerations regarding contemporary development challenges, including a series of recommendations for the design of a comprehensive strategy that places social objectives at the centre of public policy.

B. A decade of achievements and obstacles in Latin America and the Caribbean

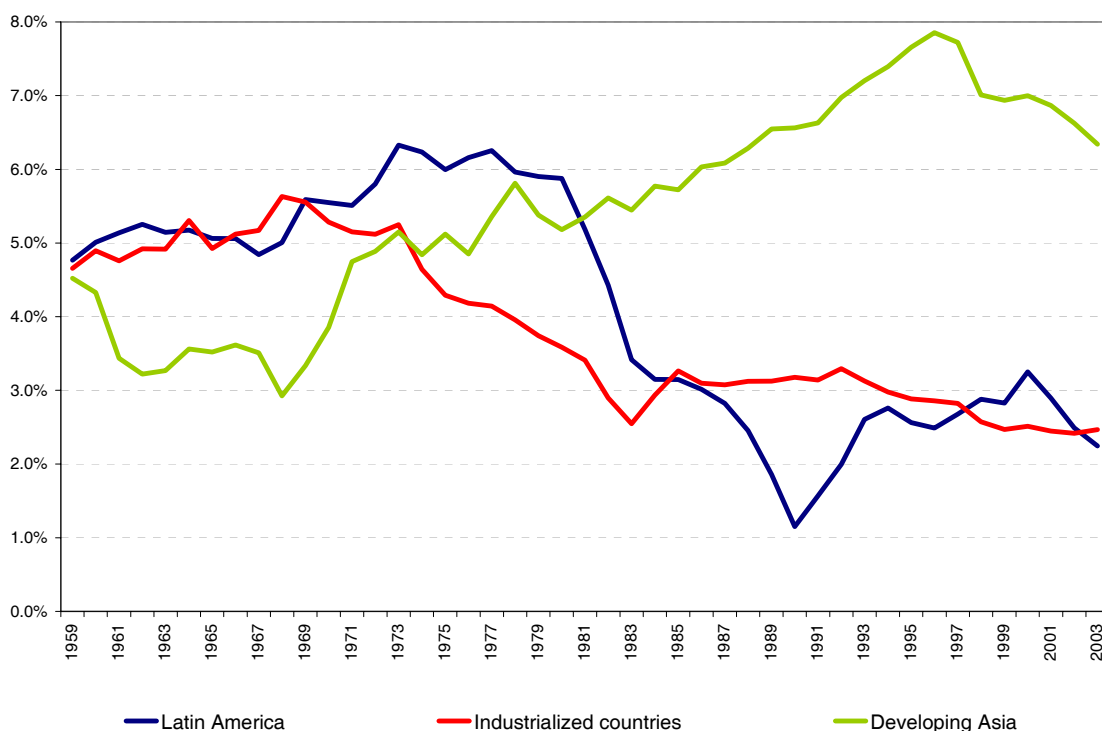
The Latin American and Caribbean countries have entered this new century amid sharp contrasts, as they emerge from a decade of light and shadow (Ocampo and Martin, 2001). The optimism that prevailed at the start of the 1990s gave way to disillusionment with the outcomes of the reforms undertaken during that period. As part of this reform drive, all the countries of the region had sought to open their economies to trade and to liberalize their national financial markets and, increasingly, their external capital flows. Other common features, although with variations from one country to another, were privatization and tax reform programmes.

One of the hallmarks of this period was the widespread liberalization of trade in the region's economies. Openness ratios rose across the board, doubling on average between 1980-1983 and 2000-2003 (ECLAC, 2004b). Both the region's exports and its imports soared. The physical volume of exports rose at an unprecedented rate between 1991 and 2000 (9.3% per year). This was well above the world average and was, in fact, surpassed only by China and India. The difficulties that arose in the international economy in 2001-2002 interrupted this trend, but growth rates rebounded in 2003 and 2004. The region's imports increased even more than its exports, largely as a result of deep tariff cuts against a fairly generalized background of appreciating national currencies.

In macroeconomic terms, these changes led to a structural deterioration in the interrelationship between growth and the trade balance. Trade deficits in 1990-1998 rose to levels comparable to those of the 1970s, but with rates of GDP growth nearly three percentage points lower. This state of affairs was then reversed as capital inflows dropped off sharply, bringing a decline in the rate of economic activity in their wake. The situation in the 1990s contrasts even more unfavourably with the results for the 1950s and 1960s, which included high growth rates in combination with small trade surpluses. Although there are signs that this situation is slowly beginning to improve thanks to more competitive exchange rates and a stronger export performance, sustained growth is needed to consolidate the progress made thus far.

Another significant development in 1991-2003 was economic agents' growing confidence in the Latin American and Caribbean countries' macroeconomic policymakers, thanks to their success in stabilizing prices and curbing fiscal imbalances, thereby bringing two of the region's endemic problems under control. The globalization of trade and finance, improved macroeconomic performance and, in some cases, drastic downsizing of the State's role in the economy did not, however, result in the rapid GDP growth that had been expected. In 1990-2004 the average annual GDP growth rate was only 2.7%, or about half of the 5.5% recorded between 1950 and 1980 (see figure I.1). The region's performance in the 1990s was clearly poorer than that of other developing regions, especially in the case of South-East Asia, which expanded at an average rate of 6%.

Figure I.1
ECONOMIC GROWTH, 1959-2003
(Annual rates, moving 10-year averages)



Source: World Bank, *World Development Indicators* [on line] (<http://www.worldbank.org/data/>).

The greatest source of frustration regarding the economic performance of Latin America and the Caribbean has been the growing divergence between the region's and the developed world's per capita GDP levels. This trend first appeared in the early 1970s, and the gap has been widening in recent years. Renewed economic growth in 2003 (1.9%) and 2004 (5.7%) is a positive sign, but has not brought about any radical change in the situation (ECLAC, 2004c). What is more, this trend has been accompanied by increasing income-distribution disparities within the region and —when the early 1980s are used as a basis for comparison— by rising poverty and indigence levels in practically all of the region's countries.

Economic growth has not only been slow, but volatile as well: in the 1990s, the coefficient of variation for GDP growth in Latin America and the Caribbean was more than twice as high as it was for the developed countries and the developing nations of Asia. Although the region was making considerable headway in controlling inflation and fiscal deficits, the macroeconomic fluctuations of the 1990s generated a great deal of instability. One lesson that has emerged from this experience is that instability in real variables —i.e., in economic growth and employment— also carries a high economic and social cost. This cost is manifested in a severe underutilization of human and capital resources, harmful impacts on investment, the unresponsiveness of job creation to upswings in the business cycle and reduced social security coverage due to the erosion of wage earners' contributions to the system. More generally, uncertainty has significantly reduced the well-being of the population, and particularly of lower-income groups.

The surge in export growth that followed upon the weak and unstable economic growth rates of 1991-2003 reflected the structural transition associated with the countries' liberalization of their trade regimes against a backdrop of exchange-rate lags. This transition brought profound changes in the "rules of the game" for production enterprises. Although new activities did emerge during the transition thanks to the economies' greater openness, the evidence points more to a destruction of the most fragile segments of the existing production base than to the creation of a new production structure.

Although the greater competition typical of open economies has opened up new opportunities, it has also increased the level of uncertainty in the business environment. Producers have not all been equally placed to deal with these changes in the rules of the game. The adaptation process has been marred by market failures, including, in particular, major information asymmetries among production agents. This has given rise to significant disparities in terms of knowledge and linkages with foreign markets, access to financing and acquisition of the technological expertise needed to compete in the new economic environment. Producers' responses to the situation have varied considerably. This has accentuated the structural heterogeneity of the region's economies and, most importantly, has created a situation in which many economic agents have been left by the wayside as these economies make the transition to a modern production structure.

The Latin American and Caribbean region thus displays a substantially higher degree of heterogeneity than other regions; this characteristic interferes with the transmission of the productivity gains realized in some sectors and firms to the rest of the production apparatus (ECLAC, 2004b). The persistence of these differences has led to the emergence of three segments of production (large corporations, small and medium-sized enterprises, and informal microenterprises) which, as will be discussed in the following section, are progressing at very dissimilar rates.

The dynamics associated with these three segments of production have produced perverse social effects. First of all, unemployment jumped from 6.9% at the start of the 1990s to 10.0% in 2004. This rise was coupled with an expansion of informal economic activity. As a result, over the past decade, 70% of all new jobs have been created in the informal sector, while over 63% of the employed members of the poorest 40% of households work in the informal sector and must use their entire labour income simply to meet their subsistence needs.

One consequence of the increase in unemployment and informal economic activity is that a smaller percentage of the population is now covered by social security. The more flexible labour-market conditions associated with liberalization and reform measures have altered the rationale for providing workers with social insurance systems, which had been based on the policies in place since the early 1980s. When employment is scarce and uncertain, unless there are suitable protective mechanisms in place that meet certain minimum standards, social integration and protection are likely to suffer.¹⁰ Furthermore, when unemployment becomes a long-term or systematic condition for certain groups, not only is there an increase in poverty levels and in households' vulnerability in the event of unforeseen circumstances (e.g., the loss of health benefits), but the social cohesion needed to pursue collective endeavours is also seriously impaired and democratic channels for participation are undermined.

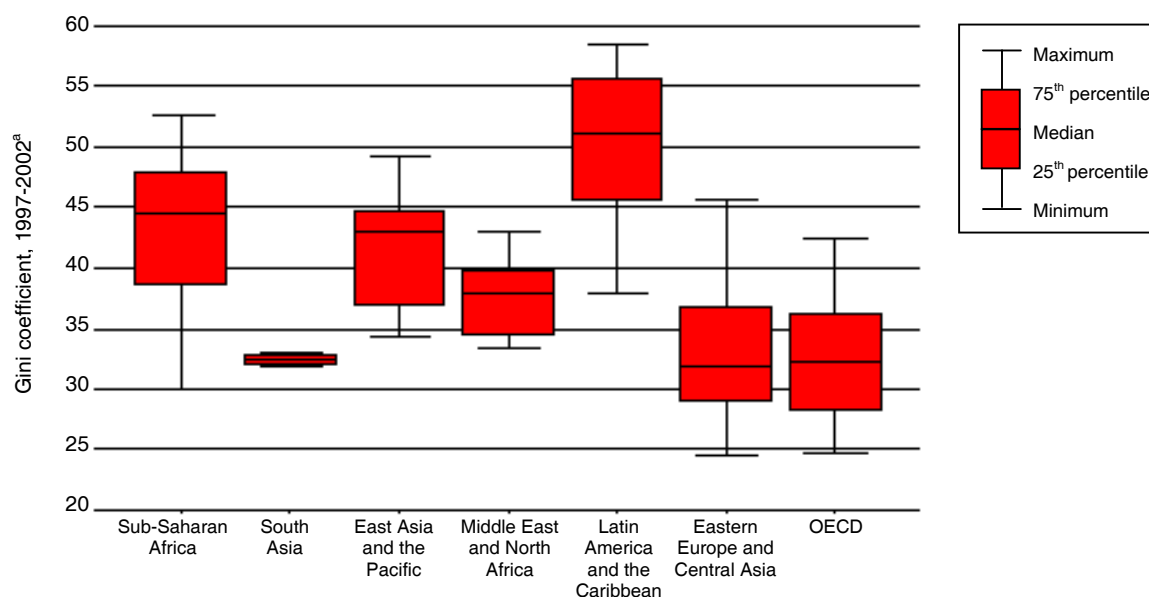
Despite government efforts to increase social spending—which rose from 10.1% of GDP in 1990 to 13.8% in 2002 and resulted in considerable gains in health and education in some countries—progress in reducing poverty and indigence has stalled in recent years. Between 1990 and 1997, the proportion of the population living below the poverty line decreased from 48.3% to 43.5%, but it then remained around this figure for the rest of the decade. As of 2004, the rate was 42.9% (222 million people). The percentage of the population living in extreme poverty also

¹⁰ In the 1990s, the percentage of urban wage earners formally affiliated with a social security system shrank from 50% to 47% in Latin America as a whole.

declined, falling from 22.5% in 1990 to 19% in 1997, but little headway has been made since then, with the figure standing at 18.6% (96 million people) in 2004. The persistence of poverty and indigence is compounded by generally discouraging trends in income distribution in Latin America (ECLAC, 2004d).

Although this global trend is in evidence in most developing countries, the Latin American and Caribbean region has the unenviable distinction of being the most inequitable region in the world (see figure I.2).

Figure I.2
WORLD REGIONS: GINI COEFFICIENT, 1997-2002
(Concentration of per capita income, by deciles)



Source: World Bank, World Development Indicators [on line] (<http://www.worldbank.org/data/>).

^a Coefficient for the latest year in this period for which data are available.

Events of the past few decades underscore just how rigid Latin America's highly unequal income distribution pattern is. This severe rigidity clearly diminishes the region's chances of reducing extreme poverty and meeting the Millennium targets.

The inequitable distribution of income is a reflection of a highly uneven distribution of assets (land, capital, education and technology) and unequal access to them. In several of the Asian countries that have been growing swiftly in recent years, this surge in growth came after a substantial redistribution of income and, in some cases, of physical assets, combined with broad access to education. These factors not only helped those countries onto the path of economic expansion, but also contributed to a considerable reduction in poverty. Another crucial factor was these countries' success in capitalizing upon their "demographic bonus" (i.e., the temporary concentration of the population in economically-active age groups as a consequence of past reductions in fertility rates). In Latin America and the Caribbean, on the other hand, not only has asset distribution failed to improve, but the countries' slow and volatile economic growth has actually been one of the contributing factors to the worsening predicament of the most vulnerable groups in the population.

Box I.2

THE DEMOGRAPHIC CONTEXT FOR THE ACHIEVEMENT OF THE MILLENNIUM DEVELOPMENT GOALS

As of 2005, estimates place the number of people living in Latin America and the Caribbean at 563 million. This is 120 million more than in 1990, which means that the population has grown by an average of 1.6% per year. This rate is dropping, and in the years remaining for the achievement of the targets associated with the Millennium Development Goals, the countries will see this pressure abate somewhat as the population expands at a slower rate (1.3% per year). Even so, the population will expand by 76 million to a total of 640 million by 2015. This average rate masks sharp differences across countries, however. Projected growth between 2005 and 2015 varies from below 1% per year in Cuba, Uruguay, Chile and most of the Caribbean countries to over 2% in Guatemala, Paraguay and Honduras (ECLAC, 2004d).

One of the most significant demographic changes taking place in Latin America is a major shift in the age structure of the population, mainly as a result of the sharp decline in fertility seen in the last three decades of the twentieth century. As a result, the population is ageing, as the proportion of younger people diminishes and the proportion of older persons rises. In the long term, the latter will be the fastest-growing age group, expanding at a rate of almost 4% in some countries. For Latin America as a whole, the population aged 60 and over will grow at an estimated average rate of 3.5% per year between 2005 and 2015, while the population aged 80 and over will continue to expand at an annual rate of 4%. By contrast, some countries are already recording negative growth rates in the younger age groups. In 2015, there will be half a million fewer children in the 0-4 age group than there were in 2005. In general, the population between the ages of 0 and 19 will grow very little—at an average annual rate of just 0.2%—between 2005 and 2010.

In the short and medium terms, however, the largest absolute increase will be recorded in the economically-active age groups. Between 1990 and 2005, over 70% of the 120-million increase in the population occurred in the age groups between 20 and 60. This trend, whereby older cohorts (who were born when fertility rates were high) are growing faster than the younger ones, will continue into the coming decades. In the next 10 years, the largest absolute contribution to population growth will come from the 30-69 age group, whose members will account for 76% of the increase in the population.

These changes will be reflected in a decrease in the dependency ratio, which means that in the coming decades there will be fewer dependents (persons in the under-15 and the 65-and-over age groups) for each working-age person (15-64 years of age). In Latin America, this ratio will bottom out around 2025 (when there will be one dependent individual for every two working-age members of the population), before starting to rise again as an effect of the rapid expansion of the over-65 population (the ratio will bottom out first—in 2010—in Cuba, Netherlands Antilles, Barbados, Puerto Rico, and Trinidad and Tobago, followed by Chile and Costa Rica in 2015; by contrast, in Guatemala and Paraguay the dependency ratio will continue to drop until the middle of the twenty-first century). This faster expansion of the working-age population has become known as the “demographic bonus” or “demographic window” and represents a relatively short-lived and unique opportunity for the region’s economies to capitalize on the dividends generated by the drop in fertility in earlier decades.

Access to production assets is one of the necessary conditions for an improvement in income distribution. In the case of human capital, redistribution is inevitably a gradual process that can only be achieved through education and health care. In the case of physical assets, access to credit and technology for small and medium-sized rural and urban production enterprises is crucial in order to reverse the trend towards income and wealth concentration. In addition, home ownership is a very important asset for the poor because it makes them less vulnerable to the ups and downs of the business cycle. In the case of land and the market for this asset, some countries need to supplement existing support measures by providing small producers with land deeds or with leases or sharecropping contracts. These deeds and contracts will then enable small-scale producers to secure title to their land and obtain access to other necessary assets. Where possible and compatible with other policy measures, consideration could also be given to a number of additional elements of agrarian reform.¹¹

In short, although Latin American and Caribbean economies have some achievements to their credit, their growth has been sluggish and they have been unable to reduce the inequality of income distribution. The region is therefore faced with the twofold challenge of attaining a more dynamic

¹¹ See, among others, Tejo (2003).

position in global markets while at the same time closing the gaps that exist with respect to equity, exclusion and environmental deterioration.

C. The need for a comprehensive development strategy

Rapid, stable economic growth is necessary in order to raise levels of well-being, but such growth alone will not be enough to achieve that aim if development patterns generate adverse trends in distribution, as has been the case in the region in recent decades. Although social policy plays a very important role, it cannot correct those trends by itself. In fact, social objectives cannot be achieved at all unless the development agenda places them at the centre of economic policy. By the same token, in order to ensure that the effort to increase the well-being of the entire population does not exclude future generations, development must be environmentally sustainable. In other words, both the intragenerational and intergenerational dimensions of equity must be taken into account.

Human rights —i.e., not only civil and political rights, but economic, social and cultural rights as well— must therefore constitute the ethical framework for the formulation of development policies (Ocampo, 2004). “This integral concept of development entails more than simply the complementarity of social, economic, environmental and democratic governance policies, on the one hand, and of human capital, social well-being, sustainable development and citizenship, on the other. In fact, it should be viewed as embodying the core meaning of development” (ECLAC, 2000a).

This perspective ought to lead policymakers to rethink the development agenda. It should also prompt them to set aside the uniform and linear vision of economic development which has prevailed in the last few decades. This concept of development called for a single, “one-size-fits-all” agenda, regardless of each country’s particular institutions, social and economic conditions, and development history, while relegating the State to a subordinate role and leaving it to the market to allocate resources and resolve distributive issues.

The regional lessons of recent years, which differ little from those learned at the international level, suggest that many of the types of reforms implemented in Latin America and the Caribbean will not automatically translate into faster growth unless they are coupled with an appropriate institutional structure. Privatizations carried out in the absence of a proper regulatory system are but one example. What is more, some of the reforms of the 1990s, such as the full opening of the capital account, have had a negative impact on growth in a number of cases. It comes as no surprise, therefore, that gradual and partial reforms aligned with actual conditions in each country and with existing institutional structures have yielded better results than reforms that were not filtered through the sieve of practice, experience and internal discussion.

Changes in policies and institutions can generate either virtuous or vicious circles. Integration into the global economy may not guarantee sustained growth or more equitable social development, but a country whose development model is based on the endogenous strength of its institutions and appropriate regulatory structures is in a position to benefit from liberalization, especially when technological and learning externalities are present.

Discontent with the reform agenda has given rise to a positive debate which must surely add value to the development agenda. Given the situation in the region, a reduction in inequity must be the standard by which the achievements of development policy are measured.

This new agenda must be based on a recognition of the fact that economic growth is a necessary but not sufficient condition for a reduction in poverty and inequality. The workings of the market must be given greater scope while at the same time improving the role of the State. There is a growing body of opinion that broadening the market’s role in the absence of complementary public policies is not only an insufficient condition for sustained growth and an improved distribution of income, but may actually be counterproductive. However, since there is such a thing

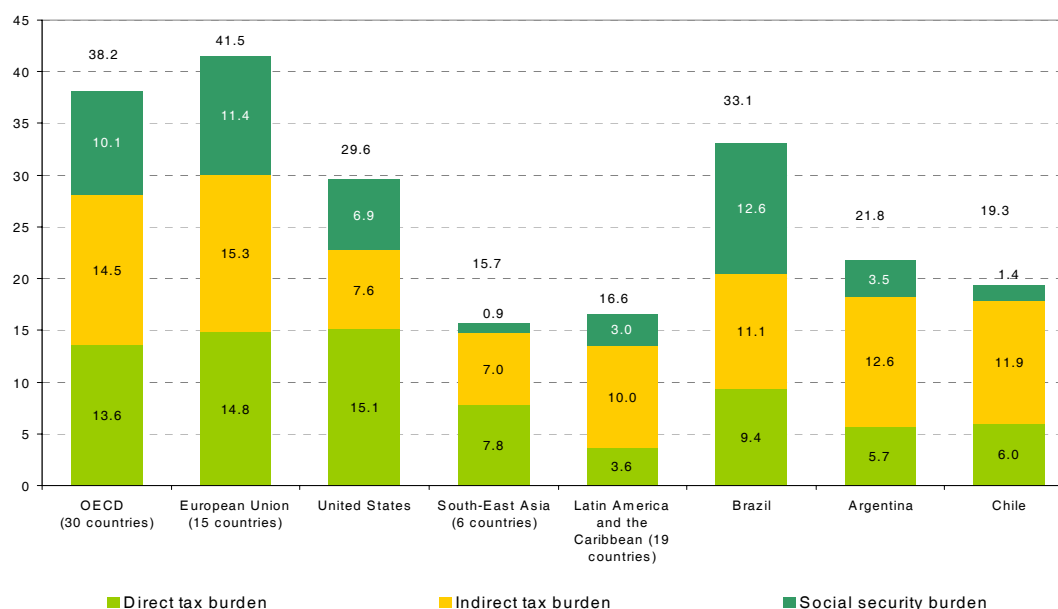
as “government failures”, as well as “market failures”, it is imperative that the State’s operation be improved as well. Moreover, since government failures are often attributable to the predominance of particular economic and social interests within the State, and given the presence of imperfections in mechanisms of representation and of information problems that interfere with the State’s operation and permit rent-seeking behaviour, new forums for the participation of civil society are also essential.

In other words, the Latin American and Caribbean region is entering the twenty-first century with a better understanding of the complementarity between the market and the State and a better appreciation of the benefits of a mixed economy. This does not signify a return to the producer-State of the past. Rather, it calls for an active State that is committed to economic development, but also to the reduction of inequity and poverty through the formulation and implementation of public policies in different spheres.

1. Macroeconomic and productive development policies

Restoring a high and stable rate of economic growth requires, first, a sound macroeconomy capable of maintaining and consolidating the achievements of the 1990s by keeping inflation low and the fiscal deficit at manageable levels. In particular, public borrowing should be held to sustainable levels through the conclusion of a long-term fiscal covenant (ECLAC, 1998a; ILPES, 2004). Such a covenant should not only include a commitment regarding public deficits, but should also recognize the need to guarantee a sufficient level of resources to carry out the social and productive development policies that are discussed later in this chapter. Although the region’s lower tax burden in comparison to those of developed countries is partially attributable to its lower level of development, in many cases there is undoubtedly room for improvement in this regard (see figure I.3).

Figure I.3
TAX BURDENS IN SELECTED COUNTRIES AND REGIONS, 1999-2000^a
(Percentages of GDP)



Source: Latin American and Caribbean Institute for Economic and Social Planning (ILPES), *Panorama de la gestión pública* (LC/IP/L.243), Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC), 2004.

^a The figures for the OECD countries, Argentina, Brazil and Chile refer to general government revenues. The rest refer to central government revenues.

Macroeconomic policies should be designed not only to ensure nominal stability, but also to reduce real volatility, which was one of the most adverse phenomena seen in the region in the 1990s. As discussed in the preceding section, highly volatile growth discourages investment not only in physical capital, but also in human capital and, particularly, in high-quality jobs. Reducing volatility is therefore vital for achieving faster growth, but is also an essential part of a strategy for increasing employment and social protection.

To smooth out real volatility in a context of strong external shocks, especially financial ones, the countries of the region need to lessen their dependence on external saving by boosting their domestic saving and deepening their financial markets. They also need to implement countercyclical policies that require them to accumulate savings during expansionary phases. This means, on the one hand, that fiscal targets should be set on the basis of “structural” public balances (that is, balances that have been adjusted to offset the effects of the business cycle), and, on the other, that stabilization funds should be created to compensate for sharp fluctuations in the international prices of the region’s commodity exports.

The capacity to implement countercyclical monetary policies is limited in economies that are open to capital flows. However, the authorities of such economies can and should increase liquidity requirements and adopt stricter prudential regulations during boom periods, when potential risks are not clearly perceived by financial entities. In addition, one of the objectives of monetary policy should be to keep relative prices compatible with a development strategy that is sustainable in the medium and long terms. To this end, it may be necessary to take steps to regulate capital mobility, especially in the case of short-term flows.

The region’s experience shows, however, that a sound macroeconomy alone cannot guarantee high, stable growth, much less enhance social equity. Another key requirement is to adapt the design and operation of institutions involved in the development process so that they allow markets to function properly and promote social cohesion. To meet the first of these objectives, institutions should: (a) facilitate the creation and operation of markets (by lowering transaction costs, safeguarding and, where necessary, extending property rights and developing a legal system to deal with violations of these rights); (b) encourage competition by facilitating access to information in imperfect markets (such as financial and technology markets) and establishing clear rules governing the operations of monopolies; and (c) reduce macroeconomic volatility, whether deriving from exogenous or internal factors, in nominal terms (by establishing independent central banks and public debt ceilings, for example) and real terms (by implementing a countercyclical fiscal policy). To promote social cohesion, institutions should see to it that goods of social value are adequately supplied and should redistribute income and assets to a degree that society considers desirable (Ocampo, 2004; Rodrik, 2004). This will be discussed in greater detail in the next section.

There is also a need to design a public policy strategy aimed at: (a) boosting investment, particularly in infrastructure and environmental protection; (b) improving the Latin American and Caribbean countries’ international position; and (c) implementing production policies that promote innovation and speed up the growth of productivity and employment.

(a) Boosting investment

The uncertainty generated by the real volatility observed in the region’s economies in the 1990s has tended to interfere with saving and investment decisions. This, in turn, has undermined the countries’ capacity to increase productivity, thereby slowing down the accumulation of the various types of capital. Moreover, insufficient levels of domestic savings have forced countries to finance investment from external sources. Given the instability of external capital flows, this state of affairs represents an additional source of volatility and vulnerability.

In order to reduce macroeconomic volatility, greater use should be made of domestic savings to finance investment and growth. Furthermore, countries will have to step up their investment in

physical and human capital if they are to succeed in embarking on a sustained growth path. The quantity and quality of infrastructure services and the expansion and sustainability of natural resources, particularly energy resources, have a significant impact on productive development, as does the conservation of natural systems and the environment.

In the 1990s, dwindling public investment in infrastructure was partially offset by an increase in the share of private investment. The privatization processes launched in the region in the late 1980s attracted the first wave of private capital to the infrastructure sector. Although the different forms of public-private partnerships that have emerged in the last few years have deepened private-sector involvement in infrastructure financing and construction and in the management of infrastructure services, the public sector will continue to have an important role to play in improving the regulatory framework and in financing investment, particularly in electricity, transport, water and sanitation. This means that fiscal targets will have to be approached in a more flexible way and that public accounts should clearly differentiate between infrastructure investment and current expenditure in order to eliminate, or at least reduce, the anti-investment bias created by current fiscal accounting practices (ECLAC, 2004b; Martner and Tromben, 2005).

The strength and sustainability of economic growth are also linked to the status of natural capital assets. Today, production activity based on unsuitable forms of natural resource exploitation is eroding the natural resource endowments of several of the region's countries, thereby undermining medium- and long-term sustainability. To correct this situation, investment should be directed at preserving and expanding the economy's natural resource base, along with other factors of production, as well as the capacity of natural ecosystems to support production activities and provide environmental services. The region's generous endowment of biodiversity and natural resources includes a broad range of valuable renewable and non-renewable resources whose management and economic utilization should be part of the countries' international and national development strategies. To this end, the region needs to build its negotiating capacity in international forums, coordinate its environmental and economic policies more closely, and develop environmental and fiscal policy tools to prevent environmental degradation and take advantage of the investment opportunities generated by heightened environmental awareness in the production sector and in civil society.

(b) Improving the Latin American and Caribbean countries' international position

Given the export orientation of the Latin American and Caribbean economies and the protectionist policies of developed countries, market access strategies have become the linchpin of export incentive schemes. But market access cannot solve institutional problems, nor does it automatically lead to the productive development needed for growth. Public policies designed to improve the region's international position and boost the competitiveness and productivity of its production apparatus are essential in order to maintain a high rate of export growth while at the same time increasing the impact of exports on economic growth.

Clear signals are needed as to the desirability of innovating and investing in the expansion and improvement of export capacity and of restructuring and rationalizing production sectors that compete with imports. To this end, a competitive and relatively stable exchange rate must be maintained. The exchange rate must move in step with its long-term determinants while remaining relatively independent of cyclical economic conditions and as isolated as possible from short-term capital movements. At the same time, care must be taken to avoid introducing rigidities that, when adjustments become inevitable, would place the burden on real economic variables.

The Latin American and Caribbean countries also need active export promotion policies in order to offset the remaining anti-export bias in the tariff structure, benefit from the positive externalities

generated by export activity, compensate for capital market failures in the area of export finance and make the most of the economies of scale and learning opportunities generated by these activities.

The design of incentive systems should reflect the fact that their primary aim is to promote truly innovative export activities involving new products or new markets. Export promotion policies should be approached as medium- and long-term strategies so that their continuity will be assured, regardless of changes in the government staff that implement them.

Latin American and Caribbean countries are participating actively in a number of international negotiations whose outcome will determine the characteristics of the international market for the region's exports in the coming decades. Accordingly, the countries should actively engage in commercial diplomacy in order to move the various negotiations forward, especially at the multilateral level.

In addition to the debate on agricultural subsidies in developed countries, several issues of particular importance to developing countries will come up for negotiation, including the reduction of tariff peaks, which encourage overly specialized production; the elimination of tariff escalation, which discourages the process of adding value through industrialization, particularly in the agricultural sector; and the achievement of a reasonable agreement on non-trade concerns that will provide legal certainty in international trade and will clearly spell out what requirements exporters must meet in order to gain access to developed-country markets.

(c) Implementing production policies that promote innovation and speed up the growth of productivity and employment

To improve their international position, the countries of the region should seek to narrow internal and external productivity gaps (ILO, 2004). This cannot be done, however, without higher investment in human capital, technology, infrastructure, and machinery and equipment. Policies to promote productive development are also needed. Measures to encourage the creation of new enterprises, including financial support in the form of venture capital for innovation-intensive activities, are particularly important in this regard.

Since experience has shown that the market does not provide all the answers, especially to problems of information and coordination among economic agents, the countries of the region need to have an adequate range of production policies.

In a somewhat schematic manner, and leaving aside the differences between countries, the region's economy may be said to operate at three speeds, depending on the size and legal status of the enterprises that make up the production sector. One group consists of informal enterprises, whose structure and capacity are such that they have the lowest productivity levels and operate in an environment that affords them few learning or growth opportunities. The second group is made up of formal-sector small and medium-sized enterprises (SMEs), which have trouble gaining access to the financial and other resources they need in order to boost their competitiveness. The third group consists of large national and foreign enterprises. Although these firms' productivity levels generally come close to international standards, they have few links to the rest of the local production system and, in some cases, show little capacity for innovation.

Given the absence of genuine equality of opportunity implied by this degree of productive heterogeneity, the countries take active steps to level the playing field through specific policy measures designed to eliminate or mitigate the obstacles that have uneven impacts on these different types of firms (ECLAC, 2004b). Levelling the playing field does not mean applying the same rules of the game to all participants, as is often thought. Owing to the lack of public policies in this area, most SMEs do not have access to certain assets and markets (such as financing, technology, external markets and training) on an equal footing with large corporations. It is important to clarify

that levelling the playing field means adopting public policies that afford all firms similar opportunities, regardless of their size or any other attribute.

A differentiated structure of support and incentives is needed to respond to the variety of needs and demands arising from the heterogeneity of the region's production system. This structure should revolve around three major policy strategies: inclusion, modernization and densification. The chief aim of inclusive strategies is to move as many small production units as possible from the informal to the formal sector of the economy. Policies for implementing this strategy should have broad coverage, but should also be adapted to each country's circumstances and to specific contexts.

These policies include the streamlining of rules and administrative procedures, tax relief and the simplification of reporting procedures, increased credit access for small investments and, especially, for investments in working capital, and basic training programmes in the areas of management and technology. When small production units are incorporated into the formal sector, they gain access to other instruments and public policies that enable them to engage in new activities and provide some degree of social protection to their workers.

Modernization strategies are based primarily on horizontal policies, in combination with selective measures targeting production clusters or specific production chains. Support for the modernization of production should include horizontal policies to improve access to information, credit, technology and marketing systems. Export activity can be boosted through support and market information services provided by specialized public agencies in association with private-sector chambers of commerce.

Selective policies are designed to promote the development of linkages (partnerships) among SMEs and between SMEs and larger firms and to strengthen local production structures or specific production chains. Both types of policies are being implemented in a number of countries but could be improved by involving potential beneficiaries in their formulation, establishing follow-up and assessment mechanisms and, above all, expanding their coverage.

Densification strategies are directed towards incorporating more knowledge into a country's production system and establishing more closely interconnected production, technology, business and labour networks. In theory, across-the-board policies and well-functioning market-economy institutions should be sufficient to provide big companies—which are more closely linked to international markets—with reasonable operating conditions. Nonetheless, there is still room for public policies aimed at strengthening the linkages of the export base; fostering public-private cooperation in specific areas of the innovation system in order to capitalize on potential competitive advantages; attracting higher-quality foreign investment that will help build production linkages and technological capacities; supporting the expansion and internationalization of domestic firms; and strengthening the service infrastructure in order to eliminate production bottlenecks.

Generally speaking, then, the focus of policy implementation needs to be shifted from facilitating access to promoting linkages. Traditionally, productive development policies have concentrated almost exclusively on specific policy instruments and have attempted to compensate for market failures by facilitating and promoting credit access, information, technology diffusion, innovation, training, etc. This kind of strategy has tended to taper off into isolated efforts that have little impact on the production system as a whole.

To overcome these problems, linkages are needed not only between the supply of support instruments and the demand for them, but also among the public-sector entities that provide them and the firms that make use of them. The countries need to devise productive development strategies that duly reflect the diversity of their production systems in order to maximize their economies' growth potential and promote the more equitable distribution of the benefits of growth.

2. The synergies between growth and equity

Thus far, this chapter has discussed how better macroeconomic and productive development policies can help speed up economic growth, thus paving the way for increased employment and a reduction in poverty. However, although economic growth is essential in order to combat poverty, growth alone will not make the distribution of income or assets more equitable or effectively redress problems of social exclusion. Development strategies should therefore emphasize economic policies geared towards improving social equity. Social imperatives must therefore be taken into account when determining the level of public allocations (the fiscal covenant), and strategies should include policies to reduce real volatility, given its negative impact on employment and social protection. In addition, the starting point for the design of productive development policies must be an express recognition of the region's structural heterogeneity.

By taking a differential approach to the problems of the various types of production units and attaching particular importance to the development of smaller, more labour-intensive firms, these strategies can help the countries reach a milestone on the road towards greater social equity: an increase in the supply of decent jobs through labour laws that prohibit discrimination and unacceptable forms of work and that provide access to social security benefits (ILO, 2004). In a competitive production environment that encourages a sustainable process of job creation, labour policies should provide for training programmes to help workers adapt to the new demands of the labour market, promote social dialogue to develop self-regulating labour relations and pay special attention to the situation of workers (such as informal-sector and unemployed workers) who are excluded from the most modern and fastest-growing sectors of the economy.

These considerations show that many of the determinants of social progress fall within the purview of economic policy. It follows that social goals cannot be met unless they become prime objectives of economic policy. Economic growth is a prerequisite for creating a sufficient number of high-quality jobs. The idea that countries can achieve this aim in the absence of growth, either by making labour markets more flexible or, conversely, by tightening up legal job-protection measures, can be counterproductive. Experiences in the region indicate that when economic growth is slow, increased labour flexibility may generate a few extra jobs, but at the cost of making a much larger number of jobs more precarious; greater flexibility under such circumstances has not proven to be an effective way of spurring growth either. On the other hand, under these circumstances, excessive legal protection tends to lead to a heightened degree of social segmentation that is not counterbalanced by any stimulus for production. An active labour policy geared to providing more and better jobs with adequate social protection, while also recognizing that workers must be able to adapt to changes in technology and in the business cycle, should include the promotion of social dialogue at various levels with a view to building common interests between employees and employers.

Similarly, the effectiveness of policies to support SMEs largely depends on the macroeconomic environment in which these firms operate.

The social effects of economic policies should therefore be made more visible. Among other things, the macroeconomic authorities should regularly review the anticipated effects of their policies on employment and on the income of the poorest segments of the population. Draft budget laws and proposed tax reforms should be required to include an analysis of the distributive effects of public spending and taxes. Policymakers concerned with technological, industrial or agricultural matters should also conduct regular analyses to determine who benefits from their programmes. This should be the starting point for the design of effective systems of coordination between social and economic authorities aimed at ensuring that social priorities are woven into the very fabric of economic policy, including policies on fiscal matters, technology and production.

Enhancing equity is an important means of increasing the impact of growth on poverty reduction, since the achievement of a certain income threshold is crucial for building human capital and reducing the vulnerability of low-income sectors; the achievement of these two aims, in turn, is essential in order for broad sectors of the population to share in the benefits of economic growth. Moreover, as argued by Lustig, Arias and Rigoloni (2002) and by Birdsall and Székely (2003), this cause-and-effect relationship works both ways: economic growth and the reduction of poverty and inequality are mutually reinforcing. This is particularly evident in less developed countries, where poorly functioning markets make certain assets, particularly knowledge, less accessible for low-income sectors. Thus, increasing the well-being of the entire population is not only a key component of strategies for guaranteeing economic, social and cultural rights; it is also an effective means of boosting economic growth.

Social development should therefore be seen as the outcome of the interaction of three basic elements: (a) a macroeconomic policy that promotes sustained growth capable of generating a sufficient number of high-quality jobs; (b) a productive development strategy designed to reduce structural heterogeneity and narrow the productivity gaps between different activities and agents of production; and (c) a long-term social policy geared towards increasing social equity and inclusion.

Since social policies are the other crucial element (in addition to economic policies) in efforts to achieve greater equity, the next section will discuss the features that should characterize these policies and the institutions responsible for implementing them.

3. The architecture of equity-seeking social institutions: characteristics and attributes

The last decade has seen an improvement in the institutional framework for economic policy (independent central banks, fiscal deficit ceilings and countercyclical funds). While much remains to be done in this regard, in particular to reduce real volatility and extend these achievements throughout the region, these institutions have undoubtedly helped to improve the Latin American and Caribbean countries' macroeconomic performance. A number of factors have helped to augment the credibility of the institutions responsible for macroeconomic management, including a political agreement as to the definition of their mandates and areas of competence and the adoption of relevant legal standards, the recruitment of qualified technical staff and the allocation of the economic resources needed for their management. There is no question, however, about the fact that this capital is also based on the formulation of clear objectives in the form of mandates for the institutions in question. Clarity of purpose and good resource management are two political attributes that have helped to strengthen institutions.

The political will needed to create these economic institutions and the experience gained in doing so should be used to build social institutions based on the three fundamental principles of universality, solidarity and efficiency.

The principle of universality means that all citizens should be guaranteed certain basic protections or benefits—in keeping with each country's level of development—that are deemed necessary for full participation in society. In accordance with the principle of solidarity, different people should participate to differing degrees, depending on their economic capacity or risk level, in the funding of social protection and access to such measures. These principles, which should guide the overall organization and management of social services and benefits, should be supplemented by the principle of efficiency in order to maximize results within existing resources. Efficient institutions, in turn, must be managed transparently and must continuously evaluate the results of their actions.

It is therefore necessary to move beyond both the segmented social protection models of the past and the compensatory view of social policy that has become prevalent in the last two decades.

Both of these models disregard the principles of universality and solidarity, even though these principles are the very essence of good social policy. In fact, the entrenchment of a dual system of social services—in which quality services are provided to privileged population groups while deficient services are provided to excluded groups—is becoming one of the main vehicles for the reproduction of social inequality in Latin America and the Caribbean (ECLAC, 2004b).

The practical application of the principles of universality, solidarity and efficiency is not a straightforward task and, when the time comes to take specific decisions, it is often mistakenly thought that targeting is diametrically opposed to the concept of universality. Quite to the contrary, however, if used correctly, targeting can be an effective means of universalizing a right. By nature, social policies are very demanding in terms of the institutional quality required for their successful implementation. This is because they are often highly redistributive and tend to cross jurisdictional boundaries. They also require the mobilization of efforts throughout a nation's territory, involving different political actors at various stages in their implementation. What is more, they deal with multidimensional problems and have a strong temporal component. In this respect, the institutions in charge of implementing social policy differ notably from those responsible for macroeconomic management, in which there is a closer correspondence between policy objectives and policy tools.

This being the case, it may be useful to identify a set of common attributes that should be taken into account in designing social institutions, such as sustainability over the long term, efficiency and transparency, institutional linkages, civil-society participation, territorial versatility, private-sector participation in service delivery and enforceability of rights (Machinea, 2004a). Institutions possessing these attributes will almost always be middle-ranking institutions. These bodies, in turn, will obviously be more effective if they interact with higher-ranking institutions within a framework of political and economic stability that helps to consolidate the key institutions of social policy. Many of these attributes are common to the design of policies in other areas, from economic policy to environmental sustainability policy, although some are particularly relevant to the social sphere.

The first attribute is **the implementation of explicitly agreed programmes that last over time**. Actions in the social sphere, especially when they concern structural rather than short-term factors, must be sustainable if they are to become consolidated and yield the expected outcomes. The problem here is that the demands of politics, especially electoral politics, call for quick, tangible results, which social policy can seldom deliver (as in the case of education, where results are visible only in the long term). This means that the only way to maintain delayed-impact structural or comprehensive social policies is to shield them from the influence of political demands by making them policies of the State.

As noted earlier, this requires the conclusion of a fiscal covenant and a social and political compact. The former is necessary because social demands are almost impossible to meet without a certain minimum allotment of resources. The latter is vital because of the above-mentioned difficulty of ensuring the continuity of policies that are explicitly designed for implementation over the medium and long terms in the absence of a social and political understanding. Thus, the aim of such a fiscal covenant and social and political compact is to “armour-plate” critical items of social expenditure. This approach fulfils a dual purpose. On the one hand, it gives social priorities the benefit of explicit political consensus at the parliamentary level; on the other, it guarantees the provision of fiscal resources to finance the relevant programmes, thereby ensuring their continuity.

The second attribute is **effective management**. The management of social programmes, especially those that target high-risk groups, has special features that differentiate it from the administration of programmes in other public policy areas. The social management model must thus be suited to the need to reach disadvantaged population groups; otherwise, the programmes will fail to benefit those who need them most.

Effective management has two crucial ingredients. One is the building of permanent technical capacity in social agencies. Efforts therefore need to be made to minimize turnover among key

actors, such as social programme directors. The other is the institutionalization of transparency, both in designing programmes and in assessing and accounting for results. The primary purpose of transparency is to ensure that the programmes' intended beneficiaries are aware of the means available to them for improving their situation. This is the best way to prevent corruption and political favouritism. Institutions should therefore be equipped to build permanent technical teams and should recognize society's right to have access to relevant information.

The third attribute is the **capacity to form linkages among social policy institutions**. This is necessary because of the multidimensional nature of social issues. The concept, though clear, is not easy to put into practice. Yet such linkages are crucial in cases where multiple stakeholders are involved, initiatives are becoming increasingly comprehensive and individual programmes have closely related purposes. Linkages yield net benefits by preventing overlaps and lowering costs. Steps should also be taken to integrate programme clusters.

Can specific suggestions be made or particular models recommended for the implementation of such coordination? It is immediately apparent that the answer is no, since solutions in this regard must be tailored to specific social and political circumstances.

Nevertheless, the need for coordination is real and has inspired a variety of innovations, including social "cabinets" made up of different ministries and sectoral authorities, social policy councils and even the establishment of a single social authority, on the assumption that such an authority can help to improve consistency over time and among different sectors. The issue here is to determine who should participate in such a social cabinet, what technical qualifications its members should have and how much real power it should wield. While the specific modalities of coordination will depend on how each country's cabinets function politically, in every case there should be a technical secretariat that submits reports and proposals to the social cabinet and receives its instructions. This arrangement would improve the coordination of budget allocations for social affairs and would avert the risk that ministries of finance may act as *de facto* social authorities by giving certain demands priority over others, as has occasionally occurred in the region.

The fourth attribute is recognition of **the right to participate and be heard**. This right is often referred to empowerment, or simply "voice", in line with Hirschman's famous typology. The population's participation in resource allocation and in the definition of priorities and programmes should be strengthened and encouraged. One important way to boost civic participation in the region is to bring government efforts closer to civil society and to non-governmental organizations by building cooperation networks made up of different social stakeholders and volunteers. This is a promising means of revitalizing democracy in a very real way without undermining traditional mechanisms of representation; indeed, this approach tends to strengthen such mechanisms. Participation should be encouraged at both the local and national levels to combat mismanagement, corruption and abuse. Civil-society engagement can also be of decisive importance in helping to keep certain social policies in force from one government administration to the next; in other words, the citizenry can serve as the "voice" of long-term objectives.

The fifth attribute is an **institutional design that takes population and territorial dimensions into account**. A population-oriented approach involves the systematic analysis of demographic factors with a view to making the full range of services available within small geographical areas. The idea is that the supply and location of services should be determined by the demographic, social and economic features of specific population groups, rather than on the basis of the operational convenience of service providers. In some countries (such as Mexico and, more recently, Nicaragua), this approach has led to the actual or proposed establishment of service delivery centres. There have also been sporadic attempts in the region to tailor the supply of services more closely to the needs of specific population groups with the help of analyses of georeferenced information and disaggregated census data.

In the territorial approach, public policies, especially those whose implementation has been decentralized, have a key role to play. This approach brings public policy closer to beneficiaries, enabling them to make their voices heard, express their demands and monitor service delivery. Since the approach takes different regional circumstances into account, it helps to deepen the democratic mechanisms of participation. At the same time, however, the problems that can arise are not inconsiderable: political clientelism, efficiency losses because of shortages of staff with the requisite skills and greater inequity in the absence of compensation mechanisms, among others. It is therefore necessary to move towards decentralization, but also to pay due attention to the speed and sequencing of the process. Decentralization should be gradual, since it involves activities in the areas of training, compensation, regulation, performance incentives and evaluation. It also entails considerable information requirements. In particular, before decentralizing policy implementation, the relevant authorities must be familiar with the institutional capacities of the local governments that will be taking on new responsibilities. In sum, decentralization should reflect the logic of social policies, and steps should be taken to ensure that the rationality of the process is not eroded by fiscal emergencies or short-term macroeconomic adjustments.

The sixth attribute is the **capacity to deal with the regulatory challenges posed by the increase in public-private partnerships for service delivery and financing**. This is particularly important in sectors such as health and social security, in which quality and access to different types of benefits and services are difficult to measure.

Regulatory provisions and activities should meet the following five aims:

- To prevent and/or penalize exclusionary or discriminatory practices and to guarantee freedom of choice within the established frameworks;
- To set standards for the quality and content of services, such as health-care protocols and school curricula;
- To promote managerial efficiency by establishing parameters and standards relating to costs and yields, as well as rules on rate-setting;
- To ensure competitive and organizational market conditions that will forestall such practices as unfair or monopolistic competition or the establishment of entry barriers, as well as undesirable forms of vertical or horizontal inter-firm integration;
- To ensure and promote the production, availability and accessibility of accurate, timely information on the resources, goals and impact of the various social services.

In addition, regulatory functions should include mechanisms for settling disputes between service providers and users. In order to guarantee the regulatory system's independence, regulation should be carried out by specialized bodies. Such bodies may, in some cases, be autonomous, the Government's overarching responsibility for social policy notwithstanding.

The seventh attribute is the **enforceability of economic and social rights**. Under the social agenda, all members of society are regarded as citizens and, hence, as possessing certain rights. Institutions should be established to safeguard citizens' ability to exercise their social rights, including those referred to in the Millennium Development Goals (education, health and food), in a way that is compatible with the collective interest.

The region is entering the new millennium with considerable unmet needs in terms of citizenship-building. Despite the efforts being deployed, large segments of the population are still unable to exercise all of their civil and social rights (ECLAC, 2000a). The inequality and dissatisfaction caused by this state of affairs have, however, given rise to a positive debate that will surely enrich the development agenda (ECLAC, 2000a). At this stage in its history, the region stands in need of creativity, originality and boldness in tackling regional and global challenges. Each

country therefore faces the challenge of designing its own strategy, which should be shaped by a sense of national and regional history, with all the successes and failures that go along with it. This strategy should be based on an understanding of the country's current circumstances and future potential and should reflect an awareness that, today, development policies pose very different challenges in open economies than they did during the period of import substitution or the Washington consensus. In the light of the lessons learned over the past 30 years, countries should take into account both the budgetary constraints related to social demands and their institutional capacity for economic policymaking. At the same time, they should build on the premise that the implementation of public policies and the achievement of certain objectives go beyond the scope of State initiatives and require interaction with the private sector and civil society. In this effort, it is vitally important to link the fulfilment of the Millennium Development Goals with a regional perspective in order to draw up a citizens' agenda based on clear rules providing for regular and participatory assessments conducted on the basis of a broad and transparent body of information.

Unequal societies tend to make democracies more fragile and to encourage populist experiments which do little to further the objectives of social equality. The effects of economic and social phenomena on the political stability of the region's fledgling democracies warrant careful consideration as part of United Nations conflict-prevention efforts. This calls for a coherent United Nations agenda at the regional level and a review of inter-agency cooperation, with a view to building stronger institutions organized into a regional network that serves as an intermediary between the global and national orders (Machinea, 2004b).

4. The regional and global agendas

The transnational nature of the economic forces driving the globalization process has been reflected in the restructuring of production chains, whose operations are now taking place on a more global—as opposed to a regional or national—scale. The sharp increases in financial flows, direct investment and international trade generated by this restructuring have led to clashes between these forces and the national character and democratic processes of individual States, leading, in many cases, to the erosion of linkages within their economies. International organizations—both those founded over half a century ago and those created more recently—have not kept pace with the profound economic, political and social changes that have been the hallmarks of the most recent phase of globalization and have primarily served the interests of developed countries. This has led to calls for democratic public action in the international sphere. Although the Latin American and Caribbean countries' ability to influence the configuration of this global agenda is limited, they can nevertheless develop mechanisms to increase their influence and improve their position in the international sphere.¹²

At the global level, a concerted and comprehensive reform of the United Nations system is needed in order to strengthen its capacity for action. This reform should include improvements in mechanisms for the follow-up and evaluation of world conferences and summits, and particularly of the United Nations Millennium Declaration. To this end, individual countries must make further progress in fulfilling their international commitments within their own borders.

It is also essential to make headway in improving the multilateral trading system. Increasingly, this system is being put to the test by the conclusion of regional and bilateral agreements that are not always compatible with multilateral agreements. The presence of such regional and bilateral agreements may undermine countries' political will to continue working at the multilateral level to remove restrictions and subsidies that limit developing nations' access to developed-country markets. Efforts at the multilateral level should include compliance with environmental sustainability agreements, the creation of an appropriate institutional structure to deal with problems related to international migration and, in the sphere of international cooperation, the

¹² See the report of the meeting of high-level experts convened by the Rio Group, 2004.

conclusion of tax agreements to reduce evasion and avert “tax wars” that erode countries’ ability to maintain a reasonable level of receipts. The multilateral system also continues to show weaknesses in the area of capital movements. Mechanisms should be devised to cushion the system from the effects of international financial volatility, bolster national authorities’ capacity to regulate capital flows and promote the creation of institutions that help countries avoid and, where necessary, solve problems of overindebtedness.

At the regional level, the integration efforts that have been under way for decades in Latin America and the Caribbean should be given new impetus and substance. Regional integration continues to be an effective way to expand markets and achieve economies of scale while creating opportunities to diversify exports and reduce the risks inherent in dependence on a few products that are subject to price fluctuations.

In order to boost subregional integration, the region should shake off its history of unfulfilled agreements and take practical steps to alter the prevailing impression that the countries have made little progress and have, in fact, experienced many setbacks. Proposals in this regard should seek to promote action on a number of fronts, such as: (a) strengthening and deepening subregional agreements by strengthening political will and translating it into specific measures to liberalize trade and finance, adopt common rules and regulations, facilitate the mobility of persons, implement macroeconomic coordination mechanisms and establish subregional institutions to which national Governments would, for specifically defined and agreed purposes, gradually cede clearly delimited aspects of national sovereignty; (b) developing a regional infrastructure network conducive to integration, with special emphasis on matters relating to energy and road transport (this would require financing from regional banks and the implementation of similar regulations in the various countries); (c) broadening mechanisms to support countries in times of crisis, particularly by deepening regional financing mechanisms—which are already quite developed in Latin America and the Caribbean—to complement the work of multilateral lending institutions;¹³ (d) establishing social cohesion mechanisms to gradually generate awareness of the importance of harmonious development within subregions; (e) developing common production strategies in areas such as innovation, the culture industry, agricultural research and tourism; and (f) spreading awareness of the region’s uniqueness in terms of natural resources and biodiversity and establishing mechanisms for the sustainable management of shared ecosystems such as the Caribbean Sea, the Meso-American Biological Corridor, the Andean Biological Corridor, the Amazon, the River Plate Basin and the Austral Basin.¹⁴

The regional and global agendas clearly complement one another, but the political will of Governments is required to bring the two together. The regional agenda is vital not only for development in the Latin American and Caribbean countries, but also for the consolidation of a common regional position in negotiations on new international rules aimed at creating a more balanced form of globalization. Without shared economic interests in the various areas outlined above, the countries will find it harder to present a united front in a globalized world. Such a consensus is essential in order to breathe new life into the multilateral system and thus build upon the effects generated by the adoption of the Millennium Development Goals.

¹³ Latin America and the Caribbean already has major assets of this type, including a wide network of multilateral development banks made up of the Inter-American Development Bank, the Andean Development Corporation, the Central American Bank for Economic Integration, the Caribbean Development Bank and the Financial Fund for the Development of the River Plate Basin. The Latin American Reserve Fund has built up a stock of experience that could serve as a basis for using regional resources to provide an increased level of exceptional financing to countries in severe economic difficulties. This could be accomplished either by significantly increasing the Fund’s resources and membership or by means of mutual support agreements (specifically, currency swaps) between central banks (ECLAC, 2002a, chap. 4).

¹⁴ See the report of the meeting of high-level experts convened by the Rio Group, 2004.

Chapter II

Combating poverty and hunger

The first Millennium Development Goal is to eradicate extreme poverty and hunger. While the two phenomena are closely linked in Latin America and the Caribbean, they are not equivalent, and each should be addressed on its own. Lack of access to food is one of the gravest and most pressing manifestations of extreme poverty, but it is certainly not the only one. Furthermore, undernourishment is found not only among people living in extreme poverty but also among broader strata and groups living in particular areas or regions where food insecurity is an ongoing problem. The need to deal with the two problems separately is demonstrated in the Millennium Declaration itself, where different targets are established for reducing each one. In the light of these considerations, the present chapter is divided into two parts: the first addresses the eradication of extreme poverty and the second, the eradication of hunger.

A. Eradicating extreme poverty

Goal	Target	Indicators
1. Eradicate extreme poverty and hunger	1. Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day	1. Proportion of population whose income is below \$1 (PPP) per day 2. Poverty gap ratio [incidence x depth of poverty] 3. Share of poorest quintile in national consumption

1. Introduction

The first target, which is to “halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day”, seeks to address the extreme deprivation affecting people’s basic capacity to take part in society.¹ This target occupies a position of central importance in the Millennium Development Goals, inasmuch as the effort to combat extreme poverty is closely related to virtually all the other Goals. In fact, it can accurately be described as the backdrop for all the other unmet needs addressed in the Millennium Declaration. Thus, the problems and deficits in terms of health and food afflicting the extremely poor population, which result in undernutrition, infant mortality, maternal mortality and a high incidence of diseases such as HIV/AIDS and malaria, are included in Goals 1, 4, 5 and 6. By the same token, a lack of education, the absence of access to drinking water and sanitation, deficient housing and overcrowding (slums) (deficits considered under Goals 2 and 7) are serious obstacles for people striving to build their capacities and obtain the necessary resources to lift themselves out of extreme poverty. In addition, the link between the extent of poverty and access to international markets and technology, together with the need for external financing and cooperation, highlights the fact that poverty eradication hinges on the achievement of the targets formulated under Goal 8.

The task of overcoming absolute poverty in the region will necessarily involve achieving a sufficient level, in terms of both quantity and quality, of job creation, since most of the resources that households use to meet their members’ basic needs come from labour income. Notwithstanding the central role of employment, the Millennium Development Goals allude to this factor only in terms of the indicator to be used for target 16, which refers to the reduction of unemployment among young people. As discussed in various ECLAC studies, it is extremely important for development policies to address employment issues, since most countries in the region have witnessed a steady increase in unemployment levels among both adults and youth since the early 1990s and have not succeeded in reducing the large proportion of informal employment in their economies. In fact, 7 out of every 10 jobs created in the region in the 1990s represented low-productivity, poorly paid forms of employment (see ECLAC, 2002b). Consequently, a large proportion of the workforce does not have the benefit of a suitable social protection system in terms of health care, unemployment insurance or retirement plans and pensions that would provide acceptable levels of well-being for the older adult population.²

Employment is the principal mechanism whereby individuals can become integrated into society and attain economic independence. Access to quality employment “represents, for individuals, a means of becoming integrated in the collective effort to create economic and cultural wealth, thus making the individual a participant in and a member of a collective project, thus reinforcing individual identity and connection with the values that the society advocates” (ECLAC, 2000b).

¹ This target is thus linked to the notion of an “irreducible core” of needs or “absolute poverty” (Sen, 1984), as opposed to the notion of “relative poverty” adopted by the countries of the Organisation for Economic Co-operation and Development (OECD).

² See ILO (2004) for an analysis of some aspects of the problems posed by a lack of social protection.

Even though the study of poverty and analyses of progress towards its eradication are based on the quantification of households' monetary resources, poverty can only be overcome by dealing with the entire range of unmet needs and lags addressed by the other Millennium Development Goals. Thus, correcting the sharp disparities that exist in access to goods and services and providing a safety net for the most vulnerable groups, especially children, in the areas of nutrition, health and education are essential elements in formulating policies for the eradication of extreme poverty. Poverty-reduction policies in the region must tackle the issues of underemployment and the lack of job security as well as incorporating policies on employment and social protection. Consideration must also be given to the striking disparities between different groups' access to reproductive health services and to the implications of these imbalances in terms of the intergenerational reproduction of poverty. These factors are essential conditions for a sustainable solution to extreme poverty and the avoidance of social exclusion.

(a) Extreme poverty in Latin America today

The figures used in this chapter have been computed by ECLAC on the basis of indigence (or extreme poverty) lines. These lines represent the cost of meeting the population's basic food consumption needs in the countries of the region.³ This option, which is an alternative to the use of the dollar-a-day criterion mentioned in target 1, is compatible with the United Nations Statistical Division's suggestion that national poverty lines should be used whenever available. For a number of reasons, which are outlined in box II.1, these national lines are considered to be more representative of the social situation in the countries of the region and thus more appropriate for measuring the scope of poverty and identifying the relevant population groups. As indicated by the figures given in box II.1, the measurements obtained on the basis of these national lines show that a considerably larger number of people in Latin America and the Caribbean are extremely poor than the number suggested by calculations based on the criterion of one dollar a day (expressed in purchasing power parity (PPP) dollars).

Although international agencies and, indeed, the countries themselves use the presence of insufficient monetary resources in the household as the main and most widely accepted means of measuring poverty, it is worth recalling that this methodological approach is not without its limitations. One constraint that is relevant to the analysis conducted here is that household income does not adequately reflect non-monetary aspects of well-being, at least in the short term. The immediate poverty-reducing impact of social policies that provide benefits in kind could therefore be underestimated when using the monetary resource approach. Monetary poverty indicators can, however, capture the effects of such policies over longer time periods, once non-monetary benefits begin to build up households' capacity to become self-sustaining.

The figures presented in this section are derived from estimates based on household surveys conducted in the countries themselves. Three groups of surveys, corresponding to the periods around 1990, 2000 and 2002, have been used. In order to give a more coherent and up-to-date picture of the region's status and its prospects for achieving the targets, projections of extreme poverty levels as of 2004 have also been prepared on the basis of the countries' economic growth rates.⁴

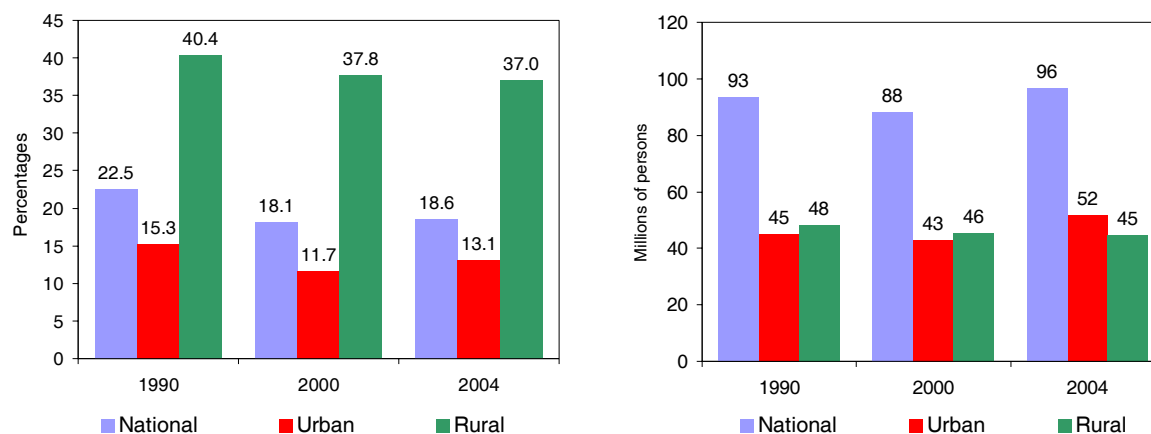
According to these projections, 96 million persons, or 18.6% of the total population of Latin America, are extremely poor, while the number of poor people (including those 96 million) is estimated at 222 million, or 42.9% of the region's population.

³ The method used by ECLAC for estimating poverty and extreme poverty or indigence has been described in a number of the Commission's publications. See, for example, Economic Commission for Latin America and the Caribbean (ECLAC) *Social Panorama of Latin America, 2002-2003* (LC/G.2209-P), Santiago, Chile, August 2004, chapter I.

⁴ The poverty statistics used here do not necessarily match those published by the countries in their monitoring reports on the progress being made towards the Millennium Development Goals owing to methodological differences. The method used to project the figures for 2004 is set out in ECLAC (2005a).

Approximately 52 million of the extremely poor live in urban areas and almost 45 million reside in rural areas. The fact that, in a region in which 75% of the total population lives in urban areas, the two figures are so close to each other reflects the existence of higher extreme poverty rates in rural areas (37%) than in urban areas (13%) (see figure II.1).

Figure II.1
LATIN AMERICA: INDIGENCE RATES, 1990-2004^a
(Percentages and millions of persons)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of projections derived from household surveys conducted in the relevant countries.

^a Estimate for 19 countries of Latin America, including Haiti. The figures for 2004 are projections.

Extreme poverty rates in the region differ considerably across countries. In Bolivia, Guatemala, Honduras, Nicaragua and Paraguay, more than 30% of the population is below the extreme poverty line; in Argentina, the Bolivarian Republic of Venezuela, Colombia, the Dominican Republic, El Salvador and Peru, extreme poverty or indigence rates range between 20% and 24%. In Brazil, Ecuador, Mexico and Panama, they stand at between 12% and 19%. Chile, Costa Rica and Uruguay are the only countries with indigence levels below 10% (see table II.1).⁵

More than half of the population living in extreme poverty is concentrated in just three countries: Brazil (25%), Mexico (14%) and Colombia (12%). Argentina, Peru and the Bolivarian Republic of Venezuela account for 9%, 7% and 6%, respectively, of the region's total indigent population (ECLAC, 2004e, figure I.3, chap. I). These figures show that the majority of the poor population is concentrated precisely in those countries that have the largest populations. These countries are also the ones that have per capita income levels close to or above the regional average. Only about one sixth of the extremely poor population in Latin America lives in the countries with the lowest per capita income levels (Bolivia, Guatemala, Honduras, Nicaragua and Paraguay). This point is fundamental in assessing the feasibility of meeting the target for the region as a whole, since it means that the chances of doing so will depend to a great extent on the situation in just a few countries and will be largely unaffected by what occurs in many others, including the poorest countries.

⁵ The cross-country differences in indigence rates are closely associated with a number of economic and social variables, such as per capita GDP, average years of schooling, mean household size and the total fertility rate. By way of example, in Chile, Costa Rica and Uruguay (the countries with the lowest extreme poverty rates), the mean household size is less than four persons and the total fertility rate is below 2.5. In contrast, in some of the countries with the highest poverty rates (such as Guatemala, Honduras, Nicaragua and Paraguay), mean household size is nearly six persons and the total fertility rate is 3.5 or higher.

Table II.1
**LATIN AMERICA (18 COUNTRIES): INDICATORS FOR FOLLOW-UP TO THE FIRST
 MILLENNIUM DEVELOPMENT TARGET**

Country	Year	Extreme poverty rate (H) ^a	Mean distance from indigence line (I) ^b	Extreme poverty gap ratio (PG) ^c	Share of first quintile in income ^d	Progress towards the target, ^e 1990-2004 (percentage)
Argentina	2002 ^f	20.9	0.40	8.4	5.1	-212
Bolivia	2002	37.1	0.53	19.5	2.2	13
Brazil	2001	13.2	0.44	5.8	3.2	78
Chile	2003	4.7	0.36	1.7	4.9	100
Colombia	2002 ^f	23.7	0.42	10.0	3.5	7
Costa Rica	2002	8.2	0.47	3.9	4.2	48
Ecuador	2002	19.4	0.36	6.9	5.1	64
El Salvador	2001 ^f	22.1	0.43	9.5	4.1	34
Guatemala	2002	30.9	0.35	10.7	4.8	45
Honduras	2002	54.4	0.49	26.6	3.8	22
Mexico	2002	12.6	0.28	3.5	5.9	69
Nicaragua	2001	42.4	0.45	19.0	3.7	35
Panama	2002	17.4	0.42	7.4	3.3	60
Paraguay	2001	33.2	0.46	15.4	3.8	9
Peru	2001 ^g	24.4	-	-	4.3	27
Dominican Republic	2002	20.3	0.46	9.3	3.4	n.a.
Uruguay	2002 ^f	2.5	0.23	0.6	8.8	88
Venezuela (Bolivarian Republic of)	2002	22.2	0.42	9.3	4.3	-111

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of special tabulations of household surveys conducted in the relevant countries.

- ^a Percentage of population under the extreme poverty line. This is one of the official indicators for the corresponding Millennium Development Goal.
- ^b Distance between mean income of indigent persons and the indigence line, expressed as a fraction of the indigence line (the higher the value of the indicator, the worse the situation).
- ^c Corresponds to indicator H multiplied by indicator I. This is one of the official indicators for the corresponding Millennium Development Goal.
- ^d Proportion of income received by the poorest fifth of all households. This is one of the official indicators for the corresponding Millennium Development Goal.
- ^e These figures refer to the national total, except in the cases of Argentina, Ecuador and Uruguay, where they correspond to urban areas. The percentage of the required progress that has been achieved is calculated by dividing the reduction (or increase) in indigence in percentage points by half of the 1990 indigence rate.
- ^f Urban areas.
- ^g Figures provided by the National Institute of Statistics and Informatics (INEI) of Peru.

(b) The income deficit of the indigent population

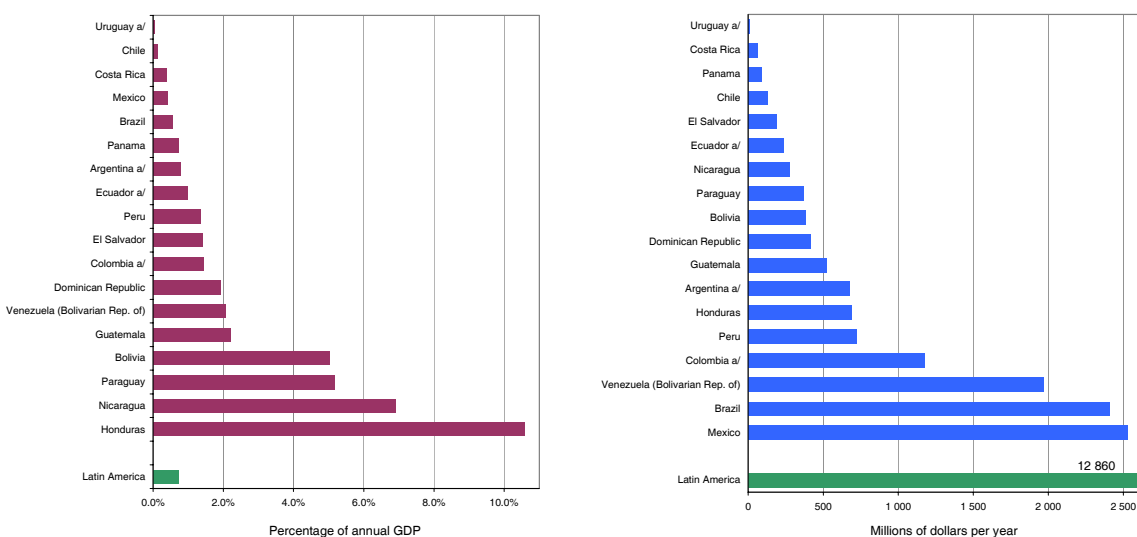
Table II.1 presents complementary indicators for the follow-up of target 1. These indicators include the extreme poverty gap (PG in the table), which links the extent of extreme poverty to the average resource deficit of the extremely poor population.⁶ This deficit, expressed as a fraction of the value of the indigence line (I in the table), does not, for the most part, vary significantly across countries in the region. Most of these values are very close to the regional average (0.41), except in the cases of Mexico and Uruguay, where the income deficit is considerably lower than the average (values of 0.28 and 0.23, respectively), and Bolivia and Honduras, which are situated at the other extreme (values of 0.53 and 0.49, respectively). Apart from these cases, the extreme poverty gap is closely correlated to the percentage of indigents in each country.

Figure II.2 shows the size of the gaps in relation to the size of the economies and the amount of resources that they represent. More specifically, it indicates that the annual resource deficit of the indigent population, expressed as a percentage of GDP, amounts to 5% or more in Bolivia,

⁶ This indicator, proposed by the United Nations (2001) as a complementary indicator for the follow-up of target 1, is the incidence of extreme poverty multiplied by the difference between the average income of indigents and the value of the indigence line.

Honduras, Nicaragua and Paraguay; by contrast, this deficit is equivalent to less than 0.2% of GDP in Chile and Uruguay (urban areas). It should be noted, however, that these figures underestimate the real monetary flows that countries would need in order to eradicate extreme poverty once and for all. This is because one of the assumptions underlying these calculations is that the transfer of resources to the poor is targeted perfectly (in terms of both the selection of recipients and the determination of how much assistance to transfer to each one of them). In addition, poverty eradication cannot be achieved simply by transferring current income.

Figure II.2
**LATIN AMERICA (18 COUNTRIES): AGGREGATE ANNUAL RESOURCE DEFICIT
 SEPARATING THE INDIGENT POPULATION FROM THE INDIGENCE LINE,
 AROUND 2002**



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of special tabulations of household surveys conducted in the relevant countries.

^a Urban areas.

Since the size of the resource deficit in absolute terms is so heavily influenced by the actual number of indigents, Brazil and Mexico are the countries where this deficit is the largest (in both cases, the deficit hovers around US\$ 2.5 billion per year). The gaps in the countries with the lowest per capita GDP levels, meanwhile, range between US\$ 280 million and US\$ 690 million per year.

In view of these figures, it is obvious that the countries with the highest levels of indigence will have a very difficult time bringing about any significant reduction in these levels by mobilizing domestic resources alone. It will therefore be necessary, at least in these cases, for these resources to be supplemented by external flows of official development assistance (ODA). The approximate size of indigent households' income deficit in Latin America is equivalent to just 0.1% of United States GDP and to an even smaller percentage of the GDP of the world's five richest countries. At the same time, however, this deficit is 2.5 times larger than the net ODA received by Latin America in 2002.⁷

One measurement of the effort being made by the countries to achieve target 1 is the amount of resources they earmark for social investment programmes, including initiatives designed to combat extreme poverty. Available data for Mexico and Brazil, which account for 39% of all indigents in the region, indicate that an amount of funds equivalent to the extreme poverty gap is

⁷ According to UNDP (2004a), net ODA received by Latin America and the Caribbean stood at US\$ 5.063 billion dollars in 2002.

being allocated to fund comprehensive programmes aimed primarily at helping to remove some of the structural factors involved in the reproduction of indigence. Thus, in Mexico, the budget allocated by the Government in 2002 to finance its principal social policy strategy for combating poverty (the *Oportunidades* programme) amounted to 80% of the annual figure that would be needed to lift indigent families out of extreme poverty (0.4% of GDP). In the case of Brazil, where the indigence gap stood at approximately 0.5% of GDP in 2001, official data show that during 2004 the Government allocated the equivalent of 0.39% of GDP to fund the various initiatives included in the Zero Hunger (*Fome Zero*) and family grant (*Bolsa Família*) programmes. In Chile, investments made in the Chile Solidarity (*Chile Solidario*) programme in 2004 represented 0.2% of GDP, which, according to the results of the 2003 National Socio-economic Survey (CASEN), is equivalent to the income deficit of the country's indigent population.⁸

In other countries, the funding situation is clearly tighter. In Honduras, for example, the indigence gap was equivalent to 10.6% of GDP in 2003, while appropriations for anti-poverty programmes amounted to 1.35% of GDP. In Colombia, the Families in Action (*Familias en Acción*) strategy, whose coverage is estimated at 400,000 households for 2005, provides for an outlay equivalent to 0.11% of GDP, whereas the indigence gap in 2003 represented 1.4% of total GDP. It should be noted, however, that poverty reduction programmes are usually supplemented by other public programmes that provide nutrition, health and other services. It should not be forgotten that in order to overcome poverty in the long term, all people must have access to appropriate levels of education and health care, since these factors, among others, are fundamental in building an autonomous resource-generation capacity.

The growing significance of external remittances as a source of disposable resources for Latin American and Caribbean households is a particularly noteworthy development. In 2004, these flows provided nearly US\$ 45 billion, thus far outstripping the region's total receipts of foreign direct investment (FDI) and ODA. Mexico receives the largest share of family remittances (US\$ 16.6 billion, or more than a third of the regional total), followed by Brazil (US\$ 5.6 billion) and Colombia (US\$ 3.9 billion). Although the amounts received by the Central American countries are smaller, in some cases they represent as much as 15% of GDP or more (see box VII.5).

One of the central questions being asked about external transfers is what kind of impact they have on the population's well-being and how much they contribute to poverty reduction. The available evidence in these connections is quite scarce. The data for Mexico and the Dominican Republic suggest that, if it were not for family remittances, the extreme poverty rate would be between two and three percentage points higher than it is. Household survey data from some Latin American countries do suggest, however, that non-poor households tend to receive a larger share of remittances than poor households do (ECLAC, 2005a).

Estimates based on data from Ecuador, El Salvador, Guatemala, Honduras and Mexico indicate that between 60% and 84% of the income provided by these transfers is used for private consumption and between 4% and 11% is saved, while just 4% appears to be used for the purchase of property or for housing repairs (Orozco, 2004).

The dearth of information about these flows is evident on various fronts. Data collection on the total amount of remittances is complicated by the fact that central bank records do not include hand-carried transfers and that the information supplied by commercial banks on foreign-currency transactions makes it very hard to determine whether they constitute remittances or not. The way in which transfers are distributed among the various socio-economic groups, remittances' impact on poverty levels and the types of expenses they finance are all questions on which information is in short supply and is very piecemeal in nature, since most household surveys conducted in the

⁸ In addition to the information contained in footnote 5 above, it should be noted that, in most countries, the household income measured in such surveys includes government transfers; this should be borne in mind in order to make an accurate estimate of the income deficit of indigents.

countries of the region do not fully capture flows transferred from abroad. Given the importance of these issues, the need for more detailed studies and better sources of information is clear.

(c) Poverty in the Caribbean⁹

Estimates of extreme poverty in the countries of the Caribbean are based on such disparate sources and methodologies that the results cannot be directly compared with those presented here for Latin America.¹⁰ Mention should be made, however, of some of the characteristic features of poverty in this subregion. First, Haiti is the country with the highest poverty and indigence rates not only in the Caribbean but in the entire region. It is also one of the most appalling cases of extreme deprivation and one that has been further aggravated by recent conflicts. Mitigating this situation should be high on the international agenda.¹¹ Second, natural disasters (hurricanes, storms and volcanic eruptions), which are very frequent in the Caribbean, can trigger sudden increases in poverty and have a disproportionate impact on the poor and those with incomes that are barely above the poverty line, since they lack savings to cope in times of need. It is highly probable, for example, that the poverty rate in Grenada has risen as a result of Hurricane Ivan, which struck the island in September 2004. A third trait to be borne in mind is the enormous heterogeneity of poverty levels across the countries of the subregion, as well as the sharp differences among their levels of per capita income.

As in the case of Latin America, the international line of one dollar a day is not the most appropriate method for measuring poverty in the Caribbean because the cut-off point is too low. For example, when this line is used, it yields extreme poverty rates of less than 2% in Guyana and Jamaica, which clearly do not tally with these countries' level of economic and social development (see the table in box II.1).

The national poverty estimates shown in table II.2 were prepared using a wide range of different methodologies, so extreme caution is called for in comparing them with each other and with ECLAC estimates for Latin America. It is, nonetheless, possible to draw some general conclusions about extreme poverty in the subregion. As already noted, Haiti is the country with the highest rate of extreme poverty, not only in the Caribbean but in the entire region. Dominica, Grenada, Guyana, Saint Kitts and Nevis, Saint Vincent and the Grenadines, and Suriname also have high poverty rates. At the other extreme, absolute poverty levels in Antigua and Barbuda, Barbados and the Bahamas are as low as they are in highly developed countries. Special mention should be made of Cuba, where poverty is measured using the concept of "population at risk". This classification refers to sectors of the population who do not have sufficient income to acquire a basic basket of food and non-food goods but who do have guaranteed access to free, subsidized education, health care, and social security and assistance. Estimates based on this method indicate that, as of 1999, 20% of the urban population in Cuba was "at risk" (Álvarez and Máttar, 2004).

⁹ Monitoring and follow-up of the Caribbean countries' progress towards the poverty reduction target pose a problem, since the subregion continues to face major hurdles in its efforts to measure poverty and inequality. One such obstacle is the lack of household survey data. There are, nevertheless, a number of noteworthy initiatives taking place in this field: in Jamaica, an annual survey on living conditions has been conducted since 1988; in Guyana, two surveys were conducted in the 1990s; and since 1995, the Caribbean Development Bank has promoted poverty assessments in Anguilla, Belize, the British Virgin Islands, Dominica, Grenada, Saint Kitts and Nevis, Saint Lucia, and Saint Vincent and the Grenadines.

¹⁰ Factors that interfere with the comparability of the poverty estimates made by the countries of the Caribbean and those prepared by ECLAC include the type of indicator selected for measuring household resources (income or expenditure) and its conceptual scope, the criteria used to determine nutritional requirements and to construct the basic basket of goods, and the way that non-food requirements are incorporated into the value of the poverty line.

¹¹ For further information on the Millennium Development Goals in Haiti, see Haiti/UNDP (2004).

Box II.1

MEASUREMENT OF EXTREME POVERTY BASED ON THE \$1-PER-DAY AND NATIONAL LINES (ECLAC)

Target 1 of the Millennium Development Goals is formulated in terms of an extreme poverty line of one dollar a day, adjusted for purchasing power parity (PPP). This line, which has been used by the World Bank since 1990, represents a minimum international measurement of poverty in any country of the world. Its value has been set at the median of the 10 lowest per capita national poverty lines in the world, which are used by countries of Africa and Asia. The exact amount is US\$ 1.08 per day, or US\$ 32.74 per month, expressed in terms of 1993 purchasing power parity.

Nevertheless, the United Nations Statistical Division is on record as saying that, “For monitoring country poverty trends, indicators based on national poverty lines should be used, where available” (http://unstats.un.org/unsd/mi/mi_goals.asp?). In accordance with this recommendation, this report uses poverty and indigence lines obtained for each country. The *Social Panorama of Latin America, 2002-2003* (ECLAC, 2004a) contains a summary description of the method used to obtain national poverty lines; “Magnitud de la pobreza en América Latina en los años ochenta” (ECLAC, 1991) provides a more detailed presentation on the subject.

Other reasons for preferring to use national poverty lines as estimated by ECLAC rather than the international poverty line include the following:

- National indigence lines (ECLAC) represent the cost of acquiring a basic food basket. Thus, their values are clearly linked to actual conditions in each country and allow for a more intuitive interpretation of the results. The international line does not, strictly speaking, lend itself to an interpretation of this type.
- The use of purchasing power parity indices for measuring poverty has been the subject of a great deal of criticism in recent years. One of the main arguments made against their use has been that these indices reflect consumption patterns that have nothing to do with those of poor households. (The September 2004 issue of “In Focus”, the bulletin of the International Poverty Centre of the United Nations Development Programme (UNDP) (<http://www.undp.org/povertycentre>), contains a useful review of the arguments and counterarguments regarding the relevance of the international line for poverty measurement).

In addition, in order to disaggregate the data according to different analytical variables (such as area of residence or individuals’ sex and age) and to carry out projections based on microsimulations, access is needed to the microdata (household surveys) from which the poverty measurements have been derived. Since the microdata processed by the World Bank are not available, the information sources employed to generate ECLAC estimates have been used. The option of applying the \$1-per-day line to the available surveys was considered ill-advised, since the results obtained differ from those estimated by the World Bank and could therefore lead to confusion.

An additional consideration relating to the \$1-per-day poverty line has to do with the link between the poverty rate in each country and its per capita GDP. While there is no reason why these variables should be highly correlated, some measure of congruence may be expected, at least in the long term, between economic development and living conditions. It therefore seems odd that measurements based on \$ 1-per-day lines bear little connection to countries’ per capita GDP, as is illustrated in the following figure. In addition, some results obtained in this way are difficult to believe (e.g., an indigence rate of below 2% in the Dominican Republic or similar figures for Guyana and Jamaica) and differ sharply from the rates estimated on the basis of national lines.

In the following table, estimated indigence and poverty rates based on \$ 1-per-day and \$ 2-per-day lines, respectively, are compared with the rates estimated on the basis of national lines computed by ECLAC. The years used for these comparisons are as close to the ones used for the international-line estimates as possible, data permitting. This figure allows extreme poverty rates in the countries (calculated using both measurements) to be compared with per capita GDP. As indicated above, national extreme-poverty lines (ECLAC) yield estimates that are more consistent with the degree of economic development achieved in the various countries.

Box II.1 (concluded)

PERCENTAGES OF POOR AND INDIGENT POPULATION, MEASURED BY THE INTERNATIONAL LINE AND NATIONAL LINES (ECLAC), AROUND 2000^a

Countries	Population living on less than US\$ 1 per day		Indigent population		Population living on less than US\$ 2 per day		Poor population	
Latin America^b	9.5	2001	18.5	2001	24.5	2001	43.2	2001
Argentina ^c	3.3	2001	10.9	2001	14.3	2001	30.1	2001
Bolivia	14.4	1999	36.5	1999	34.3	1999	60.6	1999
Brazil	8.2	2001	13.2	2001	22.4	2001	37.5	2001
Chile	< 2	2000	5.7	2000	9.6	2000	20.6	2000
Colombia	8.2	1999	26.8	1999	22.6	1999	54.9	1999
Costa Rica	2.0	2000	7.8	1999	9.5	2000	20.3	1999
Ecuador ^d	17.7	1998	31.3	1999	40.8	1998	63.5	1999
El Salvador	31.1	2000	22.1	2001	40.8	2000	48.9	2001
Guatemala	16.0	2000	30.3	2002	37.4	2000	60.2	2002
Honduras	20.7	1999	56.8	1999	44.0	1999	79.7	1999
Mexico	9.9	2000	15.2	2000	26.3	2000	41.1	2000
Nicaragua	50.5	2001	42.3	2001	79.9	2001	69.4	2001
Panama	7.2	2000	10.7	1999	17.6	2000	30.2	1999
Paraguay	14.9	1999	33.9	1999	30.3	1999	60.6	1999
Peru	18.1	2000	22.4	1999	37.7	2000	48.6	1999
Dominican Republic	< 2	1998	24.8	2000	< 2	1998	46.9	2000
Uruguay ^d	< 2	2000	1.8	1999	3.9	2000	9.4	1999
Venezuela (Bolivarian Republic of)	15.0	1998	21.7	1999	32.0	1998	49.4	1999
Caribbean								
Grenada	4.7	1999			...			
Guyana	3.0	1998			11.2	1998		
Haiti	55.0	2001			76.0	2001		
Jamaica	< 2	2000			13.3	2000		
Saint Lucia	25.4	1995			59.8	1995		
Saint Vincent and the Grenadines	5.6	1996			...			
Trinidad and Tobago	4.0	1992			20.0	1992		

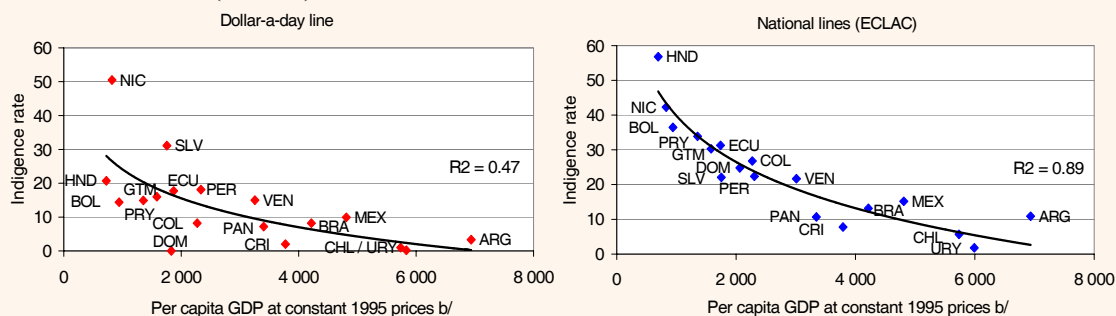
Source: For Latin America: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of special tabulations of household surveys conducted in the relevant countries; and World Bank, PovcalNet [online] (<http://research.worldbank.org/PovcalNet/jsp/index.jsp>); for the Caribbean: World Bank, PovcalNet [online] for Guyana, Jamaica, Saint Lucia, and Trinidad and Tobago; for Haiti: Haiti/United Nations Development Programme (UNDP), *Objectifs du millénaire pour le développement. Rapport national, 2004*; for Grenada and Saint Vincent and the Grenadines: Andrew S. Downes and Doris A. Downes, *The Millennium Development Goals in the Eastern Caribbean: A Progress Report*, United Nations Development Programme (UNDP)/Organization of Eastern Caribbean States (OECS), December 2003.

^a The sources for the poverty estimates calculated using national and international lines are ECLAC and the World Bank, respectively (with the exception of the figures for some Caribbean countries, whose sources have been identified above) and do not necessarily match those published by the countries in their progress reports.

^b Includes Haiti in the case of national lines (ECLAC). Corresponds to Latin America and the Caribbean in the case of the international lines.

^c Urban areas, both sources.

^d Urban areas, national lines only (ECLAC).

PER CAPITA GDP AND INDIGENCE RATES, MEASURED BY INTERNATIONAL AND NATIONAL (ECLAC) POVERTY AND INDIGENCE LINES, AROUND 2000^a

^a The curve corresponds to a logarithmic regression between the two variables, such that $Y = a + b * \text{LN}(X)$.

^b The results of the regression do not change significantly when using per capita GDP in purchasing power parity (PPP) terms. In this case, the values of R^2 are 0.504 (dollar-a-day lines) and 0.801 (national lines).

Table II.2
INDICATORS FOR THE POVERTY TARGET IN THE CARIBBEAN

Economies	Population, 2004 (thousands of persons)	Per capita GDP, 2003 (US\$)	Year of poverty and inequality estimates	Poverty rate (percentage of population)	Indigence rate (percentage of population)	Poverty gap (percentage of poverty line)	Percentage of national consumption/income corresponding to poorest 20% of the population
Anguilla	12	7 840	2002	21.0	2.0	6.9	6.5
Antigua and Barbuda	73	8 369	Start of 1990s	12.0	-	-	-
Aruba	101	22 000	-	-	-	-	-
Bahamas	317	16 691	2001	9.0	-	-	3.5 ^a
Barbados	271	9 651	1997	13.9	1.0	2.3	-
Belize	261	3 646	2002	33.5	10.8	11.1	-
British Virgin Islands	21	10 000	2002	22.0	1.0	4.1	10.0
Cuba	11 338	5 259 ^f	1999	20.0 ^d	-	4.3 ^e	-
Dominica	79	3 023	2002	39.0	15.0	10.2	7.6
Dominican Republic	8 819	2 341 ^g	2002	44.9	20.3	20.5	2.9
Grenada	80	3 353	1998	32.1	12.9	15.3	-
Guyana	767	911	1993	43.2	20.7	16.2	6.3
Haiti	8 988	412	1999	35.0	21.3	12.4	4.5
Haiti	8 988	412	2001	75.0	56.0	-	-
Jamaica	2 676	2 962	1990	28.4	-	-	6.0
Jamaica	2 676	2 962	2002	18.2	-	-	6.7 ^c
Montserrat	4	7 569	-	-	-	-	-
Netherlands Antilles	223	11 400	-	-	-	-	-
Puerto Rico	3 898	11 279	-	-	-	-	-
Saint Kitts and Nevis	42	6 510	2000 (Saint Kitts)	30.5	11.0	2.5	-
Saint Kitts and Nevis	42	6 510	2000 (Nevis)	32.0	17.0	2.8	-
Saint Vincent and the Grenadines	121	2 819	1996	37.5	25.7	12.6	-
Saint Lucia	150	3 658	1995	25.1	7.1	8.6	5.2
Suriname	439	2 470	1993	76.5 ^b	63.1 ^b	-	-
Trinidad and Tobago	1 307	7 836	1992	21.2	11.2	7.3	5.5
United States Virgin Islands	112	12 500	-	-	-	-	-

Source: Prepared on the basis of Caribbean Development Bank, *Anguilla Poverty Assessment Report*, Saint Michael, 2004; *Dominica Poverty Assessment Report*, Saint Michael, 2003; *British Virgin Islands Poverty Assessment Report*, Saint Michael, 2003; *Saint Kitts and Nevis Poverty Assessment Report*, Saint Michael, 2001; *Grenada Poverty Assessment Report*, Saint Michael, 1999; *Saint Vincent and the Grenadines Poverty Assessment Report*, Saint Michael, 1996; *Saint Lucia Poverty Assessment Report*, Saint Michael, 1995; World Bank, *Global Poverty Monitoring* [online] (www.worldbank.org/research/povmonitor/); "Jamaica Country Assistance Strategy," *Progress Report*, vol. I, No. 24689, Washington, D.C., September 2002; *Poverty Reduction and Human Resource Development in the Caribbean*, Washington, D.C., May 1996; Government of Haiti and United Nations, *Rapport national sur les objectifs du Millénaire pour le développement*, United Nations Development Programme (UNDP); Barbados/European Community, *Country Strategy Paper*, Brussels, 2002; Economic Commission for Latin America and the Caribbean (ECLAC), "Latin America and the Caribbean: Population Estimates and Projections 1950-2050", *Demographic Bulletin*, No. 73 (LC/G.2225-P), Santiago, Chile, Latin American and Caribbean Demographic Centre (CELADE)-Population Division of ECLAC, 2004; *Statistical Yearbook for Latin America and the Caribbean, 2004* (LC/G.2264-8), Santiago, Chile, 2005, *Economic Survey of the Caribbean 2003-2004* (LC/CAR/L.21), Port of Spain, ECLAC subregional headquarters for the Caribbean, 2004; United Nations, *World Population Prospects. The 2002 Revision*, vol. 1 (ST/ESA/SER.A/222), New York, Department of Economic and Social Affairs, 2003; Government of Belize, *2002 Belize Poverty Assessment Report*, Belmopan, 2004; Government of Jamaica, *2004 National Poverty Eradication Programme: Poverty in Jamaica*, Kingston, 2004; M. Neri and J. Menke, "Poverty in Suriname: Assessment, Monitoring and Capital Enhancing Policies", United Nations Development Programme (UNDP), 1999; United Nations Development Programme (UNDP), *Regional Report on the Millennium Development Goals in the Caribbean Community*, New York, September 2004; United Nations University (UNU)/ World Institute for Development Economics Research (WIDER), World Income Inequality Database (WIID2 Beta), Helsinki, 2004; United States Census Bureau, *Statistical Abstract of the United States: 2004-2005*, Washington, D.C., 2004; United Nations Development Programme (UNDP), *Human Development Report 2004*, New York, 2004.

^a 1993.

^b Paramaribo and Wanica only.

^c 2000.

^d Urban areas only; refers to "population at risk of poverty".

^e 1996.

^f In purchasing power parity (PPP) dollars.

^g In order to offset the distortionary effect of the large devaluation of 2003, the average for 2000-2003 has been used.

It has also been noted that the poverty gap, which ranges between 2.3% in Barbados and 12.4% in Guyana, is relatively small and that the share of income or national consumption represented by the poorest 20% of the population, which varies between 3.5% in the Bahamas and 10% in the British Virgin Islands, is not as small as it tends to be in Latin America. While this share averages slightly over 4% in Latin America, it exceeds 6% in the Caribbean subregion. Thus, according to these data, distributional inequality is a relatively less influential contributing factor to extreme poverty in most of these countries than it is in Latin America.

As in Latin America, poverty rates in the Caribbean are higher in rural areas than in urban areas. In Jamaica, for example, the rural poverty rate is three times as high as the urban poverty rate, while in Guyana, almost the entire rural population is poor. The situation is similar in Belize, Dominica, Grenada, Saint Kitts and Nevis, Saint Lucia, and Saint Vincent and the Grenadines. In Barbados, on the other hand, the available data indicate that poverty rates are higher in urban areas than they are in rural zones.

In terms of trends, available data show that, at least in Guyana and Jamaica, poverty rates decreased significantly in the 1990s, falling from 43% in 1993 to 35% in 1999 in Guyana and from 28% in 1990 to 18% in 2002 in Jamaica.¹² If these two countries can maintain those rates of poverty reduction, then they ought to succeed in achieving the target of halving extreme poverty by 2015.¹³ However, exogenous natural or economic shocks —such as an increase in oil prices— may jeopardize not only these two countries' chances of meeting target 1, but those of other small and vulnerable countries of the Caribbean as well.

(d) Towards the target for the reduction of extreme poverty in Latin America

Extreme poverty in Latin America declined quite rapidly in the early 1990s. The rate of reduction then slowly came to a halt, after which extreme poverty rates began to climb again. More specifically, the indigence rate fell from 22.5% in 1990 to 19.0% in 1997, and then to 18.1% in 2000. Thus, as of that year, the rate at which progress was being made in reducing extreme poverty (40%) was sufficient to allow the countries to reach the target set for 2015 if they stay on that course. In 2001 and 2002, however, most of the countries in the region experienced economic and social setbacks and, as a result, extreme poverty levels rose. Following a period of relative stagnation in 2003, poverty levels are thought to have declined in 2004, thanks to high rates of economic growth in a number of the countries. This reduction will not be large enough, however, to make up for the ground lost during the preceding years. Thus, the percentage of the distance to the goal that has been covered as of 2004 has slipped back to around 34%, whereas more than half (56%) of the time allowed for reaching the target has passed (see figure II.3a).¹⁴

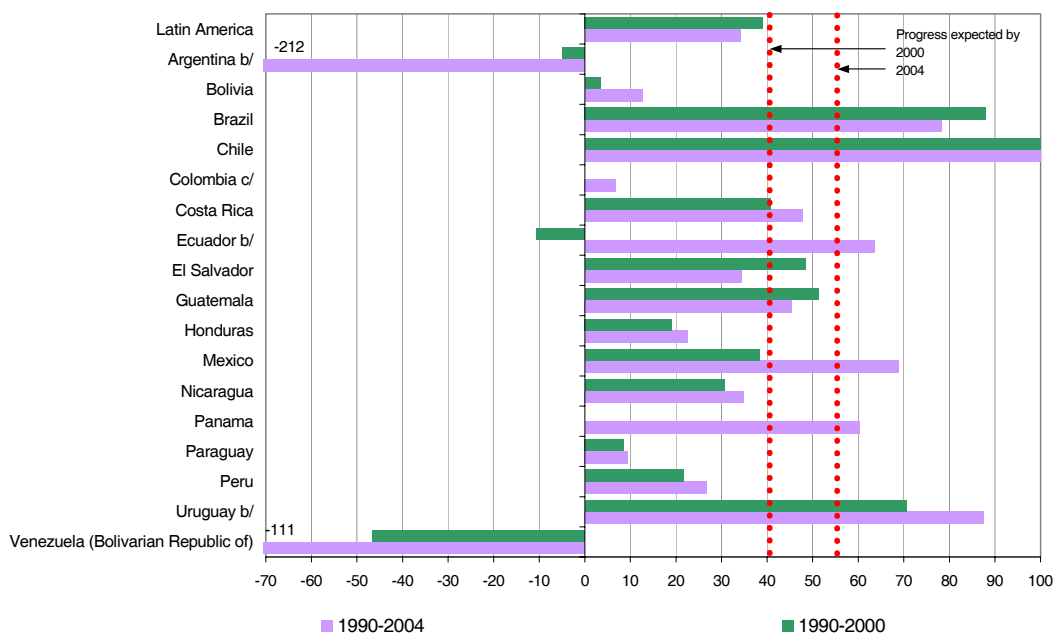
Chile is the only country in the region that had already met the target by 2000; according to the most recent estimate available (2003), extreme poverty in this country has continued to decline since then, although at a somewhat slower rate than previously. This decrease in the rate of reduction illustrates the growing difficulties that a country faces in eradicating extreme poverty once it has lowered it to relatively low rates (on the order of 5% or less).

¹² In Jamaica, the poverty trend has reversed itself, as the poverty rate had fallen to 15.9% by 1998, but rose to 18.2% in 2002.

¹³ Guyana's national report on progress towards the Millennium Development Goals estimates that the target can be achieved if economic growth averages 5%-6% per year (Guyana/United Nations, 2003).

¹⁴ The percentage of progress made to date has been influenced by the crises that hit Argentina and the Bolivarian Republic of Venezuela. In fact, the figure rises from 34% to 42% if Argentina is excluded, to 39% if the Bolivarian Republic of Venezuela is excluded and to 47% if both countries are excluded.

Figure II.3a
LATIN AMERICA (17 COUNTRIES): PROGRESS MADE, IN PERCENTAGE TERMS, IN REDUCING EXTREME POVERTY BETWEEN 1990 AND 2004^a
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of projections derived from household surveys conducted in the relevant countries.

- ^a Progress is calculated as a percentage by dividing the reduction (or increase) in indigence, expressed in percentage points, over the relevant period by one half of the 1990 indigence rate. The dotted lines represent the percentage of progress expected by 2000 (40%, left-hand line) and 2004 (56%, right-hand line).
- ^b Urban areas.
- ^c In the case of Colombia, the level of extreme poverty was the same in 2000 as in 1990. The progress made was thus 0% and the green bar is not visible in the figure. In the case of Panama, no information was available for 2000.

An overview of economic performance in the early years of this decade (up to 2004) indicates that Brazil, Ecuador, Mexico, Panama and Uruguay—in addition to Chile—are the only countries to have achieved as much or more progress than had been expected by that year (56%).¹⁵ On the other hand, Argentina and the Bolivarian Republic of Venezuela have higher levels of extreme poverty than they did in 1990 (see table II.1).¹⁶

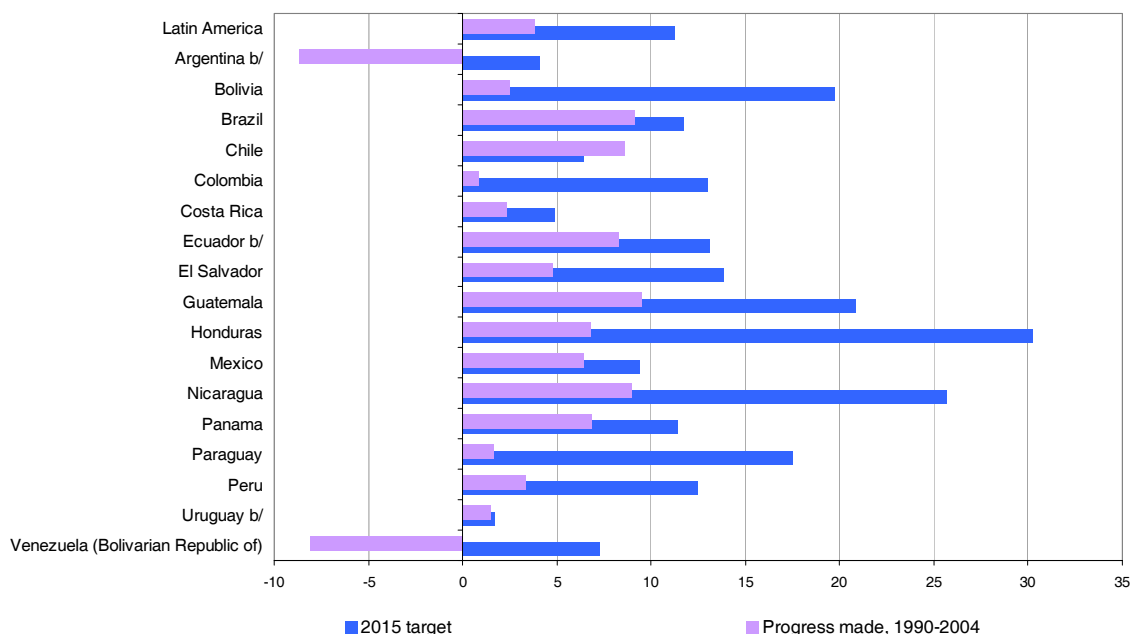
It is important to bear in mind that the achievement of the target for 2015 will entail very different percentage-point reductions in extreme poverty for different countries. For example, in Argentina, Costa Rica and Uruguay, the achievement of the target will require a reduction on the order of 5 percentage points from the level recorded in 1990, whereas in Bolivia, Honduras and Guatemala, the decrease will have to be close to 20 percentage points (see figure II.3b). Given these differences in the size of the challenge and the progress made by the countries up to 2004, it is clear that the very countries with the highest levels of extreme poverty and lowest per capita incomes are

¹⁵ The situation in the Dominican Republic has not been analysed owing to a lack of data on extreme poverty around 1990. It is known, however, that during the 1990s the country experienced strong economic growth, and this is thought to have driven extreme poverty levels down considerably. It is therefore believed that the Dominican Republic is well on its way towards reaching the first Millennium target.

¹⁶ Argentina had actually achieved the target for reducing extreme poverty in the first half of the 1990s. In subsequent years, although its rate of progress diminished, it did continue to move forward. The current situation is due to the grave crisis that occurred in the early years of this decade, which caused the indigence rate to nearly double between 2001 and 2002. The case of the Bolivarian Republic of Venezuela is somewhat different, since extreme poverty has been rising fairly steadily since 1992, except in the years 2000 and 2001, when a cumulative drop of 3.8 percentage points with respect to 1999 was recorded.

precisely those that are facing the most difficulties and that, if current trends hold, will probably fail to meet the target.¹⁷ Guatemala is estimated to have reduced extreme poverty by almost 10 percentage points, but Bolivia, Honduras, Nicaragua and Paraguay have made considerably less progress (between 10% and 33%) than the 56% they would need to have achieved in order to be on track to reach the target. In the next 10 years, these four countries would have to reduce extreme poverty by between 15 and 25 percentage points.

Figure II.3b
**LATIN AMERICA (17 COUNTRIES): PROGRESS MADE, IN ABSOLUTE TERMS,
 IN REDUCING EXTREME POVERTY BETWEEN 1990 AND 2004^a**
(Percentage points)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of projections derived from household surveys conducted in the relevant countries.

^a The blue bar represents the target in terms of percentage points. The lilac bar depicts the variation observed between 1990 and 2004.

^b Urban areas.

Since living conditions vary significantly from one country to the next, those with higher per capita incomes and low extreme poverty rates would do well to consider adopting a more ambitious target. Such a target could be to halve the proportion of the population living in poverty (i.e., to reduce total poverty), rather than just the population suffering the greatest deprivations.¹⁸ The notion of “total poverty” is especially relevant in the context of Latin America and, indeed, occupies a predominant place in the debate concerning social well-being in the region, inasmuch as this concept refers to the different types of basic human needs, in addition to nutrition. According to poverty projections up to the year 2004, apart from Chile, which had already fulfilled this more demanding target, Costa Rica, Panama and Uruguay have been advancing at a rate that puts them on track for meeting the target. These four countries are precisely the ones for which the target of reducing total poverty seems most relevant, since their indigence rates are below 10%. For the

¹⁷ The per capita GDP of these countries is close to half the regional average (Paraguay) or considerably below it (Bolivia, Honduras and Nicaragua).

¹⁸ The reader will recall that extreme poverty, or indigence, refers to the situation of people living in households whose incomes are so low that even if their total income were spent on food, it would not be enough to meet the nutritional requirements of all their members.

region as a whole, the progress made thus far towards this total-poverty target would amount to about 22%, which is clearly less than the progress made towards the extreme-poverty target (34%). Another target for these countries that would complement the first could be to improve income distribution, thus raising the living standards of the less privileged while at the same time narrowing the gap between them and the rest of society.

The fact that poverty levels have not declined more sharply in recent years is due not only to the region's slow pace of economic growth but also to a lack of improvement, or outright deterioration, in income distribution. Growth rates in per capita GDP in 1998-2002 were negative or close to zero in every year except 2000, and most of the countries have witnessed a deterioration in income distribution since 1997 (ECLAC, 2005a). The following discussion focuses on the issue of inequality in income distribution, its different manifestations and its impact as one of the main obstacles to more rapid progress towards eradicating extreme poverty in the region.

(e) Comparison with other estimates of progress towards the target

Whether the countries' progress towards reducing indigence and poverty is assessed on the basis of international poverty lines (1 and 2 dollars a day) or using the lines calculated by the countries and presented in their reports on the progress being made towards the Millennium Development Goals, the results are substantively the same. This is reflected in the fact that, although the use of different yardsticks for measuring poverty by ECLAC, the World Bank and the countries yield differing poverty levels, they tend to converge in terms of the percentages of progress made towards target 1, both for the regional average and for individual countries.¹⁹

If the amount of progress (in percentages) made in reducing extreme poverty in 1990-2004 (see figure II.3a) is compared with the percentage reductions made in the population living on less than one dollar a day between 1990 and 2001, it becomes clear that, regardless of which methodology is used, Latin America has made less progress (34% according to ECLAC and 32% according to World Bank data)²⁰ than expected relative to the amount of time that has elapsed (56%). Both ECLAC and World Bank data yield greater-than-expected advances in Brazil, Chile, Mexico, Panama and Uruguay, less progress than expected in Nicaragua, and outright setbacks in Argentina and the Bolivarian Republic of Venezuela. If data for 1990-2002 are used instead of the figures for 1990-2004, the two methodologies yield matching results for Guatemala as well (more progress than needed to stay on track). In the cases of Costa Rica and Honduras, ECLAC and World Bank data both indicate that reductions have been made in poverty and indigence, although the decreases appear to be larger if the latter source is used. The amount of progress made by Bolivia, Colombia, Ecuador, El Salvador, Paraguay and Peru cannot be estimated on the basis of the World Bank's data because the statistics for 1990 refer to urban or metropolitan areas, whereas the figures for 2001 refer to the entire country.

In addition, a comparison of the progress made towards the more demanding target of reducing total poverty (22%) with the progress made in reducing the percentage of the population living on less than two dollars a day (27%) shows that the trends derived from World Bank data are generally consistent with those yielded by ECLAC figures, with both sets of data indicating that the region's progress as a whole has been less than required to keep it on track towards the target. At the country level, the two sources both indicate that Chile, Costa Rica and Panama have made more progress than expected, that Nicaragua has made less, and that Argentina and the Bolivarian Republic of Venezuela have lost ground. Slight discrepancies arise in the cases of Brazil,

¹⁹ In addition to the differences between the measurement of poverty according to international and national lines presented in box II.1, substantial variations are observed in terms of the years of reference chosen, the household surveys used and their geographical coverage, as well as the use of data on income or consumption.

²⁰ The percentages of the population living on less than one and two dollars a day have been calculated using an interactive computational tool (PovcalNet) developed by the World Bank (www.iresearch.worldbank.org/PovcalNet/jsp/index.jsp). The same method as applied in figure II.3a has been used to compute the progress (in percentages) made towards the target.

Guatemala, Honduras and Mexico, which appear to have made less progress than expected when their rates are measured using the ECLAC methodology but more than expected when measured against the international line, and a larger difference exists in the case of Uruguay, which World Bank figures show as having slipped back, rather than having made greater-than-expected progress. Because of the differing geographic coverage of the available data sets, the amount of progress (in percentages) as measured by the two-dollar-a-day line cannot be computed for Bolivia, Colombia, Ecuador, El Salvador, Paraguay or Peru.

World Bank data indicate that Guyana and Jamaica have reduced their extreme poverty rates more than was expected. ECLAC has no estimates of its own for these two countries, however, so a comparison between the two sources cannot be made in these cases.

Almost all the countries of Latin America and the Caribbean have prepared at least one report on the Millennium Development Goals. These reports are highly valuable documents because they provide a picture of how the countries themselves, as the main stakeholders in the effort to achieve these targets, see the situation and furnish information on the strategies they have devised for this purpose. One of the Goals that has been analysed most thoroughly in these reports is the reduction of extreme poverty. To this end, the reports employ differing methodological approaches in terms of the type of poverty line they use (one dollar a day, national lines, or both), the time period covered (which does not always encompass the entire period of analysis), geographical coverage, etc. Although these differences do complicate the comparison of results (both among the countries and between the countries' results and those computed by international agencies), ECLAC has made an effort to assess the consistency between its findings and those presented in the country reports.

A comparison (subject to the above-mentioned limitations) of the results given in these reports and ECLAC estimates yields, once again, a very similar picture, since in most cases the two sources are in agreement: Argentina and the Bolivarian Republic of Venezuela (a setback), Colombia, Costa Rica, Guatemala and Honduras (more limited advances than expected) and Brazil, Chile, Ecuador, Mexico, Panama and Uruguay (greater progress than expected). If ECLAC data for periods closer to those covered in the country reports are used (rather than data for 1990-2004), then the results for Paraguay (a setback) also coincide. Discrepancies arise only in the cases of El Salvador, Nicaragua and Peru. For El Salvador and Nicaragua, the ECLAC data and the figures given in the country reports both indicate that progress has been made in reducing indigence, but the amount of progress is less according to the former source than according to the latter. In the case of Peru, the differences are too small to be statistically significant. The shortness of the time period covered by the data for Bolivia and the Dominican Republic (four and six years, respectively) does not permit a robust estimate of the amount of progress made towards the target for the reduction of extreme poverty.

Comparisons with the amount of progress indicated in the country reports cannot be made for five Caribbean nations (Guyana, Haiti, Jamaica, Suriname, and Trinidad and Tobago) because ECLAC estimates are not available. It may be noted, however, that Guyana's and Jamaica's data indicate that they have made greater-than-expected reductions in indigence; conclusions cannot be drawn from the other three countries' reports, either because the period covered by the data is too short (Haiti and Suriname) or because the data were taken from non-comparable household surveys (Trinidad and Tobago).

2. Inequalities

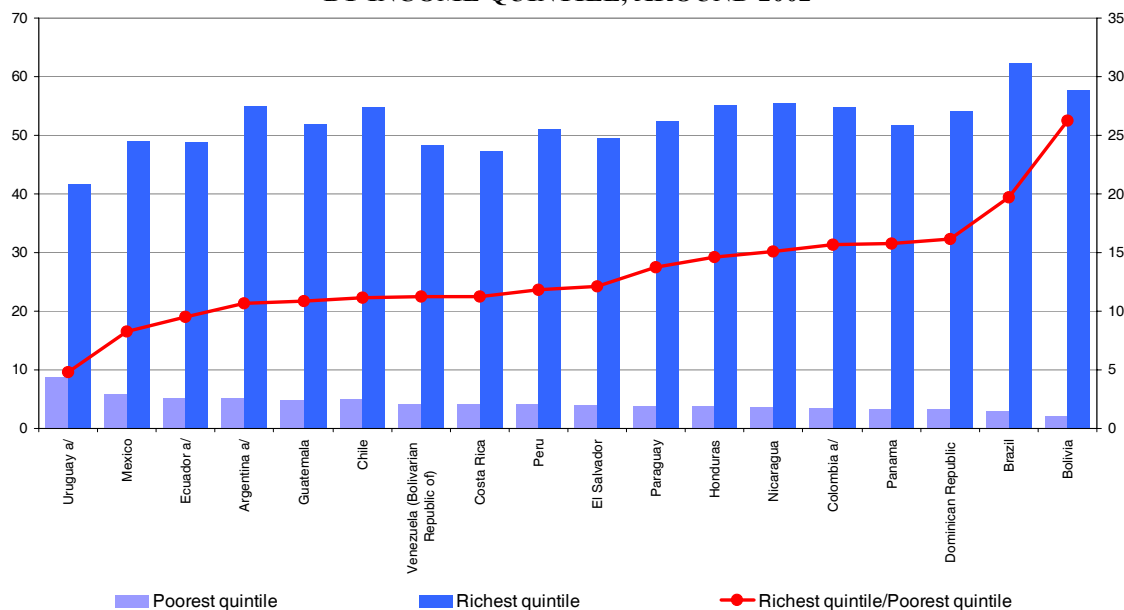
(a) Inequality in income distribution

The Latin American countries' poor income distribution has earned the region the dubious distinction of being the least equitable region in the world (measured as the difference between the

richest and poorest quintiles' shares of total income).²¹ Households in the bottom 20% of the distribution scale receive between 2.2% (Bolivia) and 8.8% (Uruguay) of total income, while the top quintile holds between 41.8% (Uruguay) and 62.4% (Brazil) of total income (see figure II.4).

The ratio between the shares of these two quintiles, which illustrates the huge gap separating the richest from the poorest groups, shows that although the degree of inequality varies a great deal across the countries of Latin America, in nearly all cases it is quite high. Uruguay (urban areas), the country with the most equitable income distribution in the region, is the only one where the share of the richest quintile is no more than five times as high as that of the poorest quintile, and Ecuador (urban areas) and Mexico are the only other countries in which it is less than 10 times as great. In most countries of Latin America, including Argentina (urban areas), the Bolivarian Republic of Venezuela, Chile, Colombia (urban areas), Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, Panama, Paraguay and Peru, the share of the highest quintile is between 10 and 16 times larger than that of the poorest quintile. This indicator is the highest in Brazil and Bolivia, where the ratio between the two quintiles is 20 and 26, respectively (see figure II.4).

Figure II.4
LATIN AMERICA: HOUSEHOLDS' SHARES OF TOTAL INCOME,
BY INCOME QUINTILE, AROUND 2002



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of projections derived from household surveys conducted in the relevant countries.

^a Urban areas.

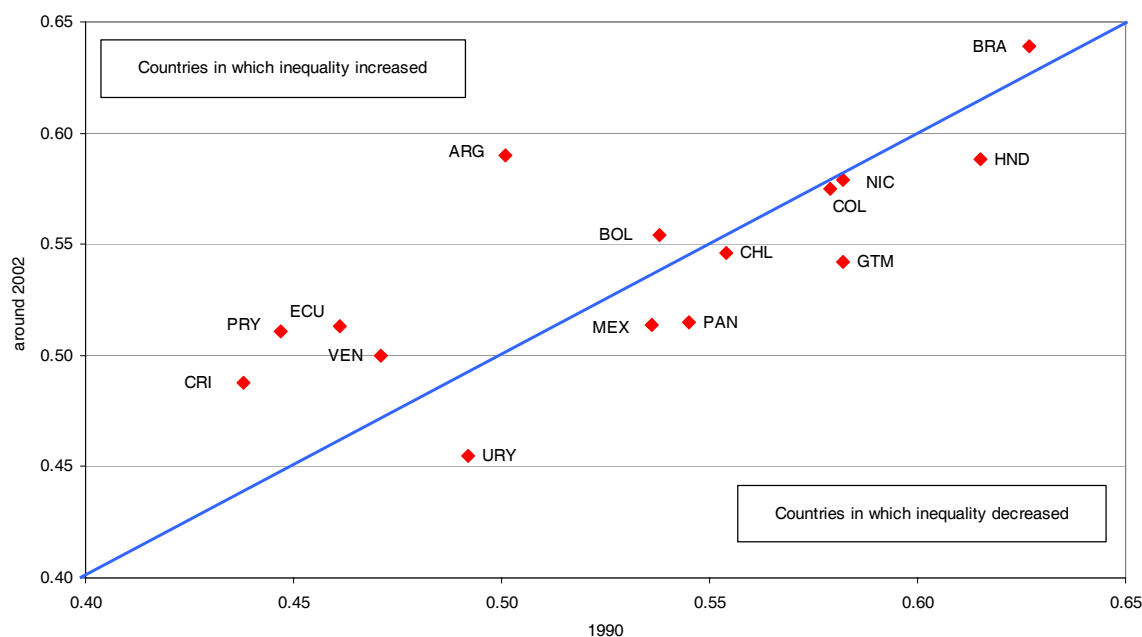
Empirical evidence for 1990-2002 indicates that income distribution has also been very rigid, given the absence of significant variations in the Gini coefficient for most of the countries in the region.²² What is more, several countries, including some of those that have traditionally had the lowest levels of inequality in the region, exhibited a slight deterioration in the pattern of distribution. This was the case in Argentina (data for Greater Buenos Aires), Costa Rica, Ecuador (urban areas) and Paraguay (urban areas), where the Gini coefficient rose by more than 0.05 points. Only Guatemala, Panama (urban areas) and Uruguay (urban areas) have managed to bring about sizeable reductions in their levels of inequality since 1990, although in the latter two cases, this

²¹ Proposed in United Nations (2001) as a supplementary indicator for monitoring progress towards the first Millennium target.

²² The Gini index is the most frequently used measurement for analysing inequality in income distribution; Gini coefficients range from 0 to 1, with 0 corresponding to absolute equity and 1 to absolute inequity.

improvement was wholly attributable to progress made in the first half of the period in question (see figure II.5).

Figure II.5
LATIN AMERICA: CHANGES IN GINI COEFFICIENT, 1990-2002^a



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of special tabulations of household surveys conducted in the relevant countries.

^a Calculated on the basis of per capita income distribution. Data refer to urban areas in Bolivia, Colombia, Ecuador, Panama, Paraguay and Uruguay. The data for Argentina correspond to Greater Buenos Aires, those for Bolivia (1990) to eight major cities plus El Alto and those for Paraguay (1990) to the Asunción metropolitan area.

Despite significant increases in public spending on social sectors (education, health care, social security and assistance, housing and basic services), inequality continues to be on the rise. Between 1990-1991 and 2000-2001, per capita social spending climbed, on average, by 58% in the region, from US\$ 342 to US\$ 540. Although social spending has followed a procyclical trend, social allocations were protected during the economy's worst years. In fact, 2002 was the only year in which per capita social spending declined in absolute terms in response to the enormous contraction in GDP recorded in some countries during that year (Machinea, 2004a).

One of the main factors interfering with the Latin American countries' efforts to improve income distribution is the poor distribution of assets. In fact, per capita household income distribution is a faithful reflection of the (unequal) distribution of education, wealth and employment opportunities among the population (ECLAC, 1998b). Since the bulk of household income comes from labour income (more than 80% in at least 11 countries), and most of the latter takes the form of wages (ECLAC, 2002b), the labour market plays a very influential part in determining the population's levels of well-being and is therefore a highly important consideration in the design of anti-poverty policies.

There are many reasons why distributive inequalities are harmful for society. First, there is the moral argument that it is inadmissible for some people to have almost unlimited resources while others lack the bare minimum. This argument gathers force in societies that have achieved a level of well-being that would enable them to satisfy the most basic needs of the entire population if income were distributed on a less inequitable basis, in line with distributional patterns in other societies

having per capita incomes quite similar to those of several Latin American countries. Extreme inequalities are also an aberrant condition in the poorest countries, however, where vast sectors of the population who lack the minimum levels of well-being to live a decent life exist alongside others who possess very large shares of total income and wealth; this state of affairs leads to exclusion and social disintegration, which, in turn, interfere with the economic growth needed to overcome these conditions.

Second, from a strictly economic standpoint, poor income distribution prevents society's resources from being allocated to those who would derive the greatest benefit at the margin, which reduces overall well-being. In fact, there is abundant evidence that a highly unequal pattern of income distribution undermines the development process as such and dampens economic growth rates.²³ But beyond this, inequitable distribution is one of the major reasons for the region's lack of progress in reducing poverty. As will be discussed below, if economic growth were coupled with a more equitable distribution of income, the growth effect on poverty reduction would be greater, thereby making the fulfilment of target 1 a more viable proposition.

(b) Differences in extreme poverty levels, by geographical area

Poverty and indigence differ in terms of their magnitude, intensity and other characteristics depending on whether they occur in urban or rural areas. The identification of these differences is essential for the design of appropriate poverty-reduction policies that are tailored to the needs and the patterns of production and social interaction existing in each of these areas.

The incidence of extreme poverty in the region, expressed in percentages, continues to be considerably higher in rural areas than in urban areas.²⁴ In Latin America, 37% of the rural population is indigent, while the rate for urban areas is 13%. Largely as a result of the region's growing urbanization, however, since 2002 the number of urban indigents has exceeded the number of indigents in rural areas. According to estimates to the year 2004, 52 million of the total 96 million people living in extreme poverty in Latin America reside in urban areas (see figure II.1). As pointed out earlier, the situation in the Caribbean subregion is generally similar, since poverty rates in rural areas exceed urban rates in most of the countries.

There are, nevertheless, pronounced differences across countries in terms of the distribution of extreme poverty in urban and rural areas. In Costa Rica, Guatemala, Honduras, Panama, Paraguay and Peru, extreme poverty levels are clearly higher in rural areas, where 65% or more of the indigent population lives. A larger percentage of the indigent population lives in rural areas than in urban zones in Bolivia, El Salvador, Mexico and Nicaragua as well, although the differential is smaller (between 56% and 64% of the extremely poor population) (see table II.3). It should also be noted that geographical context is a key consideration in determining whether a household is indigent or not. In 9 out of 14 countries, if a household is located in a rural area, the probability of it being classified as extremely poor increases by at least 15%.²⁵

²³ For a review of the implications of poor income distribution patterns, see the World Bank (2003a).

²⁴ The concepts of urban and rural poverty are not set categories, since their definitions often vary from one country to another and over time.

²⁵ These statements are based on an analysis of household survey results for 14 Latin American countries using a probability model which makes it possible to isolate the variable "place of residence" in determining whether or not a household is extremely poor. In all of these cases, the corresponding coefficient was significant at the 1% level.

Table II.3
LATIN AMERICA (18 COUNTRIES): EXTREME POVERTY, BY GEOGRAPHICAL AREA, AROUND 2002 ^a

Country	Percentage of urban population	Indigence rate		Rural indigence/urban indigence	Percentage of indigent population living in:	
		Urban areas	Rural areas		Urban areas	Rural areas
Argentina	89.6	20.9	...	...	...	...
Bolivia	64.6	21.3	62.9	3.0	37.8	62.2
Brazil	79.9	10.4	28.0	2.7	63.3	36.7
Chile	85.7	4.5	6.2	1.4	78.9	21.1
Colombia	74.5	23.7	...	...	...	...
Costa Rica	50.4	5.5	12.0	2.2	34.7	65.3
Ecuador	62.7	19.4	...	...	...	...
El Salvador	55.2	14.3	33.3	2.3	36.2	63.8
Guatemala	39.4	18.1	37.6	2.1	22.2	77.8
Honduras	48.2	36.5	69.5	1.9	33.4	66.6
Mexico	75.4	6.9	21.9	3.2	36.7	63.3
Nicaragua	55.3	33.2	54.9	1.7	44.1	55.9
Panama	57.6	8.9	31.5	3.5	29.8	70.2
Paraguay	56.1	18.4	50.3	2.7	31.5	68.5
Peru	72.3	9.9	51.3	5.2	32.4	67.6
Dominican Republic	65.0	17.1	26.3	1.5	55.7	44.3
Uruguay	92.6	2.5	...	...	...	...
Venezuela (Bolivarian Rep. of)	87.4	...	...	...	...	...

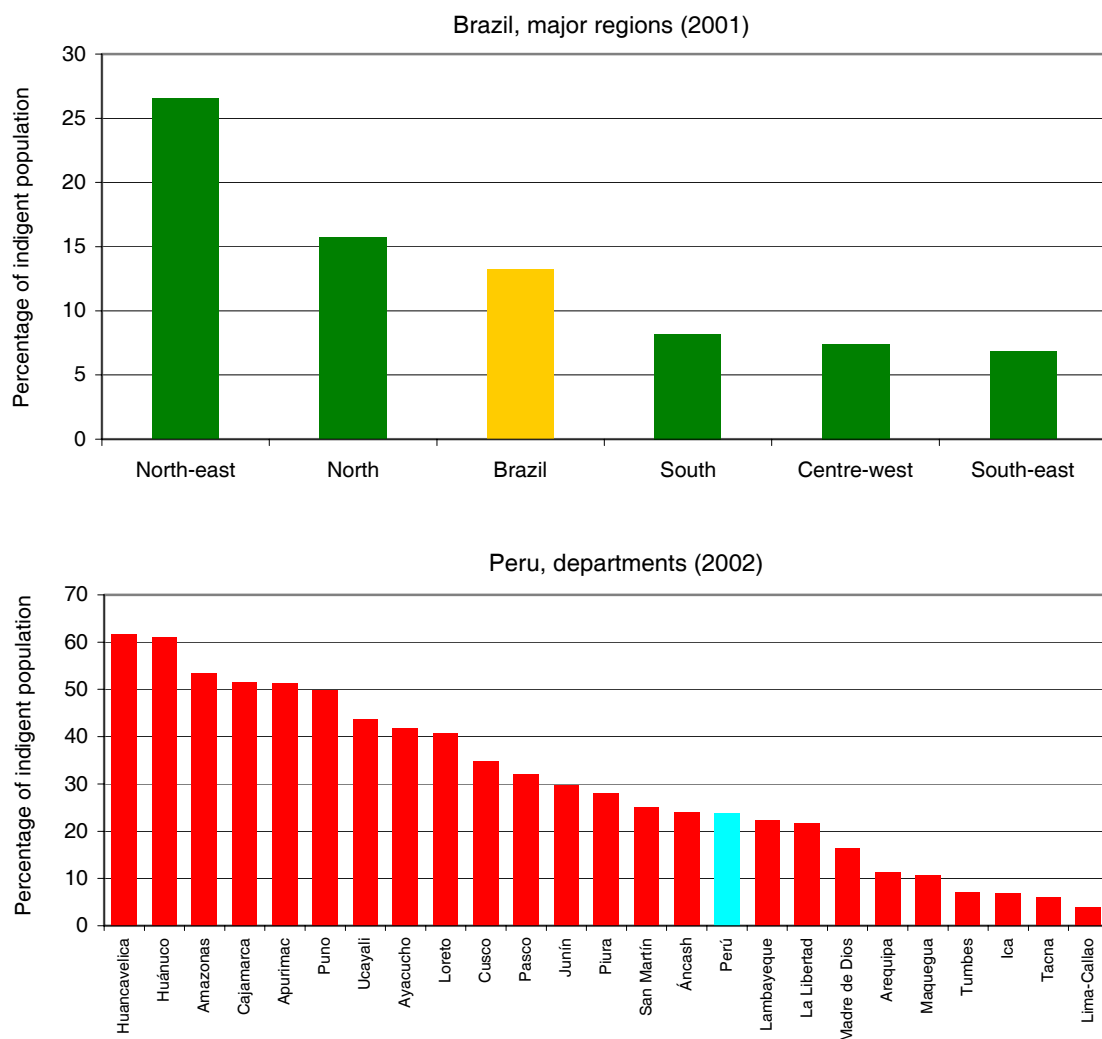
Source: Economic Commission for Latin America and the Caribbean (ECLAC), "Latin America: Projection of Urban - Rural Population, 1970-2025", *Demographic Bulletin*, No. 63 (LC/G.2052-P), Santiago, Chile, Latin American and Caribbean Demographic Centre (CELADE) - Population Division of ECLAC, January 1999; and ECLAC, on the basis of special tabulations of household surveys conducted in the relevant countries.

^a The definitions of "urban" and "rural" correspond to the definitions used in each country.

An analysis of areas within individual countries also shows up considerable inequality in terms of relative development and poverty rates. Brazil provides a striking example: whereas in the central-western, Rio de Janeiro and São Paulo regions, the rate of indigence is below 8%, in the north it is above 15% and in the north-east it is 27%. Peru is another case in which the national average masks enormous inequalities, with indigence rates as of 2002 varying between a low of 4% in the coastal department of Lima-Callao and a high of 62% in the Andean department of Huancavelica (UNDP, 2004a) (see figure II.6). These types of gaps represent an additional difficulty for countries seeking external assistance, since donors' contributions are often based on national averages that do not reflect these disparities.

Progress towards the target of halving extreme poverty has been slower in the rural areas of Latin America than in urban areas. Between 1990 and 2000, indigence in rural areas decreased by less than three percentage points (from 40.4% to 37.8%); by 2004, it had edged down to approximately 37.0%. A comparison of this cumulative variation of 3.4 percentage points with the targeted reduction for rural areas (20.2 points) indicates that 17% of the necessary progress has been made. In contrast, extreme poverty in urban areas was reduced from 15.3% to 11.7% in the 1990s. Although it has since climbed back up to 13.1%, the progress made in urban areas—2.2 percentage points of the required 7.7 points— amounts to 29% of the necessary reduction, which is considerably more than in rural areas.

Figure II.6
BRAZIL AND PERU: INTRA-COUNTRY INEQUALITIES IN INDIGENCE RATES^a
(Percentages of the population)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of the National Household Survey of Brazil, and United Nations Development Programme (UNDP), *Hacia el cumplimiento de los objetivos de desarrollo del Milenio en el Perú: un compromiso del país para acabar con la pobreza, la desigualdad y la exclusión*, Lima, Office of the Resident Coordinator, November 2004.

The tendency for the reduction in indigence rates to be lower in rural areas is particularly strong in countries where the population living in extreme poverty is concentrated in those areas. In fact, in some Central American countries, such as Costa Rica, El Salvador and Nicaragua, as well as in Mexico, the amount of progress made in reducing extreme poverty in rural areas is 20 percentage points or more lower than the progress made in urban areas. (Guatemala is a notable exception in this group of countries, since the rate of advance towards the target in urban and rural areas is quite even.) This evidence points to an additional difficulty in achieving the target within the next 10 years for such countries, and particularly for those with the lowest per capita incomes, since their low levels of GDP and agricultural productivity also reduce their chances of achieving the target of eradicating hunger and child undernourishment.

A complementary approach to poverty analysis, which proves particularly useful for characterizing the types of deficits existing in the various subnational contexts, focuses on unmet basic needs.²⁶ This method can be used to demonstrate that extreme poverty displays differing characteristics in urban and rural areas. To take the Central American countries as an example, recent figures indicate that, on average, extremely poor households exhibit less overcrowding in urban areas than in rural zones (44% compared with 60%) and smaller deficits in terms of access to drinking water (17% versus 23%) and basic education (10% versus 18%). Meanwhile, other types of shortfalls often found in indigent households occur more frequently in urban areas than in rural ones, such as substandard housing (33% in urban areas versus 19% in rural areas) and a lack of suitable basic sanitation systems (55% versus 30%).

(c) Gender considerations

The promotion of gender equality—the third of the Millennium Development Goals—is not just an end in itself but an essential tool for achieving the poverty reduction target as well.

In Latin America and the Caribbean, women suffer from a series of disadvantages, ranging from unpaid domestic work and a lack of social recognition to higher unemployment levels and wage discrimination, as well as inequality in terms of their access, use and control of production resources and the slow pace of progress towards their political empowerment. Consequently, men and women experience poverty differently.

As viewed from a gender perspective, however, income-based measurements of poverty do not provide any information about the situation of men and women or identify factors involved in the difficulties that men and women face in struggling to lift themselves out of poverty. Most poverty indicators are not gender-sensitive, since they are aggregates whose unit of analysis is the household rather than the individual and do not include an imputed value for unpaid domestic work. Furthermore, this methodology assumes that resources are evenly distributed among all members of a household and that their needs are equivalent.

Notwithstanding the limitations of measuring poverty by income, two indicators that can be derived from such measurements—the femininity index of poverty and the proportion of indigent households that are headed by women—show that poverty rates in the region are higher among women.

In 2002, many countries' coefficients on the femininity index of poverty (which is obtained by dividing the ratio of the number of women to the number of men in poor households by the ratio of women to men in all households) were above 100 for both urban and rural areas. This indicates that there are more females—particularly of working age (20-59)—than males in poor households (see table II.5 at the end of the chapter).

In the region's urban areas, female-headed households account for a higher percentage of extremely poor households than male-headed households do, with the differential being greater than five percentage points in the cases of Costa Rica, the Dominican Republic, Ecuador, Guatemala and Panama. Between 1990 and 2002, the share of total extremely poor households that were headed by women rose in many countries (see table II.6 at the end of the chapter).

These two indicators can be supplemented with an analysis of people who do not have any income of their own. This category includes more women than men, and married women account for a disproportionately large percentage of them (see box II.2).

The available data indicate that women made a substantial contribution to poverty reduction but are also more severely affected by it. This is yet another reason why they seek to join the labour market (see box II.2). In fact, in the 1990s, women's labour force participation rate climbed more

²⁶ For a more extensive analysis of unmet basic needs in the region, see chapter VI.

sharply than the rate for men, and the participation rate for poor women rose from 36% in 1994 to 43% in 2002. Nevertheless, although more women are employed and more of them are working in paid jobs than before, the female unemployment rate continues to be much higher than the male rate, women's wages are lower and their access to social security and other such benefits is more limited (see chapter IV).

Box II.2 WOMEN'S ECONOMIC SELF-RELIANCE AND POVERTY REDUCTION

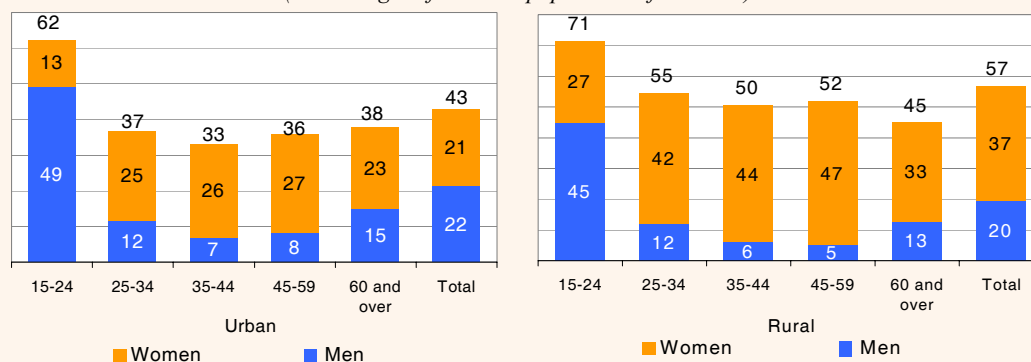
An analysis of persons who do not have any income of their own provides a way of approaching the issue of poverty among women from the standpoint of economic self-reliance, i.e., the capacity to generate income and take spending decisions.

In the region's urban areas, in 2002 almost 43% of women over the age of 15 had no income of their own, while 22% of men were in that position. The economic dependency rate for rural women was even higher for all age groups (see the following figure). What is more, 61% of female spouses in poor households (and 42% in non-poor households) lacked an income of their own. These figures indicate that a large proportion of the female population is not economically self-reliant and is at risk of being poor or becoming so, especially if family circumstances change (widowhood, divorce, etc.).

By contrast, women who do have an income of their own contribute significantly to poverty reduction. If it were not for women's monetary contributions, total poverty would have been 10 percentage points higher in 2002 in eight countries of the region (Bolivia, the Bolivarian Republic of Venezuela, Colombia, Ecuador, El Salvador, Paraguay, Peru and Uruguay).

LATIN AMERICA (SIMPLE AVERAGE, URBAN AREAS OF 16 COUNTRIES,^a RURAL AREAS OF 13 COUNTRIES^b): POPULATION WITHOUT OWN INCOME, BY SEX AND AGE GROUP, AROUND 2002

(Percentages of the total population of each sex)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of special tabulations of household surveys conducted in the relevant countries.

^a Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Panama, Paraguay, Peru and Uruguay.

^b Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Mexico, Panama, Paraguay and Peru.

(d) Poverty risk levels for children and older adults

Children and poverty

Childhood is a fundamental stage in human beings' lives in terms of the formation of values and the acquisition of basic skills. Children are also, however, one of the groups at the highest risk of poverty, which drastically limits their chances of social integration in the future. Deprivation during childhood generally leads to inadequate nutrition and hence to physiological underdevelopment. Poverty also frequently leads to the premature incorporation of children into the labour market (usually on a precarious and informal basis), thereby cutting short their childhood

and schooling.²⁷ This triggers an intergenerational cycle of poverty transmission that seriously undermines countries' chances of economic and social advancement. Clearly, then, comprehensive childcare should be one of the core components of policies aimed at reducing extreme poverty.

The fact that extreme poverty rates are higher for children than for any other group of the population is certainly a cause for concern.²⁸ Figures for 2002 indicate that, in Latin America, 41 million children between 0 and 12 years of age and 15 million between the ages of 13 and 19 are living in extreme poverty, while the size of the indigent population aged 20 and over was similar to the figure for children. This means that approximately two out of every five extremely poor people are children (see table II.4).

The existence of a large number of children in a household is highly correlated with indigence.²⁹ One of the clearest examples of the link between children and poverty is found in Uruguay, where the percentage of poor households which include children is more than twice as high as it is for non-poor households. For the same reason, poor households have high demographic dependency ratios, which means that these households' breadwinners have a heavy burden to bear (ECLAC, 2005a).

Poverty rates for children under 5 years of age and for 6-12 year olds are quite even, since the incidence of extreme poverty in these two age groups is approximately 30% in both cases, which is significantly higher than the rate for older persons. In addition, the extreme poverty rate for the child population is much higher in rural than in urban areas (almost 50% versus approximately 22%) (see table II.4).

Table II.4
**LATIN AMERICA: EXTREME POVERTY, BY AGE GROUP
AND GEOGRAPHICAL AREA, 2002**

Age group	National		Urban		Rural	
	Number (millions)	Incidence (percentage)	Number (millions)	Incidence (percentage)	Number (millions)	Incidence (percentage)
0-5	19	29.6	9	21.4	9	48.6
6-12	22	30.5	11	22.1	11	51.9
13-19	15	22.1	8	15.0	7	44.3
20 and over	41	13.9	23	9.8	19	28.7
Total	97	19.4	52	13.5	46	37.8

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of special tabulations of household surveys conducted in the relevant countries.

The level of extreme poverty among children (as among the population as a whole) varies substantially from one country to the next. Data for 2002 indicate that, in more than half of the countries, 30% or more of all children are indigent, while in Bolivia, Honduras and Nicaragua, the figure is over 45%. Chile, Costa Rica and Uruguay (urban areas) have rates of below 12%. The pattern observed at the regional level in terms of the relationship between child poverty rates in

²⁷ In or around the year 2002, an average of 15% of the population between the ages of 10 and 14 (about 7.6 million children) were working. Rates were highest —over 20%— in Brazil, Guatemala and Ecuador (ECLAC/UNICEF/SECIB, 2001). The insufficient length of schooling is attributable to children's poor scholastic performance, under-attainment and, ultimately, their decision to drop out of school altogether. ECLAC (2002b) has estimated that the cost of leaving school two years before its completion results in losses on the order of 20%-30% in labour income.

²⁸ These results are influenced by the method of measurement used, since it assigns the same cost to the satisfaction of individuals' basic needs regardless of age. The application of "equivalence scales" based on the assumption that it costs less to meet the basic needs of children than of adults would yield lower child poverty rates.

²⁹ The reproductive patterns of poor and non-poor households differ markedly in ways that skew the population dynamics of the former towards higher growth rates. Using the mother's level of schooling as a proxy for the poverty or non-poverty of the household, data from population and health surveys indicate that the total fertility rates for mothers in poor households are as much as three times higher than those of other households. In some countries, the effects of these factors are exacerbated by a trend towards less upward mobility and greater downward mobility among households with a large number of dependent children.

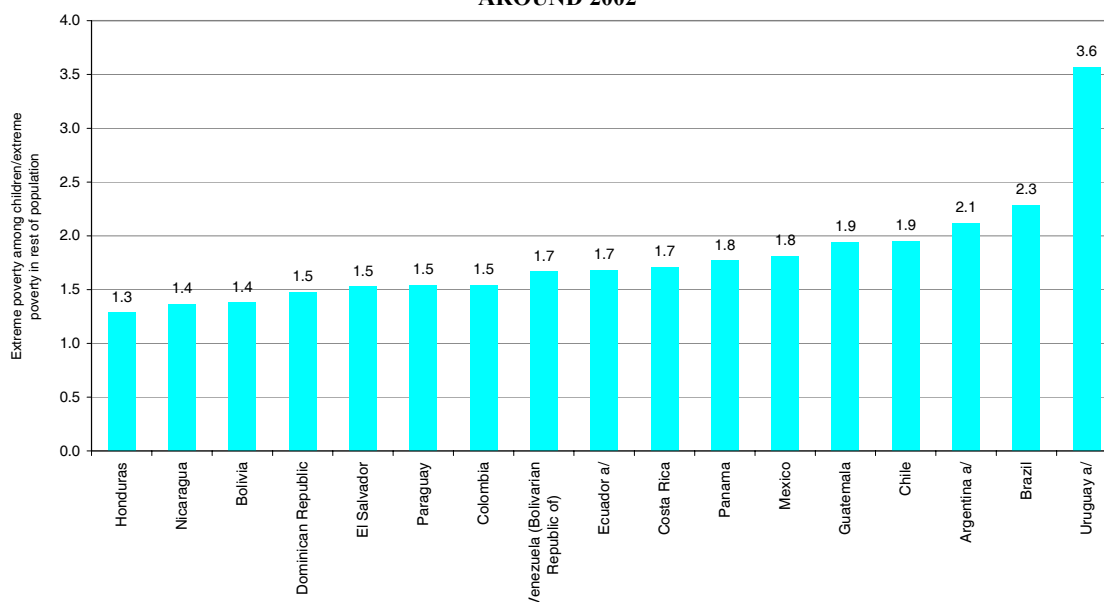
urban and rural areas (i.e., rates in the latter are higher than in the former) is repeated within each and every one of the region's countries.

In some of the countries with relatively low extreme poverty rates, however, the rates among children aged 0-12 are disproportionately high. In Argentina (urban areas), Brazil and Uruguay (urban areas), the indigence rate for this group is more than twice as high as it is for the rest of the population.³⁰ In almost all countries, the indigence rate for children is at least 1.5 times as high as it is for other age groups. This is therefore a region-wide problem. It should be noted that the smaller gaps that exist in Bolivia, Honduras and Nicaragua are attributable to their high rates of indigence for the population as a whole and do not mean that children are in a relatively more favourable position than in other countries; in fact, as indicated earlier, these are precisely the countries with the highest levels of child indigence (see figure II.7).

Ageing and poverty

The gradual ageing of the population in Latin America and the Caribbean is occurring throughout the region and has been taking place at a much more rapid rate than it did in developed countries.³¹ This process is occurring within a social, economic and cultural context marked by high poverty rates, persistent social inequity, a low level of social security coverage and, quite probably, a tendency for the family structures that provide support for older persons to break down (Guzmán, 2002).

Figure II.7
LATIN AMERICA (17 COUNTRIES): EXTREME POVERTY AMONG CHILDREN UNDER AGE 12, AS A MULTIPLE OF THE EXTREME POVERTY RATE FOR THE REST OF THE POPULATION, AROUND 2002



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of special tabulations of household surveys conducted in the relevant countries.

^a Urban areas.

³⁰ The most striking example is Uruguay, where the indigence rate for children is 3.6 times higher than for the rest of the population. Since Uruguay's overall indigence rate is so low, two factors play a particularly influential role in generating this result: first, the method used to measure poverty, as noted in the preceding footnote; and, second, the fact that what is being compared is the average rate for two groups (indigents and non-indigents) of very different sizes.

³¹ The population of older persons stands at approximately 47.5 million, or 8.6% of the total population. By 2015, the percentage is expected to climb to 10.8%. It is estimated that between 2000 and 2050, the proportion of persons aged 60 years and older will triple, and one out of every four Latin Americans will be an older person (ECLAC, 2004e). In all the countries of Latin America and the Caribbean, there has been a steady increase in the proportion of persons over 60, although the trend varies considerably from one country to another depending on the stage of the demographic transition that each country has reached.

An analysis of 15 countries in the region (urban areas) indicates that, in 11 of them, the poverty rate among older persons is somewhat lower than it is in the population between 15 and 59 years of age. Only in the Dominican Republic is this group relatively poorer than the rest of the population, while in Costa Rica, El Salvador and Honduras, the levels of poverty among older persons are similar to the national averages.³²

As a general rule, however, older adults in the region do not enjoy sufficient economic security, although the situation in this respect is quite inequitable and thus varies considerably. More than half of the people over 65 years of age have no social security income, which makes it all the more necessary for them to continue to work or to re-enter the labour market, primarily in informal activities (ECLAC, 2003a).³³

Unless the ageing of the population is accompanied by concrete measures for improving employment and social protection conditions during people's economically active years, the incidence of poverty among older adults will tend to rise, making this age group prone to a deterioration in living conditions. This poses major challenges for the State, which, in addition to continuing to respond to the needs of children and young people, will have to devote more and more resources to a segment that will be accounting for an increasingly large proportion of the Latin American population.

(e) Ethnic origin and extreme poverty

The countries of Latin America and the Caribbean should attain the poverty reduction target on the basis of equitable opportunities for all their citizens, without distinction as to race or ethnic origin.³⁴ This is a particularly important challenge in a region where the indigenous population is estimated at between 35 million and 55 million and where between 120 million and 150 million of its inhabitants are Afro-descendants.³⁵

Latin America

In Latin America, indigenous peoples (who account for more than 25% of the population in Bolivia, Ecuador, Guatemala and Peru) and Afro-descendants (who account for more than a quarter of the population in Brazil, Nicaragua and Panama) are, to a large extent, the poorest in the region, have the poorest socio-economic indicators and receive scant cultural recognition or access to decision-making levels.³⁶

As shown in figure II.8, the extreme poverty rate among indigenous peoples and Afro-descendants is between 1.6 times (Colombia) and 7.9 times (Paraguay) the rate for the rest of the population, except in the cases of Costa Rica and Haiti, where levels of indigence do not appear to be affected by ethnic origin.³⁷ Other characteristics of these groups are the larger size of their

³² For an interpretation of these results, see ECLAC (2004e).

³³ Although on average, income from retirement benefits or pensions exceeds the value of the poverty line, a significant proportion (between 50% and 80%) of the people in this age group receive very meagre benefits and thus find themselves in a position of marked economic dependency and social vulnerability (ECLAC, 2000b). According to data from 11 countries which were analysed in 2000, it is estimated that at least 41% of all people over 60 years of age are economically active (Bertranou, 2003).

³⁴ The concept of race is associated with biological distinctions attributed to genotypes and phenotypes, especially in relation to skin colour, while ethnicity is linked to cultural factors; the two categories are often not easily distinguishable (Bello and Hopenhayn, 2001).

³⁵ Establishing the size of the indigenous and Afro-descendant populations (who together account for between 150 million and 200 million persons, or close to one third of the total population) on the basis of existing sources of information is particularly difficult because censuses and household surveys often do not identify the race or ethnic origin of respondents and, if they do, employ different types of variables and criteria in different countries. For further information on the various estimates, see the World Bank (2003a), Barié (2003), Bello and Hopenhayn (2001), IDB (1997) and Busso, Cicowiez and Gasparini (2004).

³⁶ According to the results of analyses of "the probability of being poor" based on household surveys, the correlation between indigence and ethnic origin is due in large measure to the close link between ethnic origin and the geographical area of residence.

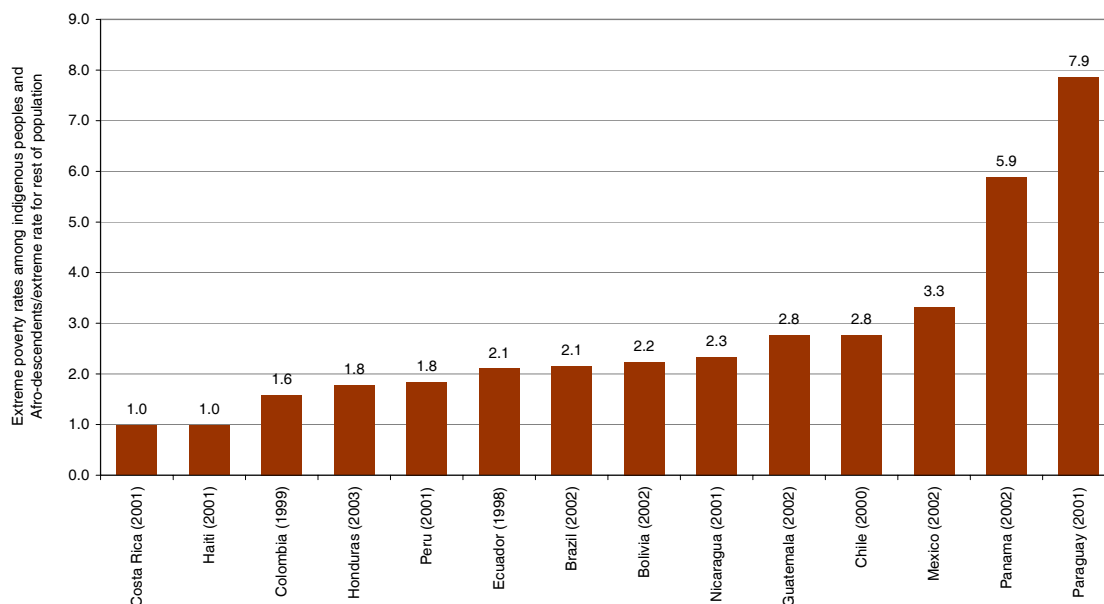
³⁷ In Argentina and Uruguay, indigenous peoples and Afro-descendants account for a very small fraction of the population, which makes it difficult to compare the incidence of poverty in these groups with rates in the rest of the population.

households and, in most countries, their location in rural areas, although this is less true for Afro-descendants and is changing as the urbanization process proceeds.

Figure II.8

LATIN AMERICA (14 COUNTRIES): EXTREME POVERTY RATES AMONG INDIGENOUS PEOPLES AND AFRO-DESCENDANTS, AS A MULTIPLE OF THE RATE FOR THE REST OF THE POPULATION

(Dollar-a-day line)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of M. Busso, M. Cicowicz and L. Gasparini, "Ethnicity and Millennium Development Goals in Latin America", Buenos Aires, Centro de Estudios Distributivos, Laborales y Sociales (CLADES), September 2004.

The factors leading to poverty among these groups include the progressive loss of their lands, the breakdown of community-based economies, less access to educational and health care services, and the structure and pattern of their integration into the workforce. Indigenous peoples and Afro-descendants, who are often victims of ethnic and racial prejudice, receive less pay for comparable work than the rest of the population and are more likely to work in the primary sector of the economy, finding employment in small enterprises or in the informal sector. Difficulty in obtaining access to credit and new technologies which could enable them to increase and improve their production activities is also a factor.

The Caribbean

In most of the English-speaking Caribbean countries, Afro-descendants are in the majority, although in countries such as Belize, Dominica, Guyana, Saint Vincent and the Grenadines, and Trinidad and Tobago, other ethnic groups also account for a sizeable portion of the population.

In these countries, Afro-descendants are in a different sort of position than in the rest of the region, since they do not experience the exclusion that they typically do in Latin American societies, thanks to their membership in the demographic majority, to the structural changes that took place in these countries before and after independence and, above all, to equality in access to education. Poverty estimates computed in the 1990s, however, indicate that ethnic inequalities do exist in Caribbean countries such as Guyana, and to a lesser extent, Dominica, where Amerindian populations are over-represented among the poorest groups.

Overcoming inequalities

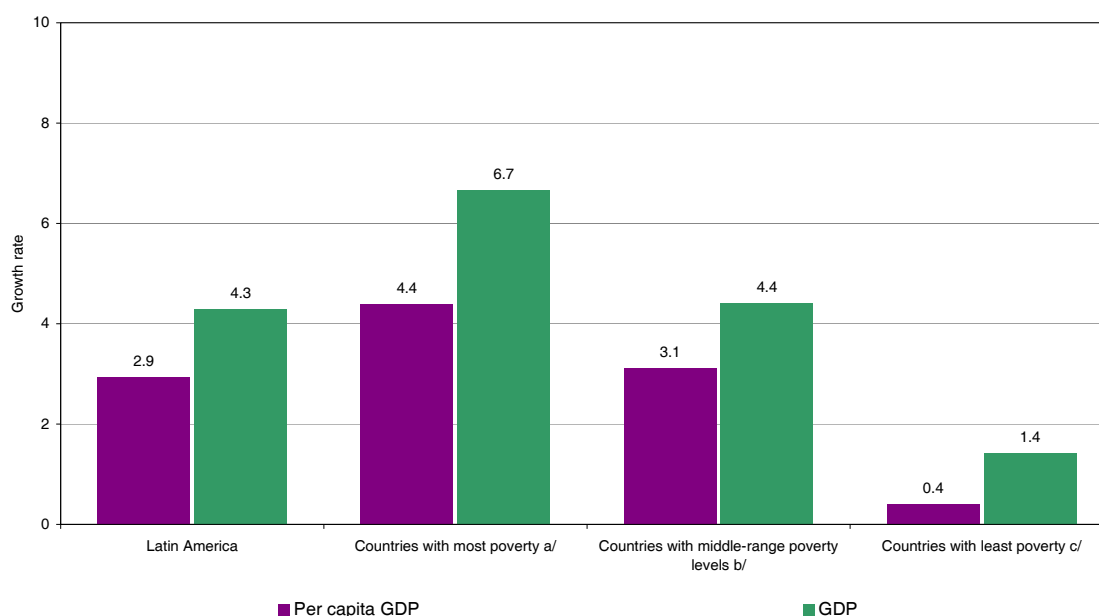
Overcoming inequalities associated with race and ethnic origin and meeting the target for the reduction of poverty among indigenous populations and Afro-descendants call for government policies in the areas of education, health, employment and land tenure to ensure these groups' economic, social and cultural rights. An important first step in targeting such policies is to refine data collection instruments —censuses and household surveys— by including a series of standardized questions on ethnic background.

3. The chances of achieving target 1 in the region

(a) Required rates of economic growth

Simulations based on the most recent household surveys for the countries of the region indicate that (assuming that income distribution will remain constant throughout the relevant period) Latin America's per capita GDP will have to grow by 2.9% per year during the next 11 years in order to meet the target of halving extreme poverty.³⁸ This rate is equivalent to total GDP growth of 4.3% per year (see figure II.9).³⁹

Figure II.9
LATIN AMERICA: GROWTH RATES OF TOTAL AND PER CAPITA GDP REQUIRED TO HALVE THE 1990 EXTREME POVERTY LEVEL, 2004-2015
(Annual averages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of projections derived from household surveys conducted in the relevant countries.

^a Bolivia, Guatemala, Honduras, Nicaragua and Paraguay.

^b Argentina, Bolivarian Republic of Venezuela, Brazil, Colombia, Ecuador, El Salvador, Mexico, Panama and Peru.

^c Chile, Costa Rica and Uruguay.

³⁸ See ECLAC (2004e) for a brief description of the method used to prepare the projections presented below. This method differs slightly from the one originally developed in ECLAC/IPEA/UNDP (2003).

³⁹ This growth rate is consistent with the information provided by the World Bank (2004), according to which a 2.4% annual increase in per capita GDP up to the year 2015 would reduce extreme poverty to 61% of the 1990 level and would thus be insufficient to meet the target.

The GDP growth rate required to attain the target differs across countries, depending on their extreme poverty levels. In the countries with the lowest poverty rates (Chile, Costa Rica and Uruguay), per capita GDP would need to increase by only 0.4% per year. The fact that this figure is so low is primarily attributable to the cases of Chile, which has already reached the target, and Uruguay, which is very close to it. These two countries need only to maintain a total GDP growth rate similar to their rate of population growth.

The countries in which extreme poverty rates are in an intermediate range include Argentina, the Bolivarian Republic of Venezuela, Brazil, Colombia, Ecuador, El Salvador, Mexico, Panama and Peru.⁴⁰ In order to halve extreme poverty in these countries, annual per capita GDP growth of about 3.1% will be needed over the next 11 years. This figure is largely a reflection of the situation in Argentina and the Bolivarian Republic of Venezuela, where setbacks in terms of poverty levels in recent years now make it necessary for them to grow at very high rates in order to reach the target, unless changes occur in current patterns of income distribution.

Bolivia, Guatemala, Honduras, Nicaragua and Paraguay, which have indigence rates in excess of 30%, will have to experience per capita GDP growth of 4.4% per year during the next 11 years, which is equivalent to an annual growth rate of 6.7% in total GDP. Marked differences exist within this group of countries as well, with the necessary annual per capita growth rates ranging from 2.1% in Guatemala to 6.7% in Bolivia.⁴¹

An alternative way of assessing the feasibility of meeting the first Millennium target is to estimate the number of years required by the different countries, assuming a growth rate in line with the historical evidence (1991-2004). Under this assumption, apart from the one country that has already achieved the target (Chile), only Brazil, Costa Rica, Ecuador, Mexico, Panama and Uruguay would be in a position to achieve it by 2015 or earlier.

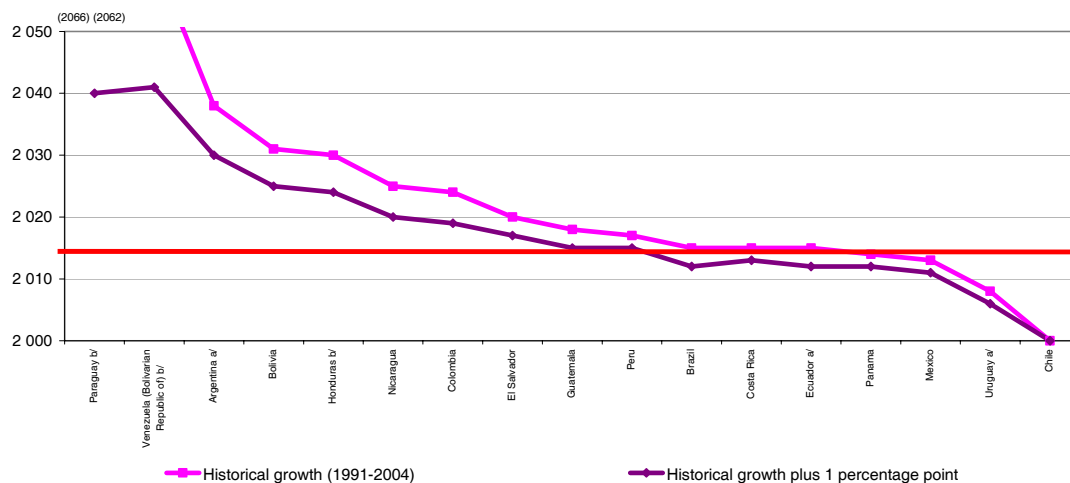
Nevertheless, the serious crises that have occurred since 1990 are not necessarily expected to recur in the future, and the region's growth expectations are thus somewhat more favourable than they have been, on average, in the past. If the countries of the region manage to grow by one percentage point above their average performance for 1991-2004, then half of the countries in Latin America, which account for approximately 70% of the total population, could halve their levels of extreme poverty by the deadline. The other countries that would achieve the target under these circumstances are Guatemala and Peru (see figure II.10).

All of this implies that many countries are unlikely to succeed in halving extreme poverty by the deadline. The growth rates that would have to be attained by Bolivia, Colombia, El Salvador, Honduras, Nicaragua and Paraguay are far higher than their historical averages, even under the optimistic assumption that they can boost their GDP growth rates by one percentage point over that average. On the other hand, even though, in figure II.10, Argentina and the Bolivarian Republic of Venezuela are grouped with the countries shown as being unlikely to achieve the target, their cases should be examined separately. In Argentina, current levels of indigence are circumstantial and may prove to be easier to reduce than others, while in the Bolivarian Republic of Venezuela, faster GDP growth and a strong expansion in social investment in 2004 warrant a more promising outlook than past projections have suggested. Thus, the prospects for the Latin American countries' achievement of target 1 are not encouraging; this makes it all the more urgent to place emphasis on income redistribution, at the domestic level, and official development assistance, on the external front.

⁴⁰ It should be noted that Argentina's classification in this intermediate category does not reflect the degree of social development attained by the country in recent decades but is instead a reflection of the serious deterioration in the situation caused by the crisis that broke out in late 2001, when the rate of extreme poverty practically quadrupled.

⁴¹ The wide range of growth rates required to achieve the target is clearly illustrated by the following projection: if the per capita GDP of each country grew by 2.9% per year over the next 11 years, Latin America as a whole would meet the target but only eight countries would share that success (Brazil, Chile, Costa Rica, Ecuador, Guatemala, Mexico, Panama and Uruguay).

Figure II.10
LATIN AMERICA: YEAR IN WHICH THE TARGET FOR THE REDUCTION OF EXTREME POVERTY WOULD BE MET UNDER TWO ECONOMIC GROWTH SCENARIOS



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of projections derived from household surveys conducted in the relevant countries.

^a Urban areas.

^b Historical per capita growth corresponds to countries with a similar level of indigence, not to each country's own rate.

In practically all cases, the assessment presented here of the various countries' chances of achieving the target relating to extreme poverty matches the countries' own appraisals as set out in their country reports. It has been assumed that the countries categorized as "likely" to meet the target are those that will do so if they succeed in attaining growth rates one percentage point above their historical rates, while the rest are classified as "unlikely" to meet the target. Based on these criteria, ECLAC projections coincide with those of the relevant countries in identifying Brazil, Chile, Costa Rica, Guatemala, Mexico, Panama and Uruguay as countries that are likely to meet the target and in identifying Bolivia, Honduras, Nicaragua and Paraguay as countries that are unlikely to do so. Colombia's country report does not make explicit reference to the chances of meeting the target. Differences arise in only five cases. In two of them (Ecuador and Peru), the country reports indicate that these countries are unlikely to achieve the target, whereas ECLAC has categorized them as likely to do so. The only cases in which the ECLAC projections indicating that countries are unlikely to meet the target are not mirrored in the corresponding country reports are those of Argentina, the Bolivarian Republic of Venezuela⁴² and El Salvador. It should be stressed that this type of projection is strongly influenced by the underlying assumptions made for each possible scenario, which is why the various assessments are not always in absolute agreement. The remarkable degree of correspondence that nonetheless exists between the two sources attests to the soundness of the evaluations.

(b) The effect of income distribution on poverty reduction

In order to assess the effect of a reduction in income concentration, it is helpful to use a synthetic indicator, such as the Gini coefficient, which sums up the situation in a single figure.⁴³ The simulated change in the distribution of household income is represented by the percentage of variation in this coefficient, whose simple average for the countries of Latin America is around 0.54.

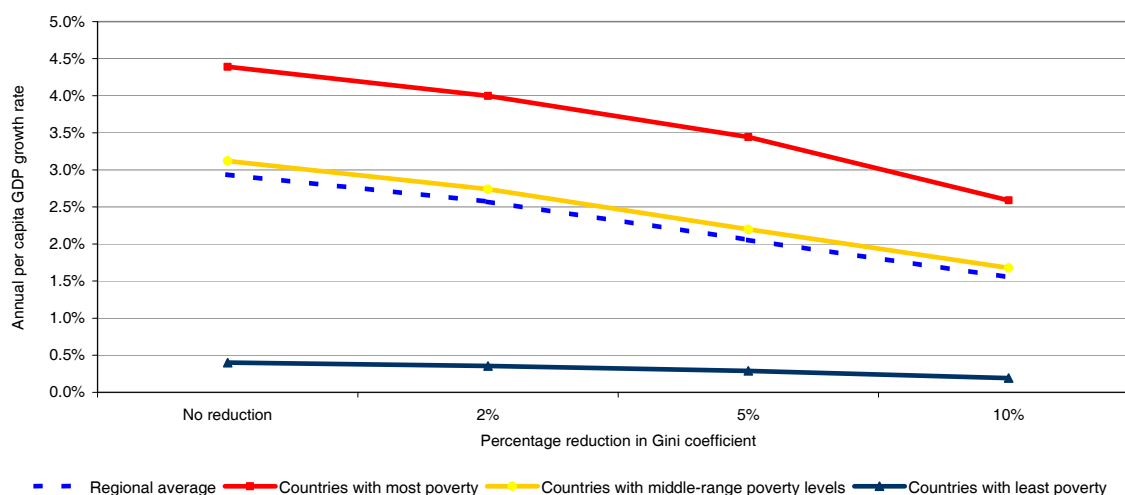
⁴² It should be noted that the country report prepared by the Bolivarian Republic of Venezuela establishes 2002, not 1990, as the base year for achieving the target.

⁴³ See section 3(a).

As ECLAC has pointed out on various occasions, an improvement in income distribution could heighten the effect of economic growth on poverty reduction. It is estimated that the projected regional growth rate required to achieve the extreme poverty reduction target could be lowered by approximately 0.2 of a percentage point for each percentage point of decrease in the Gini coefficient. Thus, a 5% reduction in this indicator, reflected in increases in the share of income of the first quintile of households of around 0.35 of a percentage point, would mean that per capita regional GDP would need to grow by only 2.1% per year instead of 2.9% (see figure II.11). Viewed from a different angle, this means that an improvement in distribution of that extent, together with a growth rate equal to the historical average, would enable the countries to halve their levels of indigence between 2 and 6 years earlier than would be possible if the distribution were to remain constant. This kind of change would allow at least one other country (Brazil) to achieve the target by the deadline.

The above calculations demonstrate how important it is to improve distribution in order to reduce extreme poverty in the region, particularly since the growth rates required to meet the target will be quite difficult to attain, especially in countries with high poverty levels. Thus, increased social investment and expanded social assistance programmes, as well as a fuller integration of the poor into the production apparatus, will be crucial in order to make headway in this direction.

Figure II.11
LATIN AMERICA: CHANGE IN GROWTH RATES REQUIRED TO HALVE EXTREME POVERTY, BY DEGREE OF CHANGE IN DISTRIBUTION



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of projections derived from household surveys conducted in the relevant countries.

4. Public policy guidelines for poverty reduction

Since poverty is manifested in widely varying spheres of life, policies for reducing it should encompass all of its main determinants concurrently. Thus, comprehensive strategies must be deployed to eliminate the structural vacuums associated with the production and reproduction of poverty, while at the same time addressing the more immediate needs of the poor population in areas such as nutrition, education, employment, income, health and housing. Hence, a number of the policy guidelines regarding those areas that are set out in this report also constitute poverty reduction policies.

Economic growth and stability are a necessary condition for poverty reduction, especially when they translate into more and better jobs for the poor. A larger number of more satisfactory employment opportunities are a prerequisite for the success of poor households' efforts to attain

financial self-reliance.⁴⁴ However, there is evidence that growth in itself is not enough to ensure significant reductions in poverty rates. The experience of Latin America and the Caribbean corroborates the fact that, in times of crisis, poverty increases markedly, whereas during economic booms, reductions in poverty occur more slowly. The variability of economic growth is therefore a particularly influential factor.

Ensuring the viability of any poverty reduction strategy calls for the active participation of Governments in the form of universal and specifically targeted measures. The onus is on the State to correct the most acute social inequalities and guarantee all citizens' basic rights, articulating economic, social and environmental development within a framework of equity and inclusion. In order to eliminate structural factors involved in the reproduction of poverty, public policies are needed that will increase access for the poor to production assets such as capital and, above all, land, as well as to general education, skills training, technology, and social protection.⁴⁵ At the same time, in order to move towards the achievement of the Millennium Development Goals, funding must be provided for the expansion and upgrading of social infrastructure (e.g., educational and health-care centres) and housing in order to make the poor population less vulnerable.

In order to combat poverty in Latin America and the Caribbean, it is imperative not only to overcome structural lags but also to modify situations of vulnerability stemming from economic circumstances or natural disasters. Since no programme will, in and of itself, eradicate poverty, comprehensive strategies need to be designed that combine universal programmes dealing with economic and social rights with specific measures in the areas of food and nutrition, among others. These programmes must address people's needs in keeping with their stages of life so that assistance can be provided well in advance to social groups found to be in a vulnerable or disadvantageous position.

There are many countries in the region where much of the population lives in rural areas and where poverty rates are high, including the countries of Central America, Haiti and Paraguay. Since rural poverty is linked to insufficient—in both qualitative and quantitative terms—physical assets and human capital, raising the income of poor rural households on a sustained basis will require greater public efforts to promote the formation of physical and human capital, with special emphasis on investments in land and soil management, irrigation and drainage, road infrastructure, energy and communications infrastructure, agricultural risk management, education and agricultural research (IFPRI, 2002).

Various studies underscore the special importance of the quality of the labour force (education, health, skill levels and technological know-how) as a determinant of productive growth (Cáceres, 1998; Mankiw, Romer and Weil, 1992; Schultz, 1988; Serna, 2000). Any strategy for reducing rural poverty should therefore include measures for expanding the formal agricultural education system, providing technical training and promoting the broad diffusion of relevant knowledge and expertise in the rural milieu.⁴⁶

Evaluations conducted to date on existing comprehensive anti-poverty programmes in the region have generally found that such initiatives have had a positive impact on the standard of living and have helped to reduce extreme poverty rates.⁴⁷ Numerous challenges remain to be overcome, however.

⁴⁴ Galvanizing the region's economies (by, inter alia, boosting agricultural labour productivity) is also a prerequisite for improving poor households' living conditions and discouraging migration.

⁴⁵ Credit is an effective mechanism for providing access to productive capital. There are, in fact, various poverty-reduction success stories involving the use of low-cost credit to promote the formation and consolidation of microenterprises and small businesses.

⁴⁶ It is also important to build the capacity of poor farmers to adapt and disseminate technologies brought in from countries with similar agroclimatic conditions, to promote agricultural diversification and to introduce productivity-enhancing techniques (Ruttan, 2002).

⁴⁷ These programmes are intended to reduce the income gaps of the poor, rather than to cover them fully, so the monetary transfers they provide fall short of meeting these households' actual needs. Their impact is thus greater than the effect indicated by the reduction they make in the percentage of indigents.

These programmes' coverage is in some cases quite limited, even in countries that have succeeded in steadily increasing the number of programme beneficiaries. A major line of effort being pursued in most countries focuses on the geographic expansion of these programmes in order to cover the neediest segments of the population, especially in rural and remote areas. The actual coverage of these programmes is also frequently diminished by errors in targeting.

Another challenge for poverty reduction programmes has to do with their sustainability. In some cases, the funding for this type of initiative represents too heavy a fiscal burden to be maintained on an ongoing basis; in others, an incoming Administration may decide to overhaul the programme in order to demonstrate that it is doing things differently than its predecessor. A fiscal covenant and a political and social pact of some sort will therefore be required to ensure the continuity of essential programmes (see chapter I).

There is also some doubt as to whether the households that have completed given poverty reduction programmes have developed the requisite skills to become self-sufficient. In most of these types of initiatives, there is a maximum number of years that households can remain on the active list of beneficiaries, but these programmes do not always have a suitable evaluation and follow-up system to ensure that the members of households which leave the programme have acquired skills that will enable them to remain above the poverty line.

A promising development in this connection is the appearance of programmes that combine monetary aid with human capital formation, which is an essential factor in countering the intergenerational transmission of poverty. To this end, monetary transfers and the delivery of certain types of goods and services are predicated on, for example, the members of the household having regular check-ups in health centres or regular school attendance by school-age children. The purpose of such requirements is to discourage early parenthood, deter child labour and improve scholastic achievement. Some of the best success stories in the use of these sorts of conditional transfers are the *Bolsa Familia* (family grant) programme in Brazil, the *Familias en Acción* (families in action) programme in Colombia and the *Oportunidades* (opportunities) programme in Mexico, but they are also being used to some extent in most of the Latin American countries (e.g., Bolivia's *bono de salud* (health allowance), Ecuador's *Beca Escolar* school scholarship programme, the *Programa de Asignación Familiar (PRAF)* in Honduras and food and school allowances in Nicaragua).

Most government efforts to endow people with the capacity to become self-sustaining do not take the form of monetary aid, however, but instead consist of the direct provision of free or subsidized services and transfers in kind. Recent initiatives of this type include the Bolivarian Republic of Venezuela's social inclusion programmes, known as *Misiones Sociales* (social missions). The rapid implementation of these programmes on a mass scale and their rights-based approach set these schemes apart from other initiatives now under way in Latin American and Caribbean countries.

A more thorough description of the types of poverty reduction policies being implemented in the region is provided in the country reports on progress towards the Millennium Development Goals. As noted earlier, the vast majority of Latin American and Caribbean countries have published at least one such report, and in many cases the Government, civil society and international agencies have all worked on their preparation. This not only attests to the countries' strong commitment to the Goals, but also demonstrates that the analyses and proposals contained in those reports are backed up by a sturdy internal consensus. The contents of these reports therefore provide highly valuable inputs for the identification of public policy requirements and for the design of strategies for reducing poverty and improving the population's living conditions.

B. Eradicating hunger

Goal	Target	Indicators
1. Eradicate extreme poverty and hunger	2. Halve, between 1990 and 2015, the proportion of people who suffer from hunger	4. Prevalence of underweight children under 5 years of age 5. Proportion of population below minimum level of dietary energy consumption

1. Introduction

The issue of hunger eradication should be approached in terms of the right to food, which is enshrined in article 11 of the International Covenant on Economic, Social and Cultural Rights. This legal instrument, together with the International Covenant on Civil and Political Rights, is essential for putting into practice the principles set out in the Universal Declaration of Human Rights (see box II.3). In a culture of rights, States are obligated to take deliberate, concrete and non-discriminatory measures to eradicate hunger.

Box II.3

FOOD: A HUMAN RIGHT

Article 11 of the International Covenant on Economic, Social and Cultural Rights enshrines the right to an adequate standard of living, including adequate food and clothing and the “continuous improvement of living conditions”.^a

The Covenant provides that the States parties, “recognizing the fundamental right of everyone to be free from hunger, shall take, individually and through international co-operation, the measures, including specific programmes, which are needed: (a) To improve methods of production, conservation and distribution of food by making full use of technical and scientific knowledge, by disseminating knowledge of the principles of nutrition and by developing or reforming agrarian systems in such a way as to achieve the most efficient development and utilization of natural resources; and (b) Taking into account the problems of both food-importing and food-exporting countries, to ensure an equitable distribution of world food supplies in relation to need”. While countries may take different positions concerning the Covenant or the scope of the rights recognized therein, there is a consensus regarding the concept of the right to food.

The Covenant stipulates that States parties shall take steps, to the maximum of their available resources, to meet their obligation to protect, promote and ensure the enjoyment of these rights, with a view to progressively achieving their full realization. The concepts of gradualness and rationality have given rise to the idea that human rights and human development complement one another; that is, the rights recognized in the Covenant are abstract by nature and represent the ideals to which countries aspire in areas such as food, health, housing, education and work (UNDP, 2000). Nevertheless, people have the specific right to benefit from appropriate policies aimed at the gradual implementation of the Covenant’s provisions. One of the State’s obligations, therefore, is to carry out policies to promote the gradual realization of abstract rights, using either its own resources or international cooperation resources. Food security assistance is thus a fundamental tool for consolidating the right to food.

Various frames of reference are available to States seeking to improve their social policies concerning food. One of them is the document “Draft Guidelines: A Human Rights Approach to Poverty Reduction Strategies” (published by the Office of the United Nations High Commissioner for Human Rights), which contains key targets and indicators for evaluating progress (OHCHR, 2002).

^a The International Covenant on Economic, Social and Cultural Rights entered into force on 3 January 1976. To date, the Covenant has 147 States parties, of which 26 are in Latin America and the Caribbean: Argentina, Barbados, Bolivarian Republic of Venezuela, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominica, Dominican Republic, Ecuador, El Salvador, Grenada, Guatemala, Guyana, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Saint Vincent and the Grenadines, Suriname, Trinidad and Tobago and Uruguay. With respect to the other countries in the region, Belize has signed the Covenant but has not ratified it, and Antigua and Barbuda, Bahamas, Cuba, Haiti, Saint Kitts and Nevis and Saint Lucia have not signed it. For further information, see OHCHR (2002).

The second target under Goal 1, which concerns the eradication of poverty and hunger in the world, is to halve, between 1990 and 2015, the proportion of people who suffer from hunger. This target is similar to the objective of “reducing the number of undernourished people to half their present level no later than 2015”, which was adopted by the 156 States members of the Food and Agriculture Organization of the United Nations (FAO) at the World Food Summit, held in 1996, and reaffirmed in the declaration adopted at the follow-up conference entitled “World Food Summit: five years later”.

The indicators established for monitoring progress towards this target are:

- (i) Prevalence of underweight children under 5 years of age, defined as those whose weight for age is more than two standard deviations below the median for the international reference population defined by the United States National Center for Health Statistics; and
- (ii) Proportion of population below minimum level of dietary energy consumption (undernourished population).

Efforts to combat extreme poverty are vital to hunger reduction, but they cannot by themselves eradicate hunger within a reasonable amount of time. Hunger is chiefly a result of insufficient access to food and, especially, a lack of monetary income with which to buy it. What is needed in this regard is not just a sustained increase in people’s capacity to purchase food, but also efforts to reduce or eliminate the adverse impact of other risk factors for undernourishment and undernutrition, as well as malnutrition (defined as an imbalance in the intake of necessary nutrients), all of which are found mainly in extremely poor households. These factors, many of which are included in the concept of “food utilization”, are related to sanitary conditions in the home, access to safe drinking water and an adequate waste disposal system, access to health care, knowledge of the basic rules of hygiene for handling food and eating habits, among other issues. By addressing such factors, nutrition programmes—even if they are not implemented as part of a big, expensive poverty reduction scheme— can make significant headway in reducing undernutrition. This is why Goal 1 comprises separate targets for reducing extreme poverty and for alleviating hunger and its effects.

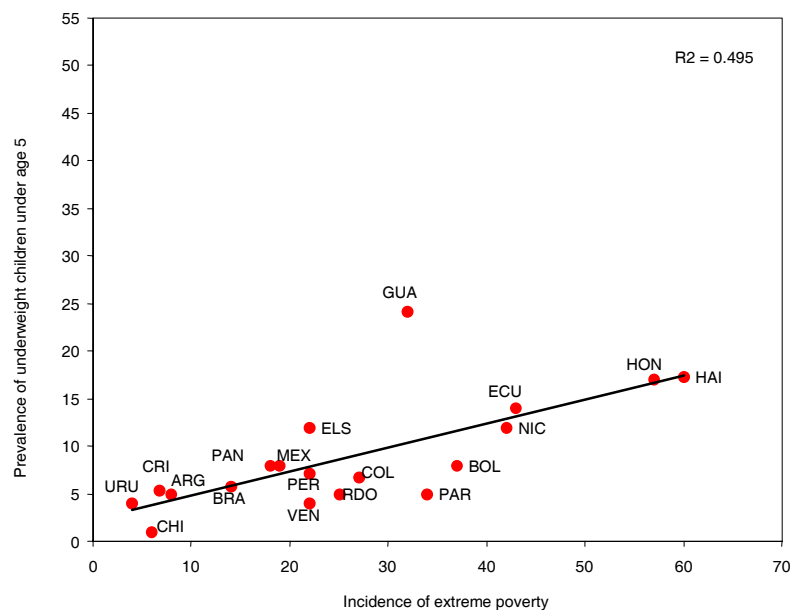
Given that extreme poverty is defined in terms of the amount of income available to households to meet their members’ nutritional needs, it is not surprising that, at the aggregate level, there is a relatively strong correlation between indigence, undernourishment and undernutrition and that hunger is usually associated with extreme poverty.⁴⁷ Figures II.12 and II.13 show how extreme poverty is correlated with undernutrition and undernourishment in the region. This is not to suggest that there is always a one-way causal relationship in which hunger is invariably and solely a result of extreme poverty.⁴⁸ In many cases, relieving hunger is a prerequisite for achieving sustainable reductions in poverty, since undernourishment seriously affects labour productivity and the population’s capacity to generate income. However, it is easier to interrupt this vicious circle through action to raise income levels than through the direct provision of food.

Figures II.12 and II.13 indicate that countries with similar levels of extreme poverty can have different rates of undernutrition and undernourishment; this suggests that the latter two phenomena are influenced by other factors as well. Thus, policies and programmes designed to address those factors can be useful for the purpose of progressing towards the hunger reduction target.

⁴⁷ As indicated earlier in this chapter, the extreme poverty or indigence line corresponds to the amount of resources needed to satisfy household members’ average requirements in terms of calories and nutrients.

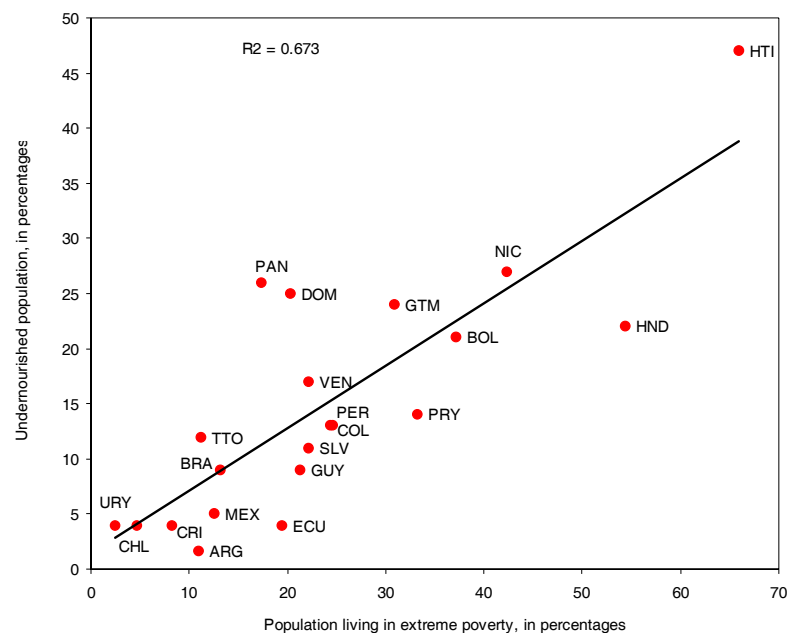
⁴⁸ To establish causal relationships, the information would have to be adjusted to reflect other hunger-related factors.

Figure II.12
**LATIN AMERICA AND THE CARIBBEAN (19 COUNTRIES): EXTREME POVERTY
 AND PREVALENCE OF UNDERWEIGHT CHILDREN UNDER 5 YEARS OF AGE,
 AROUND 1999**



Source: Economic Commission for Latin America and the Caribbean (ECLAC), *Social Panorama of Latin America, 2002-2003* (LC/G.2209-P), Santiago, Chile, May 2004. United Nations publication, Sales No. E.03.II.G.185.

Figure II.13
**LATIN AMERICA AND THE CARIBBEAN (21 COUNTRIES): EXTREME POVERTY
 AND UNDERNOURISHMENT, 2000-2002**

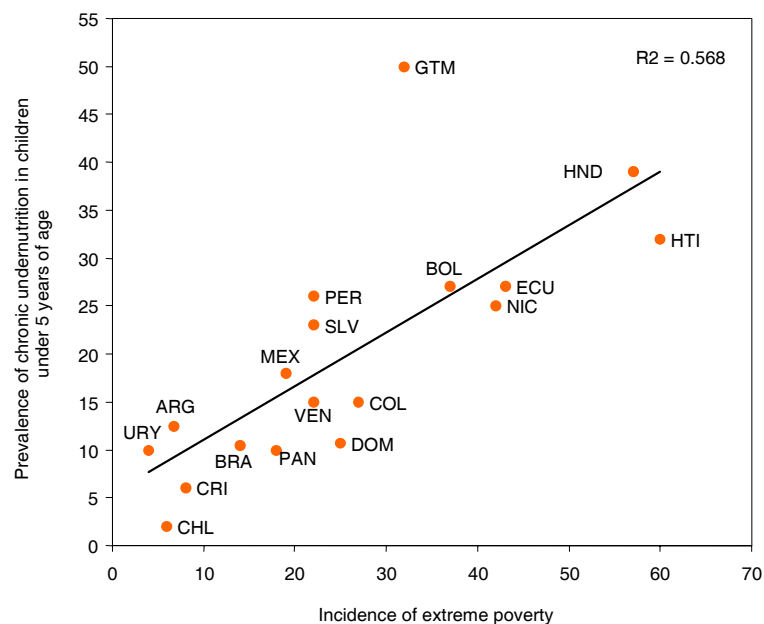


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from the Food and Agriculture Organization of the United Nations and ECLAC, *Social Panorama of Latin America, 2004* (LC/G.2259-P), Santiago, Chile, 2005, in press.

Progress towards the first of the Millennium Development Goals will be easier to achieve if poverty reduction efforts are supplemented by direct action to improve the population's nutritional status. Child undernutrition, measured in this case by weight for age, is associated with poverty, poor diet, low levels of education and insufficient access to health care. Even moderately undernourished and malnourished children have an increased risk of death, impaired cognitive development and lifelong health problems. Steps must therefore be taken to eradicate the phenomenon once and for all, starting with the prompt recognition that sufficient, quality nourishment is a key component of development, as it is a precondition not only for improving the health and survival of present and future generations, but also for increasing people's chances of overcoming poverty. To differing degrees, the countries of the region face problems of both insufficient food intake and dietary imbalances. These imbalances result from a deficiency of basic micronutrients and, increasingly, overconsumption of macronutrients, which causes obesity and other pathologies.

Since nutritional status is one of the factors that determine the development opportunities and growth potential of both individuals and countries, this document will consider, in addition to the underweight population, chronic undernutrition⁴⁹ or stunting, as an additional indicator for monitoring progress towards the second target under the first Millennium Development Goal. This indicator is important because it reflects the consequences of food and nutrient deficiencies accumulated during the most critical years in a child's physical and psychomotor development, the negative effects of which are largely irreversible. In addition, children with chronic undernutrition outnumber the underweight child population by two to one in the region. In fact, as figure II.14 shows, chronic undernutrition is even more closely correlated with extreme poverty than the prevalence of underweight children.

Figure II.14
LATIN AMERICA AND THE CARIBBEAN (18 COUNTRIES): EXTREME POVERTY AND CHRONIC UNDERNUTRITION, AROUND 1999



Source: Economic Commission for Latin America and the Caribbean (ECLAC), *Social Panorama of Latin America, 2002-2003* (LC/G.2209-P), Santiago, Chile, May 2004. United Nations publication, Sales No. E.03.II.G.185.

⁴⁹ This indicator refers to the percentage of children under the age of 5 whose height for age is more than two standard deviations below the median for the international reference population between the ages of 0 and 59 months, as defined by the United States National Center for Health Statistics.

Lastly, energy imbalances can also take the form of overweight or obesity and the chronic diseases associated with them. The immediate causes of these phenomena are poor diet and inactivity. Obesity, like undernutrition, should be recognized as a problem that is associated with poverty. In other words, in low-income population groups, energy imbalances and poor eating habits can lead not only to stunting (low height for age), but also to overweight and obesity.

2. Food security and hunger

Food security is conceived as an interrelated system of food production, marketing and consumption that affords all individuals' physical and economic access to the basic foods they need to lead an active and healthy life. Food security is a key concept in explaining undernourishment and undernutrition levels at a given point in time.

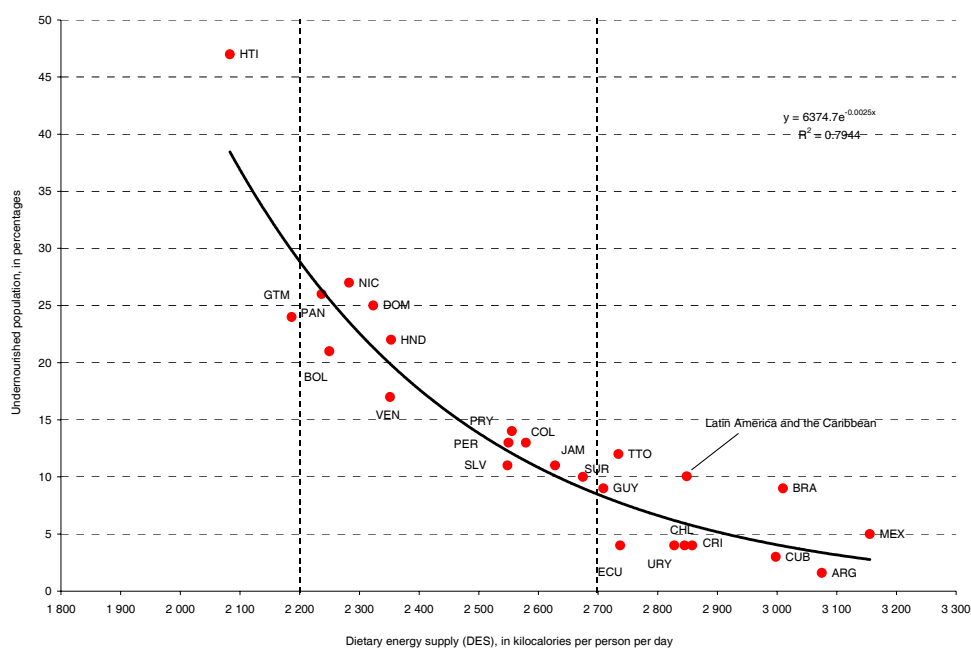
Food security comprises four dimensions: (i) availability, which refers to the food supply (dietary energy supply); (ii) access, or food consumption that is sufficient in quantity and quality (sufficient income); (iii) utilization, which refers to food quality and safety, eating habits and nutritional status; and (iv) stability of food access, which refers to the vulnerability of population groups whose food situation deteriorates in response to certain domestic and external factors.

The most pressing food problems can be addressed by means of both temporary measures, such as food distribution campaigns after natural disasters, and permanent policies, such as school feeding programmes and subsidized food vouchers. The bulk of the population, however, must purchase food on the market. Accordingly, poverty reduction policies designed to ensure that the population has the monetary resources to do so are the core component of hunger eradication efforts.

A country's domestic food supply—or dietary energy supply (DES), expressed in kilocalories per person per day—represents the average amount of food available nationwide. It is calculated on the basis of domestic agricultural production for the local market and for export, food imports, food used as an input by the production sector, losses and the amount of food available for human consumption. This last element is closely related to the relative prices of food products on the domestic and international markets and to the purchasing power of different population groups. A country's DES thus reflects its population's average income and the distribution of income among different groups.

Generally speaking, the region produces enough food to satisfy the nutritional needs of all its inhabitants. Most of the countries have a DES of more than 2,500 kilocalories per person per day, which amply exceeds the minimum energy consumption requirement for adults (1,815 kilocalories). Hunger in the region thus results from highly unequal patterns of consumption and income distribution, not from an inadequate food supply (see figure II.15).

Figure II.15
LATIN AMERICA AND THE CARIBBEAN (24 COUNTRIES): DIETARY ENERGY SUPPLY (DES) AND UNDERNOURISHED POPULATION, 2000-2002
(Kilocalories per person per day and percentages)



Source: Food and Agriculture Organization of the United Nations (FAO), *The State of Food Insecurity in the World 2004*, Rome, 2004, and food balance sheets.

In the Bolivarian Republic of Venezuela, Bolivia, Dominican Republic, Guatemala, Haiti, Honduras, Nicaragua and Panama, DES levels range from 2,100 to 2,350 kilocalories. Although this exceeds the above-mentioned minimum, these countries nonetheless have high rates of undernourishment (more than 15% of the population). Because of inequalities in food access linked to income shortfalls, large segments of the population consume less food than they should. All these countries except the Bolivarian Republic of Venezuela have sizeable rural populations (ranging from 34% of the total in Bolivia to 61% in Haiti).⁵⁰ Most residents of rural areas engage in low-productivity agricultural activities whose output for home consumption and trade often falls short of dietary needs. In these countries, food security and progress towards a structural solution to the problem of hunger cannot be achieved without agricultural and rural development policies that address problems of access to land, water, improved seeds and fertilizers. These policies should also facilitate access to productivity-enhancing technologies and should encourage the development of partnerships among producers to improve their access to production inputs and their ability to market their products.

⁵⁰ According to current definitions of urban and rural areas, in 2002 some 24% of the region's population was living in rural areas. In many of the countries, more than a third of the population lived in rural areas: Bolivia (34%), Ecuador (36%), Dominican Republic (39%), Panama (42%), Jamaica and Paraguay (43%), El Salvador and Nicaragua (44%), Costa Rica (49%), Honduras (50%), Belize (52%), Guatemala (60%) and Guyana and Haiti (61%). In most of the non-Spanish-speaking Caribbean countries and territories, over 40% of the population lived outside urban areas. For further information, see World Urbanization Prospects: The 2003 Revision Population Database [online], <http://esa.un.org/unup/>.

As figure II.15 shows, even countries with similar DES levels can have significantly different undernourishment rates owing to disparities in terms of access. For example, Nicaragua has a slightly larger food supply than Bolivia, but its undernourishment rate is about seven percentage points higher. Similar comparisons can be made between Brazil and Cuba and between Ecuador and Trinidad and Tobago. Disparities are much sharper within countries, since population groups in certain areas have extreme poverty and undernourishment rates that far exceed the national averages.⁵¹

Given this situation, progress in reducing extreme poverty is normally reflected by a decrease in undernourishment, insofar as income gains in the poorest strata translate into an absolute increase in food intake and more equal access to food.⁵²

3. Undernourishment levels and trends: progress towards the target

In the early 1990s, about 13% of the Latin American and Caribbean population suffered from undernourishment. By the start of the current decade, this proportion had dropped to approximately 10%, representing a decrease of 6.6 million in the number of undernourished people (from 59.5 million to 52.9 million). At that point, according to FAO estimates, the population with insufficient access to food was concentrated primarily in Brazil (15.6 million), Colombia (5.7 million), Mexico (5.2 million), Bolivarian Republic of Venezuela (4.3 million) and Haiti (3.8 million).⁵³ These five countries accounted for almost two thirds of the total undernourished population in the region.

Even if the region succeeds in meeting the hunger reduction target, population growth projections indicate that, in 2015, Latin America and the Caribbean will still have more than 40 million undernourished inhabitants. What is more, the countries with the highest rates of undernutrition and extreme poverty are also the ones that will continue to post the highest rates of population growth in the coming decade.

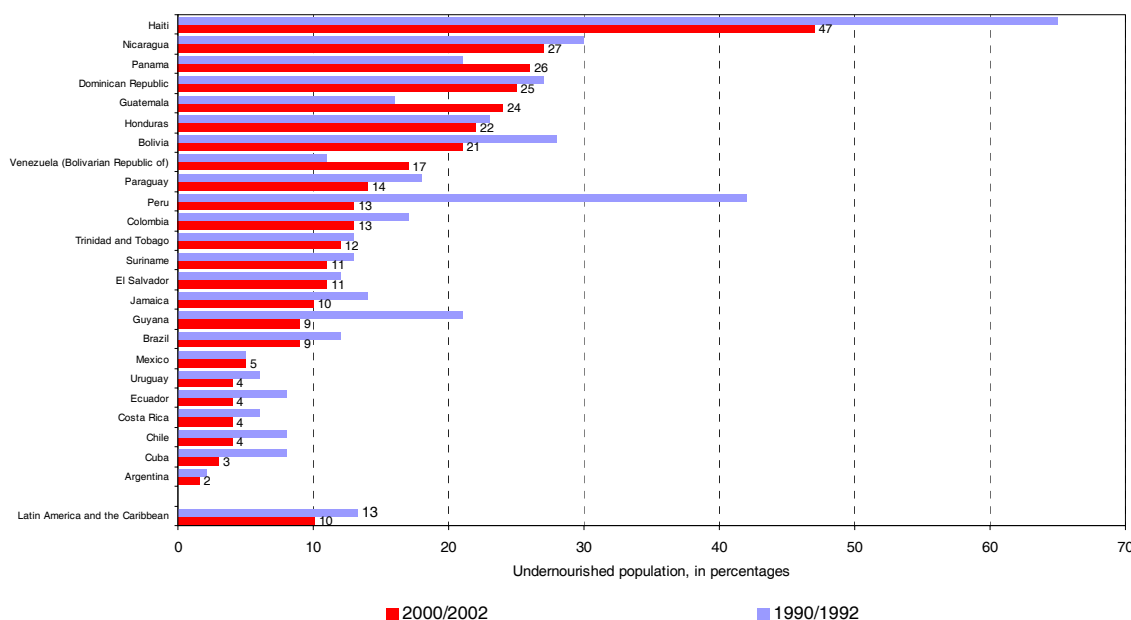
Figure II.16 depicts the widely varying rates of undernourishment in the region. Chile, Cuba, Ecuador, Guyana and Peru were the countries that achieved the most progress in the 1990s, and all of them have already met the target. Nine countries (Argentina, Bolivia, Brazil, Colombia, Costa Rica, Haiti, Jamaica, Paraguay and Uruguay) made considerable headway, reducing undernourishment by about 60% with respect to its level of 1990-1992. Six others (Dominican Republic, El Salvador, Honduras, Nicaragua, Suriname and Trinidad and Tobago) also registered improvements, but to a much lesser degree than the previous group; as shown in figure II.17, these countries are not on track to meet the target. Lastly, undernourishment increased over this period in the Bolivarian Republic of Venezuela, Guatemala and Panama.

⁵¹ Such disparities are clearly indicated by data on undernutrition, which is the main consequence of hunger, even though geographically disaggregated figures on undernourishment within countries are not available.

⁵² Food products are classified as inferior goods, meaning that their share of total household expenditure declines as income increases. In the lowest-income strata, however, increases in expenditure may be associated with increases in the relative share of food consumption.

⁵³ For more information, see http://www.fao.org/documents/show_cdr.asp?url_file=/docrep/007/y5650e/y5650e06.htm.

Figure II.16
**LATIN AMERICA AND THE CARIBBEAN (24 COUNTRIES): CHANGES IN THE
 UNDERNOURISHED POPULATION BETWEEN 1990-1992 AND 2000-2002**
 (Percentages)



Source: Food and Agriculture Organization of the United Nations (FAO), *The State of Food Insecurity in the World 2004*, Rome, 2004.

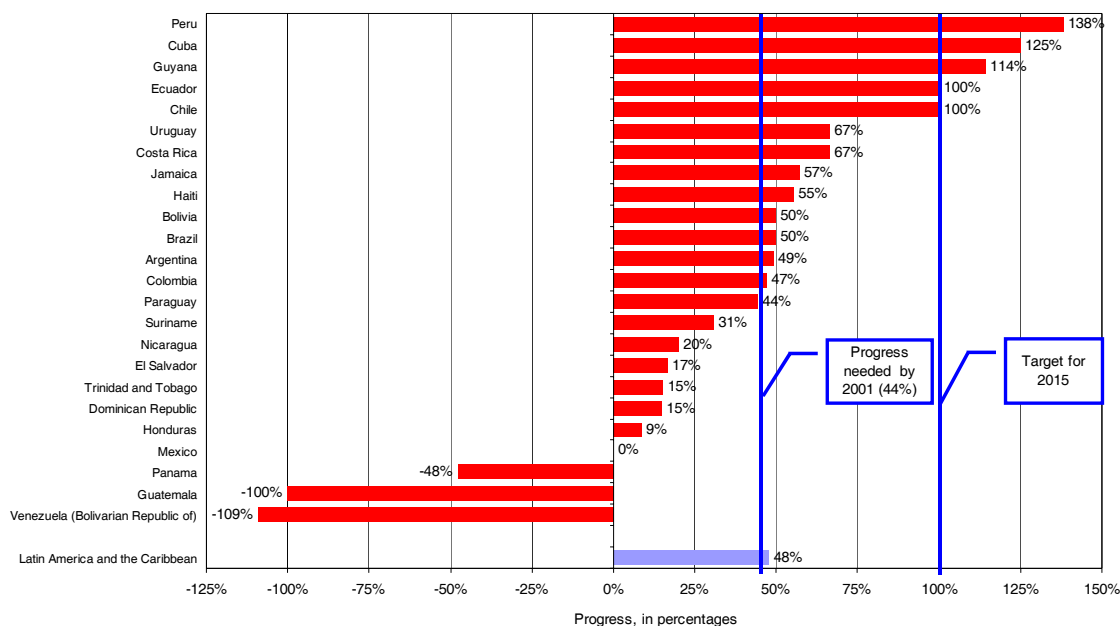
According to FAO estimates, undernourishment in Mexico—which accounts for a significant share of the region’s population—remained quite low (5%) throughout the decade. Since further reductions in such a low level are hard to achieve, it is not surprising that no significant progress has been made to date. This figure is nonetheless higher than it ought to be in view of Mexico’s high per capita DES, meaning that there is undoubtedly room for improvement.⁵⁴ Policies to address this problem should reflect the fact that the undernourishment rate is attributable to sharp inequalities in income. Brazil, whose undernourishment rate was 12% in 1990 and which exhibits comparable inequalities, recorded a large drop in undernourishment in the 1990s, but this resulted more from an increase in food availability than from a reduction in inequality (see figure II.16).

Figure II.17 shows how much progress has been made by the region’s countries. On average, the progress made in Latin America and the Caribbean up to 2001 was even slightly faster than expected. As noted earlier, however, region-wide figures mask considerable disparities between the countries and do not provide a basis for an accurate assessment of their chances of reaching the target.

The decline in undernourishment in the region has been associated primarily with an increase in the total food supply. Income distribution has remained highly unequal, and the resulting inequalities in food access have prevented the region from making faster progress. There are, however, four countries in the region (Bolivia, Guatemala, Haiti and Panama) whose DES levels are still extremely low. Supply shortages are therefore a much more significant cause of hunger in these countries—especially Guatemala and Haiti—than in the rest of the region.

⁵⁴ Mexico’s national report on the Millennium Development Goals placed the country’s undernourishment rate at 2.7% in 1990 and 2.1% in 2002.

Figure II.17
LATIN AMERICA AND THE CARIBBEAN (24 COUNTRIES): CHANGES IN THE UNDERNOURISHED POPULATION BETWEEN 1990-1992 AND 2000-2002, EXPRESSED AS THE AMOUNT OF PROGRESS MADE TOWARDS THE TARGET FOR 2015
(Percentages)



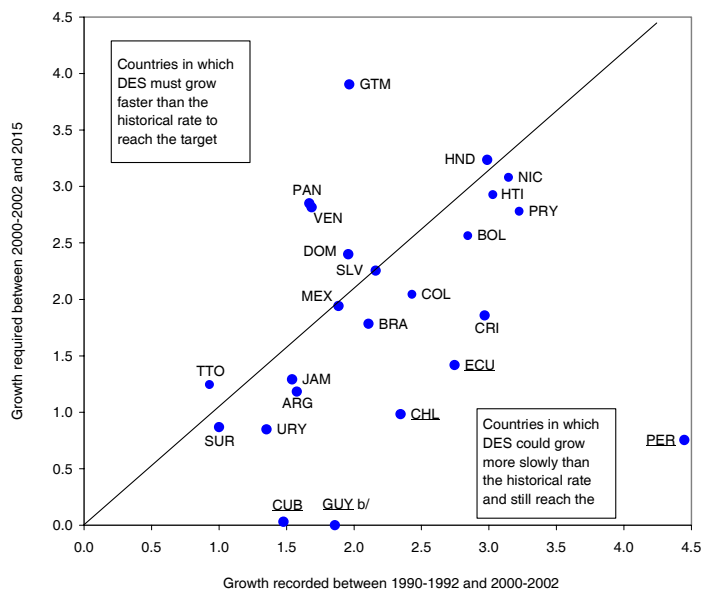
Source: Food and Agriculture Organization of the United Nations (FAO), *The State of Food Insecurity in the World 2004*, Rome, 2004.

In adopting measures to advance towards the hunger reduction target, policymakers must take their country's particular situation into account, including its level of development, its capacity to produce and import food, the relative prices of food products, the population's income levels and the degree of inequality in the distribution of consumption and in food access. Other factors that should be considered are the extent to which the social groups most likely to suffer from hunger are geographically isolated, cultural traits that influence diet (particularly in countries with large indigenous populations) and access to water and sanitation services. These last two factors are most strongly felt in countries where much of the population lives in rural areas and obtains most of its food from subsistence farming.

To assess the Latin American and Caribbean countries' chances of reaching the target, taking into account only the impact of the food supply on undernourishment, ECLAC has prepared a series of estimates of the rate at which DES levels will have to increase up to 2015. In Guatemala, Panama and the Bolivarian Republic of Venezuela, DES will have to expand by about 3% to 4% per year, or twice as fast as in the 1990s. In all three countries, the total food supply has grown more slowly than the population, causing per capita DES to decline in absolute terms and leading to an increase in undernourishment between 1990-1992 and 2000-2002.

In Honduras, Dominican Republic and El Salvador, the food supply will also have to increase significantly faster than it has in the past. Conversely, many countries are likely to meet the target of halving undernourishment even if their total food supply increases more slowly than it did in the 1990s. Lastly, as shown in figure II.18, Chile, Cuba, Ecuador, Guyana and Peru have already reached the target. Future increases in their food supply will have to keep pace with population growth in order to maintain this achievement.

Figure II.18
**LATIN AMERICA AND THE CARIBBEAN (24 COUNTRIES): GROWTH OF TOTAL DES^a
 BETWEEN 1990-1992 AND 2000-2002 AND GROWTH NEEDED BETWEEN 2000-2002
 AND 2015 TO MEET THE TARGET**
(Annual growth rates)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of food balance sheets published by the Food and Agriculture Organization of the United Nations (FAO).

Note: Countries that have already met the target are shown underlined.

^a The total DES is obtained by multiplying the per capita DES (expressed in kilocalories per person per day) by the total population.

^b Since projections indicate that Guyana's population will be smaller in 2015 than it is today, the total DES it will need in order to continue to meet the target is lower than the current figure.

These estimates are intended merely to illustrate the magnitude of the effort that the countries will have to make in order to halve undernourishment by the target date; they do not take into account other circumstances that could help or hinder progress. A country's domestic food supply is directly affected by many short-term situations, including natural disasters (floods, earthquakes, droughts) and either domestic or external economic factors, such as a drop in the prices of major export products. Box II.4 looks at how the Central American countries have been affected by natural disasters and by the drop in the international prices of coffee and of other leading Central American food exports between 1998 and 2002, which translated into a sharp reduction in their capacity to import food. One such case is Guatemala, where these factors led to a decrease in the domestic food supply and to setbacks in terms of the reduction of undernourishment rates, according to FAO estimates. In Panama, in contrast, both domestic production and the total food supply declined outright in the 1990s, since imports were not enough to make up for the drop in production. The progress made by the Bolivarian Republic of Venezuela in reducing undernourishment (from 20% in 1997-1999 to 17% in 2000-2002) was interrupted by a decline in domestic production and in food-importing capacity, which worsened in 2002. In the last few years, however, the Bolivarian Republic of Venezuela has put in place a large-scale national nutrition plan designed to ensure that all population groups are properly nourished.⁵⁵

⁵⁵ By the end of 2004, almost 10 million people had benefited from the *Misión Mercal* scheme, which was implemented to increase the population's access to food. This scheme's effects should start to be reflected in the next round of undernourishment estimates. See Venezuela (Bolivarian Republic of)/United Nations, 2004.

Box II.4

THE IMPACT OF DROUGHT AND DECLINING COFFEE PRICES ON CENTRAL AMERICA

At the start of the current decade, Central America's agricultural sector was beset by unfavourable trends in international agricultural markets and by adverse weather conditions, both of which greatly eroded production volumes. This situation illustrates the powerful impact that such factors can have on food security, especially in countries that are heavily dependent on exports of just a few commodities and are also exposed to extreme natural phenomena. It should be noted that the situation in these countries improved somewhat after 2001, thanks to an upturn in the international prices of many commodities, especially coffee.

Between the late 1990s and the initial years of the current decade, an oversupply of agricultural products for export and weak external demand for these products led to an increase in overstocks and a decline in world prices for most of them, particularly basic grains. In addition, the copious inflows of foreign capital received in the 1990s caused these countries' currencies to appreciate, thus exposing agricultural producers to intense competition that undermined their production conditions and income.

INTERNATIONAL PRICES OF SELECTED BASIC GRAINS

	1996	1997	1998	1999	2000	2001	2002	2003	2004 ^a	1999	2000	2001	2002	2003	2004 ^a
	(Dollars per ton)									(Index: 1996=100)					
Rice	338.1	302.5	305.4	249.0	203.7	172.7	191.8	199.5	242.8	73.6	60.3	51.1	56.7	59.0	71.8
Maize	164.5	117.2	101.6	90.3	88.2	89.6	99.3	105.2	113.3	54.9	53.6	54.5	60.4	63.9	68.8
Wheat	207.1	1597	126.1	112.1	114.0	126.8	148.5	146.1	157.2	54.1	55.0	61.2	71.7	70.6	75.9
Sorghum	150.0	109.6	98.0	84.4	88.0	95.2	101.8	106.5	111.5	56.2	58.7	63.5	67.8	71.0	74.3

Source: International Monetary Fund. Maize, wheat and sorghum: United States, Gulf ports. Rice: Bangkok.

^a January-November average.

Successive natural disasters have highlighted the vulnerability of Central American agriculture. Hurricane Mitch, whose effects are still being felt in the form of high loan delinquency rates and reinvestment needs, was followed by two earthquakes^a in El Salvador in early 2001 and, later that year, by a drought whose effects were felt in all the Central American countries to some extent.

Between May and August, the period when water demand for growing basic grains is at its height, rainfall was unusually scant and was insufficient to meet the agricultural sector's demand for water. This led to a significant drop in yields, which were already quite low in international terms, and to complete crop losses in some areas. Erratic rainfall in 2002 exacerbated these problems.

Estimates indicate that over 18% of the region's expected agricultural output was lost because of the drought. Consequently, stocks declined and more resources had to be spent on food imports, while living conditions deteriorated for some 600,000 inhabitants of rural areas.

**CENTRAL AMERICA: ESTIMATED LOSSES OF BASIC GRAINS
DUE TO DROUGHT DURING THE 2000/2001 CROP YEAR**

Type of grain	Lost output (thousands of quintals)	Value of losses (millions of dollars)
Maize	7 058	62.4
Beans	930	21.9
Rice	1 241	13.5
Sorghum	1 341	8.8
Total	10 570	110.4

Source: Economic Commission for Latin America and the Caribbean (ECLAC), *El impacto socioeconómico y ambiental de la sequía en 2001 en Centroamérica* (LC/MEX/L.510/Rev.1), Mexico City, February 2002.

This exacerbated the already difficult situation of agriculture in the subregion, which was reeling from an unprecedented crisis in the coffee sector. By the late 1990s, excess coffee production worldwide had greatly increased stocks, putting downward pressure on world coffee prices. In 2001, the value of coffee exports was about US\$ 713 million less than the average during the five-year period from 1994 to 1998 (a loss equivalent to some 1.2% of subregional GDP for that year), and their share of total merchandise exports fell from 16% in 1994-1998 to 7% in 2001.

Box II.4 (concluded)

VALUE OF COFFEE EXPORTS
(Millions of dollars)

	1998	1999	2000	2001	2002
Costa Rica	402.3	409.4	288.7	272.0	161.8
El Salvador	520.5	323.7	245.1	297.9	115.1
Guatemala	584.5	587.9	572.3	300.8	269.0
Honduras	326.3	429.8	256.1	339.4	160.7
Nicaragua	173.4	135.3	160.9	103.3	73.4
Panama	23.9	18.5	16.0	11.1	9.3

Source: Economic Commission for Latin America and the Caribbean (ECLAC), Agricultural Information System (SIAGRO), ECLAC subregional headquarters in Mexico (<http://www.eclac.cl/bdatos/siagro.asp>).

**TRENDS IN WORLD COFFEE PRICES: COMPOSITE INDICATOR PRICE
AND MILD ARABICA PRICE**



Source: International Coffee Organization (ICO), official website (<http://www.ico.org>).

These trends had a strong economic and social impact on coffee-growing areas, as falling prices sharply curtailed the revenues of the nearly 300,000 coffee producers in the subregion. This, in turn, made it harder for them to repay debts and obtain new loans. Labour demand contracted dramatically, triggering losses in 2001 that were equivalent to 170,000 permanent jobs and some US\$ 140 million in wages. Considering the magnitude of the excess supply, coffee prices are unlikely to return to the levels seen in the 1990s any time soon, despite the upturns observed in the past few years.

The subregion's food security situation is highly vulnerable because of the structural features and dynamics of its agricultural sector, such as the use of vast expanses of arable land for livestock-raising and the use of cropland for non-traditional cash crops; the division of agricultural land into small subsistence farms; low crop yields as a result of technological deficiencies, increased exploitation of fragile areas and slash-and-burn deforestation; and declining biodiversity. In these circumstances, natural disasters and the decline in international demand and prices for exports of basic grains and coffee have had devastating effects on the population's quality of life and on local economies, primarily in hillside areas and dry tropical zones. As a result, food shortages became disproportionately worse in many of Central America's rural areas.

Source: Updated on the basis of Economic Commission for Latin America and the Caribbean (ECLAC), *Social Panorama of Latin America, 2002-2003* (LC/G.2209-P), Santiago, Chile, May 2004, chapter II. United Nations publication, Sales No. E.03.II.G.185.

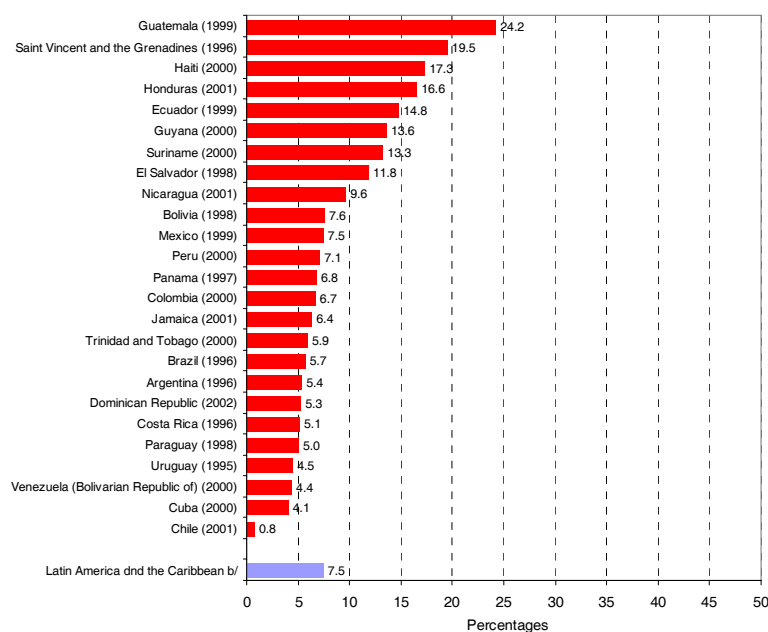
^a The estimated toll of both earthquakes was 1,142 dead and more than 8,000 injured. In addition, they resulted in the disappearance of 41,440 microenterprises and small businesses and 55,000 jobs, destroyed or damaged the housing of 25.6% of El Salvador's population and plunged 250,000 people into extreme poverty. Total losses amounted to some US\$ 1.66 billion, equivalent to 13% of El Salvador's GDP and 55% of its exports in 2000 (see UNDP, El Salvador earthquake information system [online], <http://www.terremotoelsalvador.org.sv/>). The effects of more predictable natural phenomena, such as the El Niño and La Niña ocean currents, should also be taken into account. Prior to the drought, the aggregate amount of economic damage from natural phenomena in the subregion was estimated to have averaged 2% of GDP since 1972. See ECLAC (2002b).

4. Undernutrition levels and trends: progress towards the target

As noted earlier, undernutrition (underweight or stunting as a result of energy intake that falls short of the minimum required to meet the body's needs) and malnutrition (insufficient intake of essential nutrients) are the most direct manifestations of hunger problems. Both conditions limit the development of physical and intellectual potential, especially in children, and are a key contributing factor in more than half of all child deaths.

Like undernourishment, undernutrition (low weight for age) is particularly severe in Central America (El Salvador, Guatemala, Honduras and Nicaragua), in some Caribbean countries (Guyana, Haiti, Saint Vincent and the Grenadines and Suriname) and in Ecuador. In these countries, 10% or more of the under-five population exhibits low weight for age (see figure II.19). The situation in Guatemala is particularly alarming: almost a quarter of Guatemalan children are underweight and, as indicated earlier, undernourishment has increased in this country. At the regional level, 7.5% of the under-five population, or almost 4.2 million children, are moderately or severely underweight. Almost 29% of this group (a little more than 1.2 million children) are concentrated in the nine countries mentioned above, while about 44% (1.8 million children) live in Brazil and Mexico.

Figure II.19
LATIN AMERICA AND THE CARIBBEAN (25 COUNTRIES): PREVALENCE OF UNDERWEIGHT CHILDREN UNDER 5 YEARS OF AGE, 1995-2002^a
(Percentages)



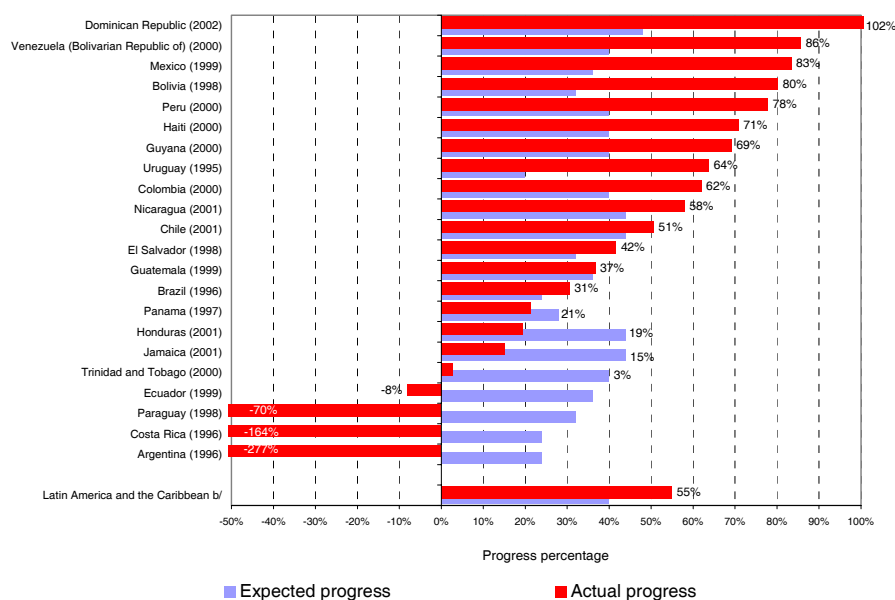
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of figures from the Database on Social Statistics and Indicators (BADEINSO) (<http://www.eclac.cl/badeinso/Badeinso.asp>); United Nations Millennium Indicators Database [online] (http://millenniumindicators.un.org/unsd/mi/mi_goals.asp); Opinion Research Corporation - ORC Macro, Demographic and Health Surveys (DHS) (<http://www.measuredhs.com>); World Bank, World Development Indicators (WDI) (<http://www.worldbank.org/data/onlinebases/onlinebases.html>); and United Nations Children's Fund (UNICEF), Global Database on Child Malnutrition (<http://www.childinfo.org/eddb/malnutrition/index.htm>).

^a Refers to each country's most recent available figure on undernutrition between 1995 and 2002.

^b Weighted average of the countries.

Estimates based on nutrition studies conducted in the last two decades suggest that most of the Latin American and Caribbean countries have made significant strides towards the target in terms of reducing the prevalence of underweight children. By the end of the 1990s, they had made 55% of the progress needed, on average (see figure II.20). Since the minimum requirement at that point was only 40%, the region as a whole seems likely to meet the target. In Latin America and the Caribbean, halving the prevalence of underweight children under the age of 5 means reducing the average from 10.3% to 5.2%, bringing the number to just below 2.9 million by 2015. This would reduce the underweight population in this age group by 1.4 million.

Figure II.20
LATIN AMERICA AND THE CARIBBEAN (22 COUNTRIES): CHANGES IN PREVALENCE OF UNDERWEIGHT CHILDREN UNDER 5 YEARS OF AGE BETWEEN 1990 AND 1995-2002,^a EXPRESSED IN TERMS OF PROGRESS TOWARDS THE TARGET FOR 2015 (Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of figures from the Database on Social Statistics and Indicators (BADEINSO) (<http://www.eclac.cl/badeinso/Badeinso.asp>); United Nations Millennium Indicators Database [online] (http://millenniumindicators.un.org/unsd/mi/mi_goals.asp); Opinion Research Corporation - ORC Macro, Demographic and Health Surveys (DHS) (<http://www.measuredhs.com>); World Bank, World Development Indicators (WDI) (<http://www.worldbank.org/data/online/databases/online/databases.html>); and United Nations Children's Fund (UNICEF), Global Database on Child Malnutrition (<http://www.childinfo.org/eddb/malnutrition/index.htm>).

^a Refers to each country's most recent available figure on undernutrition between 1995 and 2002.

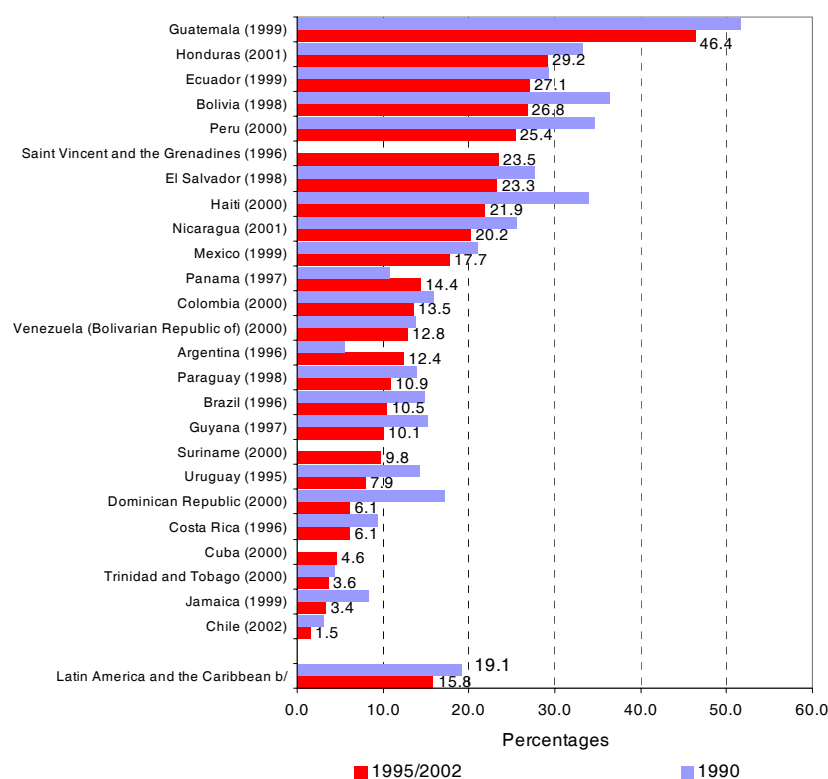
^b Weighted average of the countries.

Region-wide averages, however, do not reflect the situation in all the countries. Whereas some countries have already reached the target, others have progressed very little or have even lost ground. The Dominican Republic has already reached the target; the Bolivarian Republic of Venezuela, Bolivia, Mexico and Peru have made more than 75% of the progress needed and will probably reach the target before 2015. Progress in Brazil, Chile, Colombia, El Salvador, Guatemala, Guyana, Haiti, Nicaragua and Uruguay has equalled or exceeded the expected minimum (and amounts to over 65% in Colombia, Guyana, Haiti and Uruguay), meaning that these countries are likely to meet the target, barring any major economic downturns, natural disasters or the discontinuation of current policies and programmes. Lastly, Honduras, Jamaica, Panama and

Trinidad and Tobago have made slower progress and are less likely to meet the target unless they implement policies to provide direct help to the most vulnerable population groups. Argentina, Costa Rica, Ecuador and Paraguay suffered setbacks, although in all of these countries except Ecuador the prevalence of underweight children was low in the early 1990s, at about 5% of the under-five population.

Chronic undernutrition or stunting (low height for age) is the most serious manifestation of hunger in the region. In the 1990s, progress on this front was slower than the advances made in terms of the underweight population, and started from higher levels. The percentage of children with low height for age dropped from 19.1% to 15.8% in the region as a whole. As shown in figure II.21, in most cases, the countries with the highest rates of chronic undernutrition are also the ones with the largest underweight population and the highest rates of undernourishment: the Central American and Caribbean countries and Bolivia. Across the region, about 8.8 million children exhibit stunting because their food intake is persistently inadequate in terms of quantity and quality.

Figure II.21
LATIN AMERICA AND THE CARIBBEAN (25 COUNTRIES): CHANGES IN CHRONIC UNDERNUTRITION IN THE UNDER-FIVE POPULATION BETWEEN 1990 AND 1995-2002^a
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of figures from the Database on Social Statistics and Indicators (BADEINSO) (<http://www.eclac.cl/badeinso/Badeinso.asp>); United Nations Millennium Indicators Database [online] (http://millenniumindicators.un.org/unsd/mi/mi_goals.asp); Opinion Research Corporation - ORC Macro, Demographic and Health Surveys (DHS) (<http://www.measuredhs.com>); World Bank, World Development Indicators (WDI) (<http://www.worldbank.org/data/onlinedatabases/onlinedatabases.html>); and United Nations Children's Fund (UNICEF), Global Database on Child Malnutrition (<http://www.childinfo.org/eddb/malnutrition/index.htm>).

^a Refers to each country's most recent available figure on chronic undernutrition between 1995 and 2002.

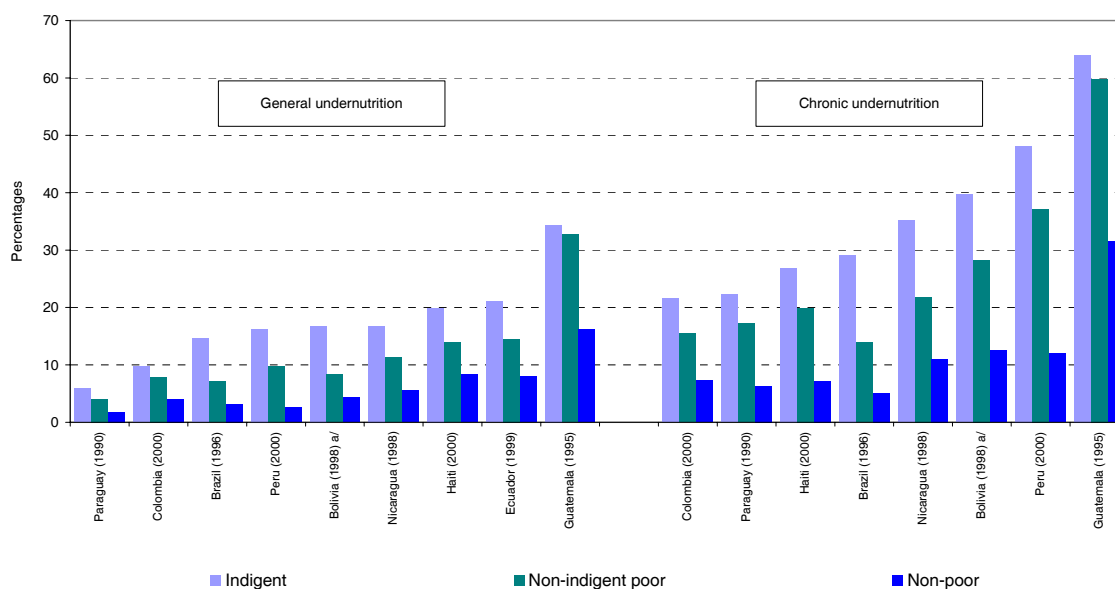
^b Weighted average of the countries.

5. Inequalities in the incidence of hunger

As a whole, Latin America and the Caribbean produces three times as much food as its population needs. Thus, food insecurity and hunger in the region are caused primarily by the very low income levels of large sectors of the population, whose food consumption is consequently deficient in terms of both quantity and quality. Food access is further complicated when income inequalities within a country are compounded by disparities linked to area of residence, geographical isolation, ethnic group, household characteristics and gender.

The prevalence of both underweight and stunted children in the under-five population varies significantly from one socio-economic group to another. Children living in extreme poverty are from two to six times more likely than non-poor children—and twice as likely as non-indigent poor children—to be either underweight or stunted (see figure II.22). This lends further support to the idea that each country should implement specific policies and strategies and that these initiatives should not be geared exclusively to the indigent population.

Figure II.22
LATIN AMERICA (9 COUNTRIES): TYPES OF POVERTY IN RELATION TO PREVALENCE OF UNDERWEIGHT AND STUNTED CHILDREN UNDER 5 YEARS OF AGE, NATIONWIDE TOTALS, MID-1990s
(Percentages)



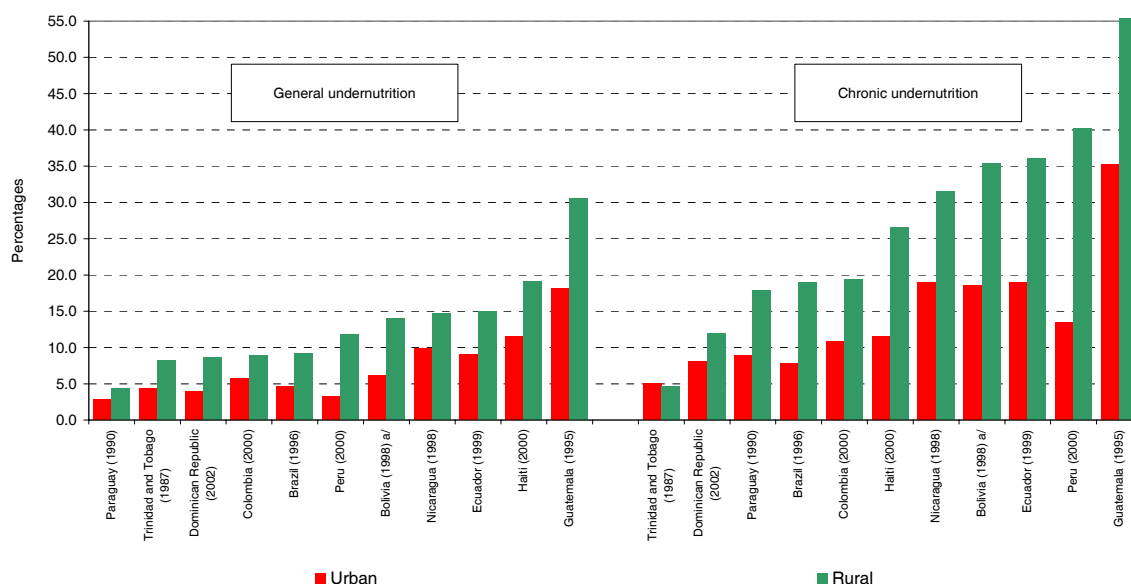
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of special tabulations of data from demographic and health surveys conducted in the respective countries.

^a The population measured consists of children between the ages of 3 and 36 months.

Area of residence is one of the factors that influence food production patterns, food access problems, food preparation and eating habits and access to basic services (water and sanitation). As a result, urban and rural populations tend to have different undernutrition rates. As shown in figure II.23, which covers 11 countries, children living in rural areas are consistently and significantly more likely than urban children to be undernourished; for example, they are 1.5 to 3.7 times more likely to be underweight. The countries with the biggest gaps in this respect are Peru (with general undernutrition rates of 11.8% in rural areas and 3.2% in urban areas), Bolivia (14.0% and 6.2%), Dominican Republic (8.6% and 3.9%) and Brazil (9.2% and 4.6%). In addition, rural children are

between 1.5 (Dominican Republic) and 3 (Peru) times more likely than urban children to suffer from chronic undernutrition or stunting. An exception to this rule is Trinidad and Tobago, where urban and rural rates of stunting are virtually the same.

Figure II.23
LATIN AMERICA (11 COUNTRIES): PREVALENCE OF UNDERWEIGHT AND STUNTED CHILDREN UNDER 5 YEARS OF AGE, BY AREA OF RESIDENCE, AROUND 1999
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of special tabulations of data from demographic and health surveys conducted in the respective countries.

^a The population measured consists of children between the ages of 3 and 36 months.

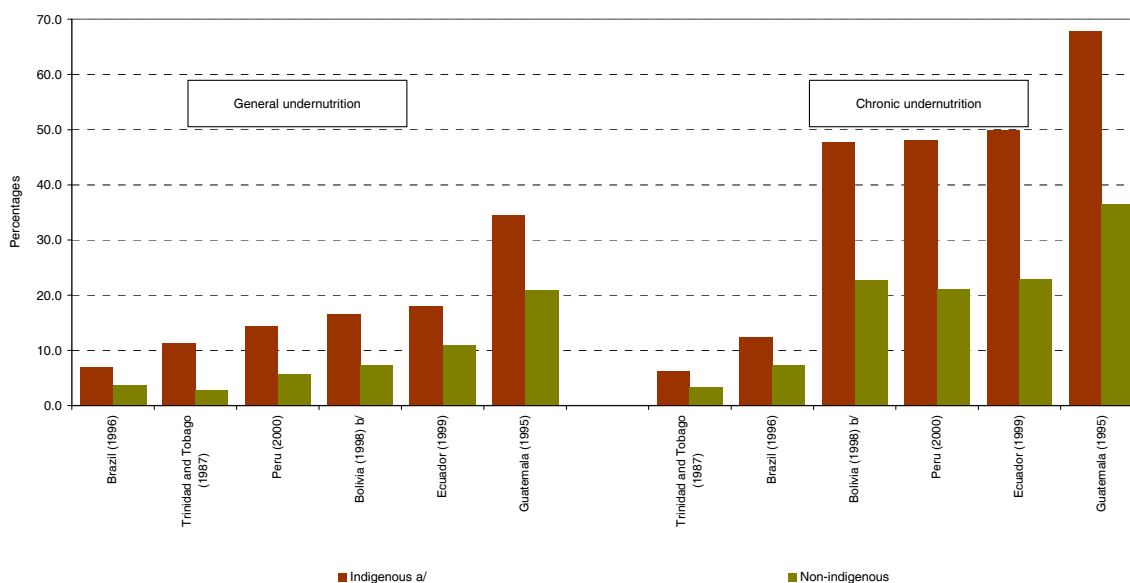
With respect to ethnic and racial factors, there is evidence that indigenous people—who tend to be concentrated in rural areas—and people of African descent are more vulnerable than the mestizo and white populations.⁵⁶ However, it should be noted that most household and health surveys identify ethnicity on the basis of the language used in the household, rather than cultural traits, family ties or self-identification. In many cases, respondents who belong to ethnic minorities are not reported as such because Spanish is spoken in most communities and there is little bilingual or intercultural education. Except in Brazil and Trinidad and Tobago, people of African descent are usually not identified as a separate group, even though various estimates indicate that in some countries they account for significant shares of the population (nearly 25% in Colombia and 10% in Peru and Ecuador).

Bearing in mind this situation and the limitations it entails, information from demographic and health surveys can be used as a basis for analysing the situation of indigenous people in Bolivia, Ecuador, Guatemala and Peru and of people of African descent and other ethnic groups in Brazil and Trinidad and Tobago. As shown in figure II.24, in all six of these countries, children of indigenous origin are significantly (1.6 to 2.5 times) more likely to be undernourished than children

⁵⁶ For an analysis of the importance of ethnic and racial factors in relation to the Millennium Development Goals in Latin America and the Caribbean, see Gasparini and others (2004). This study was funded by the United Nations Development Programme (UNDP) and directed by Enrique Ganuza, UNDP Chief Economist for the region. See also Bello (2004).

of non-indigenous origin. The prevalence of chronic undernutrition among indigenous children ranges from 6.2% to 67.8%, as against 3.4% to 36.6% among non-indigenous children.

Figure II.24
LATIN AMERICA (6 COUNTRIES): PREVALENCE OF UNDERWEIGHT AND STUNTED CHILDREN UNDER 5 YEARS OF AGE, BY ETHNIC ORIGIN,^a NATIONWIDE TOTALS, AROUND 1999
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of special tabulations of data from demographic and health surveys conducted in the respective countries.

^a “Indigenous” refers to members of aboriginal ethnic groups and their descendants. In Brazil this category includes members of ethnic groups and races that are most likely to be excluded from full cultural, social or economic participation, such as people of African descent, *mestizos* and people of Asian origin. In Trinidad and Tobago it includes immigrants from India and their descendants.

^b The population measured consists of children between the ages of 3 and 36 months.

The situation varies among the different indigenous groups. For example, in Peru and Bolivia, Quechua speakers are more vulnerable than Aymara speakers: these groups’ general undernutrition rates are 15% and 7%, respectively, while their chronic undernutrition rates are about 48% and 35%, respectively.

When data on the poor population are disaggregated by ethnic origin, it becomes clear that the poorest groups’ high vulnerability to undernutrition is even worse among members of these groups who are also indigenous. Child undernutrition rates decrease significantly among indigenous households that manage to overcome poverty, but they are still considerably higher than the rates for non-indigenous households. In other words, an improvement in household income reduces the prevalence of undernutrition in both groups, but does not eliminate the gap in nutritional status between indigenous and non-indigenous children. This inequity is exacerbated by the fact that indigenous children are concentrated in rural and geographically isolated areas.⁵⁷

⁵⁷ Although it is clear that area of residence, ethnic origin and extreme poverty are closely interrelated, the effects of these factors on hunger and undernutrition have been analysed separately. Any attempt to quantify the relative weight of each factor, isolating it from the effects of the others, would require a more rigorous approach based on models that call for data at the individual level, which

6. Policy guidelines

The main lesson to be drawn from hunger eradication efforts worldwide is that policies and programmes in this area should have three dimensions. First, structural policies are needed to improve the food security situation in the medium and long terms. They should address issues such as access to production assets (particularly land), modernization of the agricultural sector, employment promotion, education and the improvement of food distribution channels. Second, short- and medium-term initiatives should be implemented to increase households' purchasing power, thereby improving their access to food, and to help them make optimum use of such access. Examples of such initiatives are income transfer, school feeding and nutrition and health programmes, along with educational campaigns on good eating habits. Lastly, preventive and emergency actions should be taken, usually for briefer periods, to prevent or mitigate the consequences of acute food shortages (direct distribution of food in the wake of natural disasters, implementation of food security surveillance systems targeting vulnerable populations and localities, etc.).

Measures taken to reduce hunger or undernutrition caused by particular circumstances should be kept in place for as long as the underlying structural problems persist. Such measures should be aimed at building the beneficiary households' capacities and opportunities to become self-sustaining, and should form part of a comprehensive policy on food and nutritional security.

To be effective and efficient, policies and programmes should explicitly take into account the specific factors that increase vulnerability to hunger and undernutrition in the region and in each country. Along with the core problems of unequal and insufficient access to food, factors such as the population's distribution in urban and rural areas and the presence of indigenous people and cultures should be considered.

The gender dimension should be effectively integrated into the design and implementation of food policies and nutrition programmes. In general, women are the ones who devise day-to-day strategies to feed their families, account for the majority of non-agricultural rural workers, migrate to cities for the purpose of sending remittances home and represent the fastest-growing segment of wage-earners. The success of a number of integrated nutrition, health and education programmes, including *Chile Solidario* (Chile), *Bolsa Escola* and *Cartão Alimentação* (Brazil), *Familias en Acción* (Colombia) and *Oportunidades* (Mexico), has been due in large part to their acknowledgement of women's crucial role in family survival strategies. These programmes either channel benefits through women or place women at the centre of their strategies (see chapter IV for further details on the centrality of gender issues in policymaking).

The majority of the underweight child population is found in urban areas. Nevertheless, undernutrition rates are higher in rural areas, where most of the indigenous population lives. In many countries, the persistence of extreme poverty in rural areas is closely associated with the decline of agriculture and of the rural sector in general, and with the continued exclusion of ethnic minorities. Accordingly, agricultural and rural development should be a key component of strategies for combating the scourge of hunger, particularly in countries where subsistence farming predominates. In these countries, agriculture is not only a source of food, but also—together with non-agricultural rural activities—a source of employment and income for the poorest sectors of the population.

would also shed light on the interactions among these factors. While such an analysis is beyond the scope of this document, it may well show that the impact of the different factors varies from one country to another.

Food security and rural development policies

The main objective of food policy is to help overcome food insecurity and vulnerability among the population. The programmes implemented under food policies should be designed to ensure that all individuals have continual physical and economic access to safe and nutritious food in sufficient quantities to meet their nutritional needs and satisfy their food preferences so that they can lead active and healthy lives. It should be stressed that the objective is to guarantee food access to all people, including those who lack the resources to translate their food needs into market demand.

Accordingly, a food and nutritional security policy should be understood as a comprehensive system that takes production, health, environmental, economic, social and cultural dimensions into account. This means that it should include medium- and long-term policies and programmes to address structural factors, as well as strategies for dealing with emergencies. Such a food security policy should be designed with the following issues in mind:⁵⁸

- (i) food availability, including domestic food production, import capacity, stocks and food aid;
- (ii) food access, or the improvement of income and purchasing power, transport infrastructure, distribution channels and marketing systems;
- (iii) stability of access to food, which is linked to weather-related factors, fluctuations in the export or import prices of staple foods⁵⁹ and short-term political and economic factors; and
- (iv) food utilization, which involves promoting good eating habits, guaranteeing food quality and upgrading water and health infrastructure and hygiene in general.

Agricultural development and rural development in general continue to play a vital role in Latin America and the Caribbean. The enhancement of agricultural productivity creates opportunities for improving the quality of subsistence consumption and for boosting the sector's income-generating potential. Growth in this sector benefits small-scale farmers and rural labourers, who then spend the extra income on food and on non-agricultural products and basic services, which are usually produced and supplied locally. Non-agricultural enterprises located in rural areas offer a possible way out of poverty, since they normally require little capital or training. This creates a virtuous circle in which increases in agricultural income fuel increases in non-agricultural rural income and vice versa. Of course, these benefits cannot be realized unless the necessary investments are made in infrastructure (roads, communications, transport, storage and irrigation). Also, efforts should be made to reduce the fragmentation of agricultural activities by encouraging partnerships among producers, with a view to creating networks through which they can increase their bargaining power and, accordingly, their ability to buy inputs, acquire modern technologies and sell their products.

In Latin America and the Caribbean, especially in the last 10 years, the private agents that constitute the final links in the food production and distribution chain —i.e., supermarkets— have become increasingly influential in determining what foods are produced and even who produces them and how, thus limiting the ability of small-scale producers to participate in the system as suppliers (León and others, 2004; Reardon and Berdegué, 2002). The authorities responsible for public policies on food security should recognize these trends and seek to capitalize on their modernizing effects, while also devising ways to prevent the exclusion of small-scale producers, such as reducing the number of links in the distribution chain, regulating certain contractual

⁵⁸ These are the main components of the conceptual framework for food security developed by the Food and Agriculture Organization of the United Nations.

⁵⁹ In some cases, stability of access is also influenced by the prices of non-staple foods on which vast sectors of the rural population depend for their livelihood (coffee, for example).

practices deriving from the monopsonistic nature of supermarket chains and establishing rules on mergers and acquisitions that diminish competition.

With respect to food aid and food security programmes, there are five generic types of targeted measures for either increasing the food supply or promoting food access:

- initiatives to increase households' production assets (land, technology, financing, inputs), aimed at smallholders and poor urban families, for the purpose of developing family fruit and vegetable gardening;
- job creation initiatives (emergency and temporary employment programmes, work-for-food schemes) targeting landless rural workers and the urban poor;
- food subsidies, including direct income transfers, food vouchers, food stamps and government-subsidized cafeterias;
- programmes to treat critical cases of hunger-related conditions such as acute respiratory infections, diarrhoea and kwashiorkor or protein-calorie malnutrition; and
- direct food transfers to vulnerable groups (pregnant women, preschoolers and schoolchildren, the elderly), often accompanied by epidemiological surveillance systems.

Special mention should be made of traditional school feeding programmes, which have become increasingly widespread in the region and should be further strengthened, broadened and sustained over time. In countries where such programmes have been in place for several decades, school performance and retention rates have improved significantly. Moreover, these programmes provide a means of shifting the population's eating habits towards more balanced diets and transferring a substantial volume of resources to the lowest-income groups. School feeding programmes create synergies not only in education, but also in health and nutrition. When they are implemented on a large scale, they are one of the most effective means of equalizing opportunities for children from different social strata and helping to stop the intergenerational transmission of poverty. These early interventions represent an investment in human capital that yields a very high rate of return in relation to the costs involved.⁶⁰ What is more, the broad coverage of primary-school enrolment in the countries of the region facilitates the universalization of such programmes. Together with programmes for pregnant women and newborns, school feeding programmes should be key components of social policies in the region.

It is also important to develop or strengthen nutrition programmes, generally as part of public health policy, to encourage the population (and especially the most vulnerable groups) to eat a balanced diet. These programmes should include large-scale education initiatives on healthy eating habits (promoting the consumption of foods rich in vitamin A to prevent xerophthalmia, for example); nitrification of foods (iodized salt, iron-fortified flour, etc.); and the production and distribution of dietary supplements. Campaigns to correct poor eating habits and sedentary lifestyles can help to lower the region's increasing obesity rates, which, paradoxically, are also on the rise among certain low-income urban groups, pushing up rates of obesity-related morbidity and, consequently, the cost of public health care. A crucial component of such initiatives is the training of medical and health-care personnel in the areas of nutrition surveillance and food safety.

Lastly, the success of hunger reduction and food security policies depends to a large extent on the development of a legal and institutional framework that guarantees the right to food and gives the State the legal instruments it needs to intervene effectively when any sector of the population is at risk of being unable to enjoy this right.

⁶⁰ According to 2004 figures, Chile's school feeding programme, which every year provides about 200 days' worth of coverage to some 66% of all the children and young people enrolled in public primary and secondary schools, costs a total of US\$ 140 million annually. The daily cost per pupil is estimated at about US\$ 0.60.

Table II.5
**LATIN AMERICA (18 COUNTRIES): FEMININITY INDEX ^a OF POOR HOUSEHOLDS,
 BY AGE GROUP, URBAN AND RURAL AREAS, CIRCA 1994 AND 2002**
(Percentages)

Country	Year	Age groups											
		Urban areas						Rural areas					
		0 - 6	7 - 12	13 - 19	20 -59	60 and over	Total	0 - 6	7 - 12	13 - 19	20-59	60 and over	Total
Argentina ^b	1994	96.0	106.9	118.3	110.2	85.8	102.5	...	...	...	...	...	...
	2002	101.6	99.1	97.6	106.5	90.2	98.3	...	...	...	...	...	...
Bolivia ^c	1994	95.9	98.9	101.0	106.0	93.6	100.1	...	...	...	...	...	...
	2002	98.9	96.3	92.0	104.4	107.9	97.9	99.7	101.3	97.2	106.0	100.2	101.8
Brazil ^d	1995	101.5	99.9	98.2	105.1	85.7	99.2	101.6	100.8	104.6	105.4	73.3	102.3
	2001	100.8	101.4	101.1	105.7	90.5	100.0	100.8	99.0	101.5	104.7	65.9	101.3
Chile	1994	95.9	105.4	104.2	107.7	110.1	101.9	99.7	94.9	119.5	117.8	92.1	108.4
	2000	100.3	100.3	107.3	107.1	90.0	100.3	98.8	103.2	109.1	113.9	80.8	107.1
Colombia	1994	103.2	97.2	97.1	102.1	107.0	99.1	100.9	100.8	97.7	105.8	111.5	102.6
	2002	100.4	99.6	100.9	102.9	104.1	99.9	105.6	99.9	104.5	109.9	109.4	106.1
Costa Rica	1994	90.9	102.3	115.9	121.8	106.7	107.0	104.6	106.4	113.2	122.7	120.9	113.2
	2002	97.7	95.4	103.4	125.1	118.2	108.3	108.5	100.5	95.3	121.2	106.2	108.5
Ecuador	1994	105.4	101.2	99.2	104.1	114.0	102.5	...	...	...	...	...	...
	2002	98.5	100.0	102.0	108.4	107.3	103.1	...	...	...	...	...	...
El Salvador	1995	102.4	100.9	100.4	108.2	92.4	100.7	99.3	101.6	99.5	107.9	101.0	102.2
	2001	91.6	99.5	95.2	110.6	94.9	98.9	103.3	101.4	109.8	103.9	98.5	103.1
Guatemala	1998	99.4	105.7	99.0	106.4	92.7	101.0	99.9	97.0	100.7	102.7	113.2	100.4
	2002 ^e	...	111.6	114.2	110.7	100.2	109.8	...	97.8	94.4	100.4	103.1	98.0
Honduras	1994	101.1	97.5	98.1	103.9	97.3	99.8	101.7	100.1	101.4	103.9	100.2	101.7
	2002	102.2	97.0	97.5	101.3	100.2	98.5	99.2	100.9	98.6	99.8	100.0	99.6
Mexico	1994	99.9	101.5	97.0	102.0	93.5	98.0	97.6	97.9	97.1	102.1	102.4	99.2
	2002	98.9	97.0	107.4	110.8	110.9	103.6	104.7	103.9	96.4	101.9	95.9	100.1
Nicaragua	1993	98.5	102.1	98.4	104.1	100.2	100.6	99.9	97.6	102.3	100.8	99.1	100.0
	2001	97.2	102.4	98.0	105.5	93.5	100.2	100.1	101.9	100.8	102.0	104.3	101.6
Panama	1994	97.4	97.8	99.7	117.9	124.6	103.8	...	...	...	...	...	...
	2002	99.9	97.4	103.6	115.3	122.5	105.2	97.3	101.0	108.2	111.5	105.7	106.0
Paraguay	1994	99.8	92.1	97.2	104.9	104.5	98.5	...	...	...	...	...	...
	2002	97.9	93.6	99.1	106.5	101.8	100.2	98.2	98.1	98.4	103.8	96.6	99.9
Peru	2001	97.7	97.8	97.3	99.0	98.1	97.4	100.8	100.8	99.4	104.6	111.0	102.7
Dominican Republic	2002	101.6	102.5	102.6	121.8	124.4	110.3	97.6	105.3	102.7	129.6	118.7	113.3
Uruguay	1994	108.0	108.5	111.9	108.2	75.3	97.9	...	...	...	...	...	...
	2002	97.7	101.3	105.7	103.6	83.0	93.6	...	...	...	...	...	...
Venezuela (Bolivarian Republic of)	1994	103.1	101.6	101.9	116.9	124.9	108.4	96.0	105.7	104.1	117.3	122.3	107.0
	2002 ^f	101.5	100.8	103.6	107.7	108.0	104.2	...	...	...	...	...	...

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of special tabulations of data from household surveys conducted in the respective countries.

^a Femininity index of poor households = $\frac{\text{Female population in poor households}}{\text{Male population in poor households}}$
 (Female population in all households/ Male population in all households).

^b 1994: Greater Buenos Aires plus 18 population centres. 2002: Greater Buenos Aires plus 30 population centres.

^c 1994: 7 departments plus the city of Trinidad. 2002: 9 departments.

^d 1994: 7 metropolitan areas plus other urban areas. 2002: 10 metropolitan areas plus other urban areas.

^e The survey collects information only on the population aged 7 or older.

^f Nationwide total.

Table II.6
**LATIN AMERICA (18 COUNTRIES): POVERTY AND INDIGENCE RATES AND DISTRIBUTION IN
 HOUSEHOLDS HEADED BY WOMEN, URBAN AREAS, 1990 AND 2003**

Country	Year	Percentage of households headed by women in each category				Distribution of households headed by women, by poverty			
		Total households	Indigent	Non-indigent poor	Non-poor	Total households	Indigent	Non-indigent poor	Non-poor
Argentina	1990	21.1	26.2	11.6	22.3	100.0	4.3	7.0	88.7
	2002	26.7	19.9	25.3	28.4	100.0	8.9	18.5	72.6
Bolivia	1989	16.7	22.8	15.7	14.7	100.0	30.2	25.5	44.3
	2002	23.5	23.8	18.8	25.7	100.0	17.6	22.1	60.3
Brazil	1990	20.1	24.2	22.6	18.4	100.0	16.0	25.1	58.9
	2002	26.3	27.0	24.9	26.6	100.0	8.2	18.3	73.5
Chile	1990	21.4	24.5	19.8	21.5	100.0	11.7	21.3	67.0
	2003	18.3	25.6	15.5	18.4	100.0	2.3	9.0	88.7
Colombia	1991	24.1	27.7	22.3	24.0	100.0	19.8	27.6	52.6
	2002	30.3	33.8	28.9	29.6	100.0	23.1	22.8	54.1
Costa Rica	1990	22.7	35.9	24.6	21.2	100.0	10.9	16.5	72.6
	2002	28.4	47.8	34.1	26.5	100.0	9.2	12.5	78.3
Ecuador	1990	16.9	21.6	15.9	15.3	100.0	28.9	31.2	39.9
	2002	21.4	26.4	21.2	20.1	100.0	20.0	26.0	53.9
El Salvador	1995	30.8	38.2	31.3	29.0	100.0	15.4	28.1	56.5
	2001	35.3	36.9	40.3	33.3	100.0	12.6	25.9	61.5
Guatemala	1989	21.9	23.1	21.0	21.7	100.0	24.2	24.3	51.5
	2002	22.1	29.6	20.8	20.9	100.0	19.8	22.7	57.5
Honduras	1990	26.6	35.4	21.2	21.4	100.0	50.4	21.1	28.5
	2002	31.4	31.8	31.2	31.2	100.0	31.7	29.0	39.3
Mexico	1989	15.7	13.9	14.0	16.7	100.0	8.2	21.9	69.9
	2002	21.4	24.2	21.7	21.2	100.0	5.4	21.4	73.1
Nicaragua	1993	34.9	39.9	33.8	31.7	100.0	36.8	27.2	36.1
	2001	34.2	36.6	35.8	31.5	100.0	30.2	30.7	39.0
Panama	1991	26.0	33.7	29.0	23.5	100.0	18.0	22.0	60.0
	2002	28.9	44.4	31.4	26.9	100.0	12.3	14.6	73.1
Paraguay	1990	19.7	21.3	22.8	18.2	100.0	11.2	30.5	58.3
	2000	31.3	36.6	28.6	31.7	100.0	10.6	23.7	65.7
Peru	1997	20.3	21.2	18.8	20.6	100.0	8.0	18.6	73.3
	2001	22.1	22.1	20.8	22.7	100.0	7.2	25.2	67.6
Dominican Republic	1997	31.4	49.9	31.4	28.5	100.0	17.5	20.5	62.0
	2002	34.2	53.7	39.1	27.3	100.0	25.2	25.6	49.2
Uruguay	1990	25.2	28.3	21.5	25.6	100.0	2.2	8.4	89.4
	2002	32.2	31.1	27.1	32.7	100.0	1.3	6.7	92.0
Venezuela (Bolivarian Republic of) ^a	1990	22.1	39.6	25.0	18.3	100.0	19.6	25.4	55.1
	2002	28.8	35.2	29.4	26.3	100.0	24.0	24.1	51.9

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of special tabulations of data from household surveys conducted in the respective countries.

^a Figures refer to the nationwide total.

Chapter III

Education as a pillar of human development¹

Goal	Target	Indicators
2. Achieve universal primary education	3. Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling	6. Net enrolment ratio in primary education 7. Proportion of pupils starting grade 1 who reach grade 5 8. Literacy rate of 15-24 year-olds

A. Introduction

The Millennium Development Goals make specific reference to the right to education. Upholding this human right is necessarily an essential part of any concept of development.

Article 26 of the Universal Declaration of Human Rights states that:

1. *Everyone has the right to education. Education shall be free, at least in the elementary and fundamental stages. Elementary education shall be compulsory. Technical and professional education shall be made generally available and higher education shall be equally accessible to all on the basis of merit.*

¹ This chapter has been prepared by the UNESCO Regional Office for Education in Latin America and the Caribbean with the collaboration of the UNESCO Institute for Statistics (UIS) and the Economic Commission for Latin America and the Caribbean (ECLAC).

2. *Education shall be directed to the full development of the human personality and to the strengthening of respect for human rights and fundamental freedoms. It shall promote understanding, tolerance and friendship among all nations, racial or religious groups ...*
3. *Parents have a prior right to choose the kind of education that shall be given to their children.*²

To understand education as a right is to confer upon it a legal status that makes it enforceable for all citizens at both the national and international levels.³ This also places it on a par with other social rights, such as the right to health and decent work, which are interconnected and mutually empowering. The purpose of evaluating education in the region is therefore to provide information that will enable Governments and other social actors to take steps to ensure universal respect for this right. In order to accomplish this, they need to be able to identify which sectors of the population are not able to avail themselves of that right.

Education is more than a right associated with full personal development. It is also a key factor in determining the opportunities and quality of life accessible to individuals, families and communities. There is abundant evidence that education has a positive impact on income and health, family structure (in terms of fertility and its members' participation in the economy, etc.), the promotion of democratic values and civilized co-existence and the autonomous and responsible pursuits of individuals.⁴

An education that provides people with learning opportunities that will help them shape their identities and develop the capacity to get along with one another, take part in a range of activities, embark on new undertakings and engage in lifelong learning is the pillar for a comprehensive approach to education for the twenty-first century (UNESCO, 1996).

Education plays a crucial role in the distribution of opportunities for well-being, particularly in societies characterized by striking social inequalities, such as those of Latin America and the Caribbean.⁵

These concerns have led various international forums to set basic objectives regarding the right to education. For example, one of the goals of the Major Project of Education in Latin America and the Caribbean,⁶ which spanned two decades (1980-2000), was to achieve universal primary schooling.

In 1990, the World Conference on Education for All articulated the need to guarantee universal primary schooling within the framework of an "expanded vision" of education as a complex set of actions designed to meet people's basic learning needs (WCEFA, 1990).

In 2000, the World Forum on Education, held in Dakar, assessed progress made towards the goals established in 1990 at the World Conference on Education for All (Jomtien, Thailand) and set out a framework for action, one of whose objectives is to ensure that all children have access to and should complete a primary education of good quality. A regional framework for action⁷ was agreed upon during the preparatory activities prior to the Forum. In 2002 strategies were identified for

² The full text is available at <http://www.un.org/Overview/rights.html>.

³ This is in addition to the international commitments adopted at the World Conference on Education for All (Jomtien, 1990), the World Forum on Education for All (Dakar, 2000) and the Convention on the Rights of the Child (particularly articles 28, 29 and 31), among other instruments.

⁴ See ECLAC (1997 and 2000b) and McMahon (2000) or, for a comprehensive review, Muñoz Izquierdo (2003). It should also be noted that education is the outcome not only of formal education systems but also of a broad-ranging interaction of factors and agents and should therefore be viewed as a collective responsibility.

⁵ These topics have also been analysed within the United Nations system at the regional level. For example, see ECLAC/UNESCO (1992).

⁶ For further information, see <http://www.unesco.cl/ing/prelac/>.

⁷ See UNESCO (2000) for detailed information on the global framework for action and the regional frameworks.

achieving these goals, and the ministers of education of the region agreed upon a new Regional Education Project for Latin America and the Caribbean (PRELAC) for 2002-2017.⁸

The fact that one of the Millennium Development Goals calls for the completion of a full course of primary schooling by all children thus reflects an extensive process of regional and international consensus-building and priority-setting. This process has been directed towards guaranteeing the universal right to education by moving on from the declaration of that right to its enforceability. Primary education is thus regarded as a basic minimum that all countries must guarantee for their children, apart from the individual needs and challenges in this respect that each country may identify.

Lastly, although universal primary education is widely considered to have been achieved in Latin America and the Caribbean, major challenges remain to be overcome in fulfilling the universal right to a quality primary education. The existence of significant shortcomings has been well documented, and these deficits, which are closely associated with social inequalities, heavily influence children's chances of completing a full course of primary schooling. Thus, in order to ensure universal completion of primary schooling, the most educationally disadvantaged sectors of the population need to be identified so that equity policies can be designed accordingly. This requires a social commitment to taking action at the local level and arriving at a more comprehensive identification of disadvantaged segments of the population so that measures can be devised that fit such groups' particular circumstances.

This chapter discusses the current situation in the region and the progress made towards ensuring access to primary education and its completion, with particular attention being devoted to equity gaps in this regard. It also includes information on learning achievements and looks at further challenges for the region in regard to preschool and secondary education. Lastly, it explores how the concept of educational quality should be understood and offers general policy guidelines in this connection.

B. The situation in the region

This section will examine the countries' progress towards the second of the Millennium Development Goals, i.e., universal primary education. Two of the indicators defined for this purpose are used to provide an overview of how far they had advanced as of the start of this decade: the net enrolment ratio in primary education, and the proportion of pupils starting grade one who reach grade five (i.e., the survival rate to fifth grade). As indicated further on, however, the countries' progress and their chances of achieving the goal by 2015 are reviewed on the basis of another indicator that directly measures the percentage of girls and boys completing their primary schooling. This indicator is calculated using special tabulations of household survey results, which are available for only 18 of the region's countries. Its main advantage is that it can be used to analyse inequalities in education by gender, socio-economic level, geographical area and ethnic origin, which is not always possible using indicators based on administrative data (net enrolment ratios and survival rate to grade five).

1. Access to primary education

In order to ensure that all girls and boys can complete a full course of primary schooling, they must first have access to it. The first indicator examined is therefore the net enrolment ratio in primary education.⁹

⁸ For further information, see <http://www.unesco.cl/ing/prelac/>.

⁹ This ratio reports the proportion of individuals in the age group corresponding to primary education who are actually enrolled in that level of education. It is expressed as the ratio of school pupils in the age group for primary education to the total population of that age group. The indicator is not affected by out-of-age enrolment (enrolment in a lower or higher grade than the one officially

The simple average for this indicator in the region was 93% in 2002. Most of the countries had relatively high access rates at the beginning of this decade. In fact, in practically all the countries and territories examined, at least 80% of the children of an appropriate age for attendance in primary schools were enrolled, and in 25 countries (12 in Latin America and 13 in the Caribbean) the net enrolment ratio (NER) was over 90%. The region has made notable headway in this regard in the last decade, since, around 1990, its NER was 86%. Its pace of progress has thus outstripped the world rate, which was 82% in 1990 and 84% in 2000.¹⁰

Box III.1

WHAT IS MEANT BY PRIMARY EDUCATION

One of the targets set in relation to the second of the Millennium Development Goals is that children everywhere, boys and girls alike, will be able to complete a full course of primary schooling. The nomenclature in use in many of the region's countries does not include a level with this name, however, and even where it does exist, it does not necessarily have an equivalent purpose or the same learning objectives.

In order to make comparisons among countries, equivalent situations have to be examined. UNESCO has therefore developed the International Standard Classification of Education (ISCED), of which the 1997 revision is now in use. Each country has consequently adapted the educational data that it reports to the UNESCO Institute for Statistics (UIS) to this classification.

ISCED 97 encompasses 7 levels of education: 0: preschool education (children of at least 3 years of age who attend educational centres); 1: primary education (usually the first compulsory level, designed to give students a sound basic education in reading, writing and mathematics, along with an elementary understanding of other subjects such as history, geography, natural science, social science, art and music); 2: lower secondary education (the start of specialized education and often the last level of compulsory education); 3: upper secondary education; 4: post-secondary non-tertiary education; 5: first stage of tertiary education; and 6: second stage of tertiary education (doctorates).

Accordingly, all references made to "primary education" in this chapter relate to level 1 of ISCED 97, while any mention made of preschool education or secondary education refers to levels 0 or 2+3, respectively, of ISCED 97.

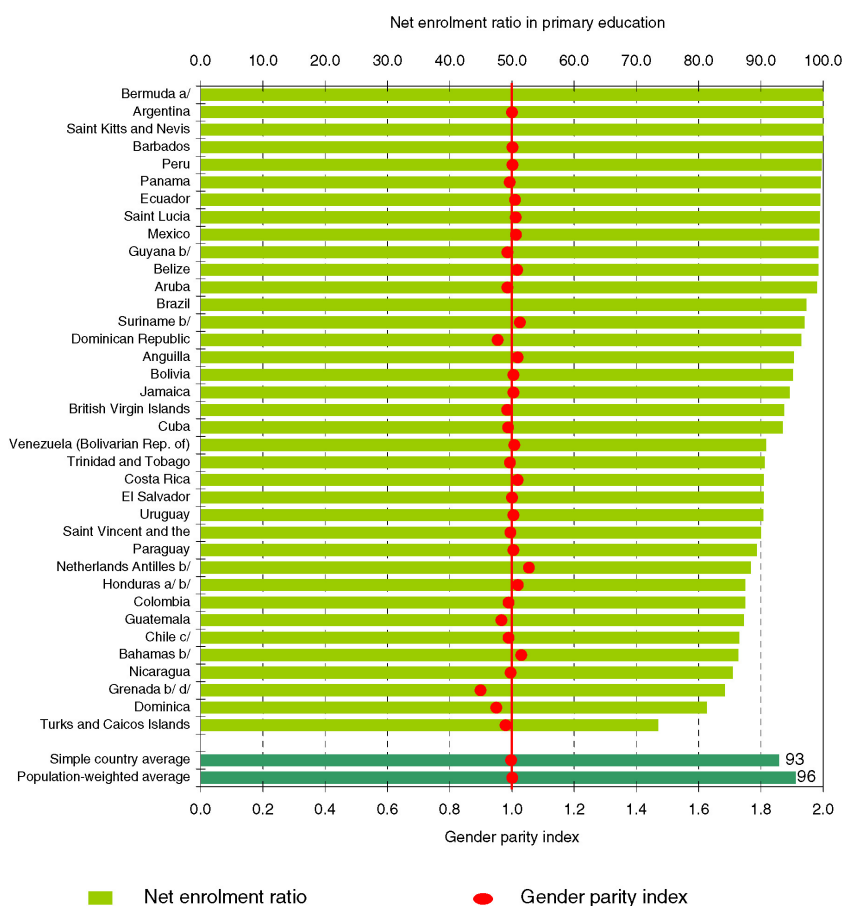
Source: United Nations Educational, Scientific and Cultural Organization (UNESCO), *International Standard Classification of Education (ISCED) 1997* [online] <http://www.uis.unesco.org>.

The national aggregates for the gender parity index (see figure III.1) show no large differences in access to primary schooling in Latin America or the Caribbean, although girls are under-represented in Dominica and slightly under-represented in Dominican Republic, Guatemala and Turks and Caicos Islands.

established for the age group) within the same level of education. Problems with records and reference periods for the calculation of ages can lead to certain distortions, however. This is the case with the figures for Chile and Uruguay, among other countries, which display surprisingly lower-than-expected values for this indicator, given these countries' completion rates. Similarly, inconsistencies between enrolment data (which may be overestimated in some cases) and population data (projections that may be underestimates) give rise to some limitations that must be taken into account.

¹⁰ See UNESCO (2004a). Note, however, that particular care must be taken in making this comparison, since the classification systems used in these cases (the International Standard Classification of Education (ISCED)) are not equivalent.

Figure III.1
LATIN AMERICA AND THE CARIBBEAN (37 COUNTRIES AND TERRITORIES): NET ENROLMENT RATIO IN PRIMARY EDUCATION AND GENDER PARITY INDEX, SCHOOL YEAR BEGINNING IN 2002
(Percentages and proportions)



Source: UNESCO Institute for Statistics (UIS), database [online] www.uis.unesco.org.

Note: The red points (scale on the secondary axis) represent values for the gender parity index corresponding to the ratio between the net enrolment rates for girls and boys. A value of less than one denotes a lower rate for girls than for boys, while a rate of more than one denotes the opposite.

^a Refers to 2001.

^b Estimate by UNESCO Institute for Statistics (UIS).

^c The NER figure for Chile is around 10 percentage points lower, since the cohort used in the calculations includes all six-year-old children, despite the fact that, because of the existing cut-off rules, most children turn seven while they are still in first grade.

^d Refers to 2000.

2. Progress at the primary level

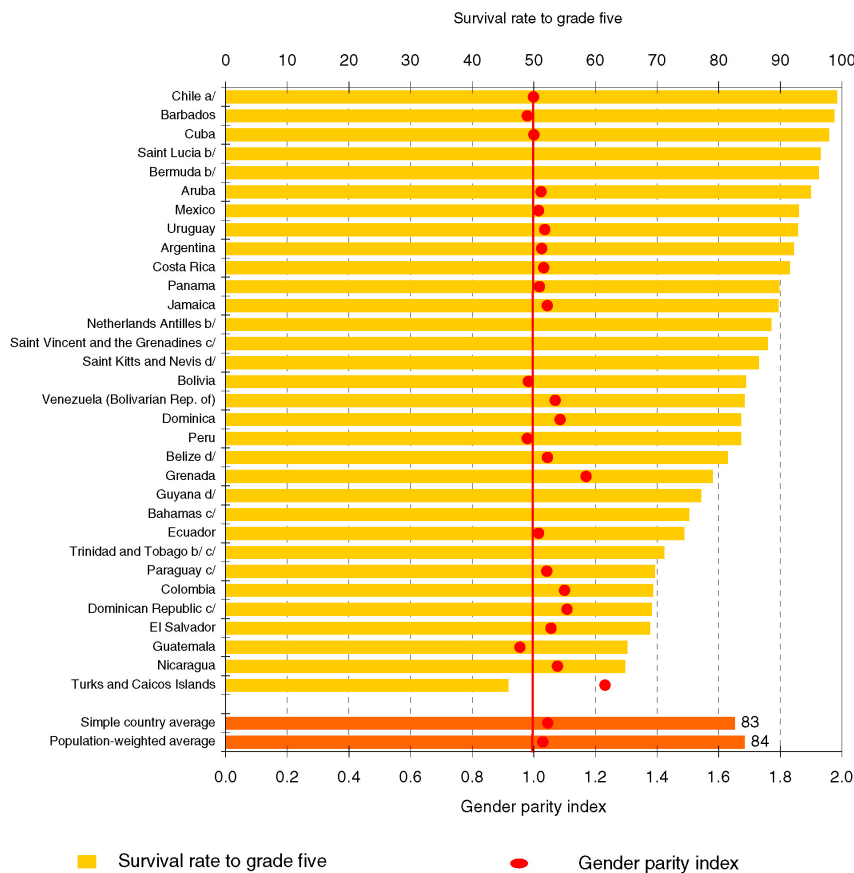
The second indicator for this objective is the survival rate to grade five.¹¹ This rate measures the proportion of the cohort of first-grade entrants who go on to enrol in fifth grade; it is calculated on the basis of certain assumptions that make it possible to reconstruct the path taken by this cohort.

¹¹ The survival rate indicates what proportion of the pupils who have entered the education system will go on to reach a certain grade in school. This rate is one of a set of indicators designed to provide a picture of the flow and efficiency of the school system on the basis of reconstructed cohort models. These models entail the use of certain assumptions which tend to yield rates that underestimate school survival in the region, however, and this measurement is therefore used for indicative purposes only.

It should be noted that survival rates to grade five are significantly lower than access rates. In fact, only 10 of the 32 countries and territories that were examined have a survival rate to grade five of over 90% (see figure III.2). To a large extent, this reflects relatively high repetition rates in the early years of primary education, which, in many of the region's countries, then translate into higher school dropout rates.

In addition, gender differences are more marked. In general, survival rates are lower for boys than girls, especially in Bolivarian Republic of Venezuela, Colombia, Dominica, Dominican Republic, El Salvador, Grenada, Turks and Caicos Islands and Nicaragua. Only in Barbados, Guatemala and Peru is the survival rate slightly lower for girls.

Figure III.2
LATIN AMERICA AND THE CARIBBEAN (32 COUNTRIES AND TERRITORIES): SURVIVAL RATE TO GRADE FIVE AND GENDER PARITY INDEX, RELATIVE TO FLOW BETWEEN SCHOOL YEARS BEGINNING IN 2000 AND 2001
(Percentages and proportions)



Source: UNESCO Institute for Statistics (UIS), database [online] www.uis.unesco.org.

Note: The red points (scale on the secondary axis) represent values for the gender parity index corresponding to the ratio between the net enrolment rates for girls and boys. A value of less than one denotes a lower rate for girls than for boys, while a rate of more than one denotes the opposite.

^a Refers to 2002.

^b Refers to 2000.

^c Estimate by UNESCO Institute for Statistics (UIS).

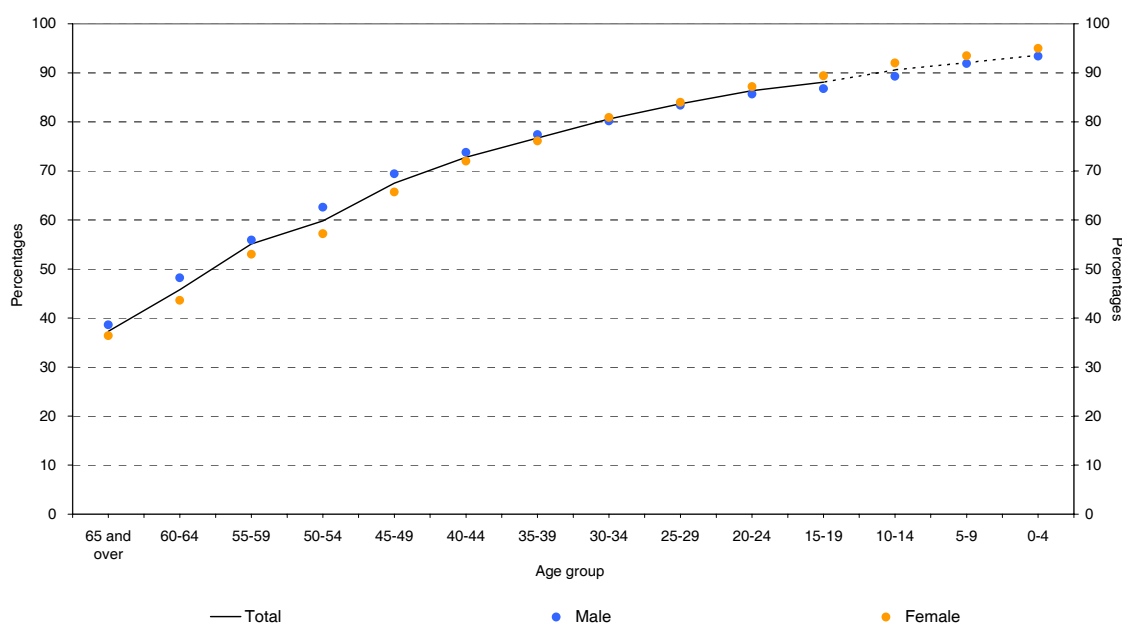
^d Refers to 1999.

3. Completion of primary education: existing situation and projections for 2015

The two indicators examined in sections 1 and 2 provide an approximate idea of the situation with respect to the completion of primary schooling in the region. In order to form a more detailed picture, however, direct measurements of the completion of primary schooling are needed, and the population groups that are lagging the farthest behind in this respect have to be pinpointed. Only then can effective education policies be designed and tailored to their target populations.

A recent study¹² puts forward a methodology and provides information on national-level primary completion among the population aged 15 and over, disaggregated by various criteria, which sheds light on the inequalities existing in the region. Using data derived from special tabulations of household surveys, this procedure can also be used to estimate probabilities for primary schooling completion among the under-15 population in 18 Latin American countries and, on that basis, to project the completion rate as of 2015.¹³

Figure III.3
LATIN AMERICA (18 COUNTRIES): PERSONS WHO HAVE COMPLETED THEIR PRIMARY EDUCATION, BY SEX AND FIVE-YEAR AGE GROUP, NATIONAL TOTAL, CIRCA 2002^a
 (Percentages)



Source: United Nations Educational, Scientific and Cultural Organization (UNESCO), *Universal Primary Completion in Latin America: Are We Really So Near the Goal? Regional Report on Education-related Millennium Development Goals*, Santiago, Chile, UNESCO Regional Office for Education in Latin America and the Caribbean, October 2004.

^a Weighted average for the countries. The data shown for persons under 15 years of age are projections.

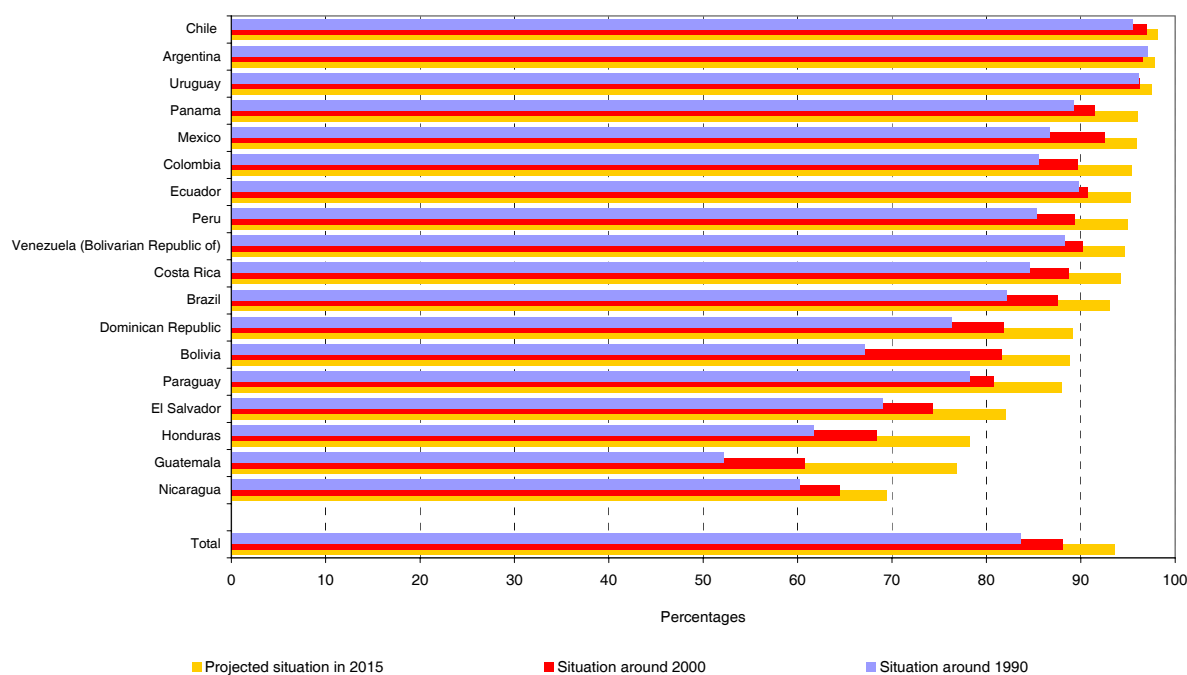
¹² This study was conducted by UNESCO with the cooperation of ECLAC and the participation of UNDP, UNFPA, IDB and the World Bank under an inter-agency agreement convened by UNDP. A detailed account of this procedure is given in the reader's guide and in the methodological note contained in UNESCO (2004b).

¹³ The list of the countries used in this study is given in table III.1.

The study indicates that in 2002 only 88.1% (weighted average) of the population aged 15-19 years had completed primary education in the 18 countries covered by the analysis.¹⁴ At the start of the decade, nearly 92 million Latin Americans aged 15 and over (around 25%) had not completed their primary schooling. This clearly poses one of the major obstacles to efforts to meet other Millennium Development Goals, especially the goal of eradicating extreme poverty.

The information set out in figure III.4 can be used to calculate the proportion of boys and girls who, in the light of existing trends, are likely to complete their primary education by 2015. This figure is estimated at 93.6%, which means that just over 6% will not do so.¹⁵

Figure III.4
LATIN AMERICA (18 COUNTRIES): PERSONS BETWEEN THE AGES OF 15 AND 19 WHO HAVE COMPLETED THEIR PRIMARY EDUCATION, BY COUNTRY, AROUND 1990 AND 2000 AND PROJECTIONS FOR 2015
 (Percentages)



Source: United Nations Educational, Scientific and Cultural Organization (UNESCO), *Universal Primary Completion in Latin America: Are We Really So Near the Goal? Regional Report on Education-related Millennium Development Goals*, Santiago, Chile, UNESCO Regional Office for Education in Latin America and the Caribbean, October 2004.

An even greater cause for concern is the fact that, in 7 out of the 18 countries examined, more than 10% of children are unlikely to complete a full course of primary schooling by 2015. El Salvador, Guatemala, Honduras and Nicaragua have very high rates of extreme poverty, and between nearly one fifth and one third of the boys and girls in this group of countries will probably not complete their primary education.

These projections also show that in Argentina, Chile, Colombia, Ecuador, Mexico, Panama, Peru and Uruguay, at least 95% of children who are under 5 years of age today will complete their primary schooling by 2015.¹⁶ Although these countries are the closest to reaching the target, they

¹⁴ A list of countries covered in this study is given in table III.1.

¹⁵ The data, disaggregated by sex, are shown in table III.1.

¹⁶ The data for Argentina and Uruguay correspond to urban areas only.

should nonetheless seek to identify those households in which children are at risk of failing to complete their primary education.

This first result indicates that, unless an effort is made to broaden access to the education system and to ensure that pupils do not drop out, many countries will not meet the Goal of universal primary schooling. As figure III.3 shows, the closer a country gets to achieving the goal, the more difficult it becomes to make further progress, since this entails providing coverage for marginalized segments of the population. The marginalization of these segments may be attributable to their geographical location (remote, inaccessible areas) or to the fact that the children in these segments belong to social strata whose members face much greater obstacles to their progress through the primary level and who thus exhibit high dropout and repetition rates. Policies on universal schooling must therefore not only identify these groups within the population but should also include special strategies to ensure that they have access to the school system and, once enrolled, that they stay in it. In view of the strong synergies that exist with other Millennium Development Goals, it is also important to develop school meals programmes, since nutritional problems are one of the main reasons why children from low-income households may have difficulty in achieving a level of academic performance in line with the demands of educational programmes.

A second aspect refers to the differences between boys and girls. With the exception of Bolivia, Guatemala and Peru, not only have all the countries achieved gender parity, but girls have a higher primary completion rate than boys (see figure III.3 and table III.1).¹⁷ Since this central aspect of the second Millennium Development Goal has already become a reality in the region, it is now necessary to avoid the emergence of disparities that would put boys at a disadvantage. The higher educational achievement of girls carries over into the secondary and, in some countries, into the tertiary levels as well. As explained in the next chapter, however, this has not translated into lower rates of unemployment, better jobs or higher wages for women.

Table III.1
LATIN AMERICA (18 COUNTRIES): COMPLETION OF PRIMARY EDUCATION, AROUND 2002
(Percentages)

		Age group													
		0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-64	65 and over
Argentina 2002 ^a	Both sexes	97.8	97.4	97.0	96.6	97.5	97.1	95.9	94.0	92.5	89.9	85.6	82.7	81.0	73.7
	Male	97.0	96.6	96.2	95.8	96.8	96.7	95.0	94.6	91.6	89.0	85.6	82.1	83.4	76.9
	Female	98.6	98.2	97.8	97.4	98.1	97.6	96.8	93.4	93.3	90.6	85.5	83.2	78.9	71.6
Bolivia 2002	Both sexes	88.8	86.3	83.9	81.6	77.0	67.1	61.8	56.7	50.4	46.9	39.8	33.4	31.4	19.4
	Male	89.8	87.2	84.8	82.4	81.8	71.2	71.0	66.8	61.4	56.2	46.6	44.3	38.7	24.3
	Female	87.9	85.4	83.1	80.7	72.6	63.4	53.5	47.9	40.8	37.3	32.6	22.1	24.4	15.3
Brazil 2001	Both sexes	93.1	91.6	90.1	87.6	85.6	82.2	79.2	76.3	74.0	68.6	60.6	53.8	45.9	36.8
	Male	91.8	90.3	87.8	85.3	83.0	80.0	77.0	74.5	73.2	68.5	62.0	54.9	48.2	37.4
	Female	95.5	94.0	92.5	89.9	88.1	84.2	81.1	78.0	74.7	68.7	59.3	52.8	43.9	36.2
Chile 2000	Both sexes	98.2	97.8	97.4	97.0	96.0	95.5	92.0	90.1	87.7	82.9	74.4	69.8	61.6	53.4
	Male	97.8	97.4	97.0	96.6	95.8	94.9	91.3	89.7	87.4	84.2	75.4	71.9	63.0	55.0
	Female	98.7	98.2	97.8	97.4	96.2	96.1	92.5	90.4	88.0	81.7	73.5	67.6	60.5	52.3
Colombia 2002	Both sexes	95.4	93.8	92.3	89.7	88.4	85.6	82.1	78.8	75.4	68.7	63.0	56.3	48.4	42.7
	Male	93.5	92.0	90.5	88.0	87.0	84.2	81.6	77.6	73.8	69.7	64.1	56.3	49.7	43.6
	Female	96.0	94.5	93.0	91.5	89.6	86.9	82.5	79.8	76.9	67.9	62.0	56.4	47.2	42.0

¹⁷ Figure III.3 suggests that parity was achieved in the region, on average, about two decades ago. As table III.1 shows, however, this occurred a good deal sooner in countries where access to primary education was broadened earlier (e.g., Argentina, Chile, Colombia, Panama and Uruguay), whereas in Ecuador and Mexico, among others, gender parity is a quite recent achievement.

Table III.1 (concluded)

		Age group													
		0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-64	65 and over
Costa Rica 2002	Both sexes	94.3	92.8	91.3	88.7	87.2	84.6	86.1	85.9	87.1	79.3	73.1	61.1	52.4	35.7
	Male	93.9	92.4	89.8	87.3	86.5	84.8	84.3	85.9	86.9	81.1	75.9	64.5	56.6	37.2
	Female	94.8	93.3	91.8	90.3	87.9	84.4	87.9	85.9	87.4	77.6	70.4	58.1	48.6	34.4
Ecuador 2001	Both sexes	95.3	93.8	92.3	90.8	90.8	89.8	87.6	82.6	78.8	71.5	66.6	57.9	50.1	41.2
	Male	94.6	93.1	91.6	90.1	91.3	90.1	88.8	85.2	82.4	74.5	71.2	61.1	53.3	42.2
	Female	96.0	94.5	92.9	91.4	90.4	89.5	86.6	80.1	75.5	68.6	62.0	54.5	46.9	40.2
El Salvador 2001	Both sexes	82.1	79.4	77.1	74.3	72.8	69.0	62.3	57.4	54.2	46.1	40.4	35.4	28.0	19.4
	Male	76.5	75.5	75.3	73.6	74.8	70.5	66.3	61.9	58.5	53.6	50.4	40.6	33.9	21.3
	Female	87.6	83.2	78.9	75.0	71.0	67.8	59.0	53.9	50.9	40.4	31.9	30.9	23.2	18.0
Guatemala 2000/2001	Both sexes	76.9	71.1	65.6	60.8	55.9	52.2	41.2	38.4	36.9	28.8	25.6	20.4	15.4	11.7
	Male	72.4	69.8	66.9	64.8	61.5	60.7	48.5	44.0	47.0	31.1	32.5	21.2	18.9	11.2
	Female	84.2	74.1	65.3	57.2	50.8	44.0	34.2	33.7	27.8	26.6	19.5	19.7	12.0	12.0
Honduras 2002	Both sexes	78.3	74.8	72.0	68.4	66.7	61.7	59.5	51.5	45.9	40.9	32.4	26.8	21.5	13.9
	Male	70.7	68.5	66.8	64.3	63.4	59.7	57.6	49.8	45.6	43.7	34.6	28.0	23.2	14.5
	Female	86.8	81.7	77.5	72.5	69.6	63.4	61.1	52.8	46.2	38.5	30.3	25.7	20.0	13.4
Mexico 2002	Both sexes	96.0	95.6	94.1	92.6	89.7	86.7	84.0	78.0	69.3	64.1	53.5	45.9	37.1	27.8
	Male	95.7	95.3	93.7	92.2	90.5	88.3	84.5	81.7	71.6	70.4	57.5	48.4	39.3	30.5
	Female	96.4	96.0	94.5	93.0	88.9	85.3	83.6	74.7	67.4	58.1	50.1	43.7	34.9	25.4
Nicaragua 2001	Both sexes	69.5	67.8	66.1	64.5	62.5	60.2	55.2	50.9	46.0	39.4	28.7	23.7	22.7	14.5
	Male	63.8	62.0	60.3	58.6	59.8	57.7	53.1	53.3	50.8	34.6	35.8	22.7	28.3	12.3
	Female	77.1	74.9	72.8	70.8	65.1	62.7	57.0	48.8	41.7	43.4	22.1	24.5	16.7	16.3
Panama 2002	Both sexes	96.1	94.5	93.0	91.5	89.8	89.3	88.9	88.2	86.4	82.5	74.4	70.8	61.1	50.5
	Male	95.5	93.9	92.4	90.9	90.3	88.8	88.9	87.9	86.6	82.5	75.3	69.8	60.6	49.9
	Female	95.6	95.3	93.7	92.2	89.3	89.7	88.9	88.5	86.2	82.6	73.6	71.9	61.7	51.1
Paraguay 2000	Both sexes	88.0	85.5	83.1	80.8	80.7	78.3	72.8	69.1	59.5	56.9	47.7	42.4	36.4	22.7
	Male	84.3	81.9	79.7	77.4	79.7	79.8	73.8	71.3	61.1	60.0	48.9	48.9	37.2	25.6
	Female	92.2	89.7	87.2	84.7	81.6	76.9	71.9	67.0	58.2	53.7	46.3	36.6	35.8	20.2
Peru 2001	Both sexes	95.0	93.5	92.0	89.4	88.6	85.4	77.6	66.7	61.9	52.5	44.0	35.6	28.0	22.4
	Male	95.5	94.0	92.5	91.0	91.9	90.0	82.7	72.9	69.5	59.8	54.8	45.0	34.5	27.5
	Female	93.3	91.8	90.3	87.8	85.3	81.3	73.0	61.2	54.8	45.7	34.0	27.2	22.0	17.4
Dominican Republic 2002	Both sexes	89.2	86.7	84.3	81.9	81.0	76.3	76.2	71.6	63.6	56.9	47.8	35.1	34.3	23.1
	Male	84.5	82.1	79.8	77.6	77.7	73.0	71.6	70.0	63.6	55.8	52.5	37.9	37.9	24.5
	Female	93.3	91.8	89.2	86.7	84.6	79.4	80.2	73.2	63.6	57.9	43.2	32.8	30.9	21.9
Uruguay 2002 ^a	Both sexes	97.5	97.1	96.7	96.3	97.1	96.2	95.8	94.6	94.2	90.9	86.2	84.0	76.4	64.1
	Male	96.8	96.4	96.0	95.6	96.5	95.6	95.4	94.7	93.6	89.7	85.1	84.3	75.8	63.9
	Female	98.3	97.8	97.4	97.0	97.6	96.9	96.2	94.5	94.8	91.9	87.3	83.7	76.9	64.2
Venezuela (Bolivarian Republic of) 2002	Both sexes	94.7	93.2	91.7	90.2	90.0	88.3	87.1	85.1	82.4	78.4	73.7	64.6	56.8	38.7
	Male	93.3	91.8	90.3	87.8	87.6	86.0	85.5	83.6	82.0	78.1	75.4	67.5	60.3	43.6
	Female	96.2	95.8	94.2	92.7	92.3	90.6	88.7	86.6	82.8	78.8	72.0	61.9	53.5	34.7
Latin America ^b	Both sexes	93.6	92.1	90.6	88.1	86.4	83.7	80.6	76.7	72.8	67.5	59.8	53.0	45.8	37.3
	Male	93.4	91.9	89.3	86.8	85.7	83.4	80.2	77.4	73.8	69.4	62.6	55.1	48.2	38.6
	Female	95.0	93.5	92.0	89.4	87.2	84.0	80.9	76.1	72.0	65.7	57.2	51.0	43.6	36.4

Source: United Nations Educational, Scientific and Cultural Organization (UNESCO), *Universal Primary Completion in Latin America: Are We Really So Near the Goal? Regional Report on Education-related Millennium Development Goals*, Santiago, Chile, UNESCO Regional Office for Education in Latin America and the Caribbean, October 2004.

^a Urban areas.

^b Weighted average for the countries. The data shown for persons under 15 years of age are projections.

Box III.2
**EMERGING ISSUES AND FACTORS THAT STAND IN THE WAY OF
 UNIVERSAL PRIMARY SCHOOLING**

This box will outline a number of key issues whose importance has gained recognition in recent years. These issues need to be considered in the formulation of education policies in the region, not only because of their interaction with the other Millennium Development Goals, but also because neglecting them could hinder or prevent the achievement of universal primary education.

Violence in and around schools: The increase in violence in and around schools in a number of the region's countries is one of the major factors working against efforts to raise the population's level of education. Although schools have often served as a refuge against violence, violent behaviour is now increasingly occurring inside schools and is involving a growing number of children and young people. This problem undermines key aspects of students' educational experience, such as retention and the classroom atmosphere, which, in turn, have serious implications in terms of levels of achievement. Gang activity in Central America, for example, is one of the phenomena that demonstrate the need for cross-cutting policies that address education variables alongside other social objectives geared towards defusing violence.

Natural disasters and social conflict: The recent hurricane season in the Caribbean testified to the vulnerability of many of the countries in the region, wiping out the fruits of decades of infrastructure development efforts in the space of just a few hours. Similarly, situations of social upheaval can lead to the destruction of infrastructure, interruption of school schedules, displacement of the population and, ultimately, damage to the physical and mental health of students, teachers and the community at large, especially in the most vulnerable sectors. Policies to prevent and cope with natural disasters, as well as efforts to reduce sources of social conflict and establish or improve democratic institutional mechanisms for conflict management, therefore have highly significant impacts in terms of education.

Special education needs and inclusion: It has been amply demonstrated that, in cases where some groups within the population lack access to education (e.g., poor school-age children or those who live in rural areas), children with special needs are particularly vulnerable. Although policies for meeting special needs within the regular education system have become more prevalent in recent years, much remains to be done. Education policies designed to enhance the role of schools, teachers and the family can help to make such children's needs more visible and to ensure that they will be addressed.

Intercultural bilingual education: In many countries of the region, educational lags are found not only in low-income sectors, but also in disadvantaged ethnic or linguistic groups. Guatemala, Bolivia, Ecuador and Peru, as well as other countries with large indigenous population groups, have been developing education policies that address the dimensions of bilingualism and interculturality, with varying degrees of success. In the case of groups within the population (including young people and adults exhibiting high illiteracy rates, as well as children) whose right to education has not been fully guaranteed, however, there is a clear need to take further steps to reinforce such policies.

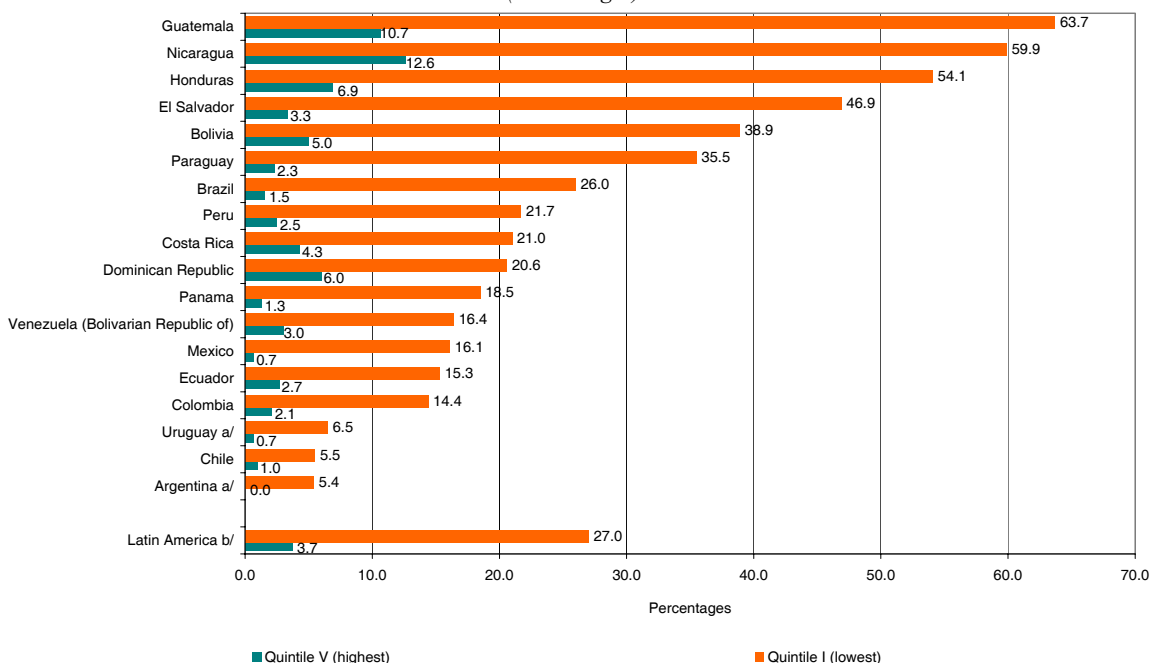
C. Inequalities

The striking inequalities that continue to exist in the region are illustrated by the following data. These data, which refer to members of the population between the ages of 15 and 19 who have not completed their primary education, are broken down by socio-economic level, residence in urban or rural areas and ethnic origin (UNESCO, 2004b). These figures point up the fact that, although many Latin American countries have attained high overall completion rates, certain groups are still lagging far behind, perhaps not so much in terms of access to the primary level, but certainly in terms of progression through it and its completion. This brief analysis seeks to identify the population segments which should be targeted by policies and resources in order to speed progress towards the Goal.

A first point is that inequality arises very early in the education cycle in Latin America. This is especially important because primary education provides people with the basic minimum of the human capital they need to become integrated into society and move on to the following levels of education, which then pave the way for joining the labour market and securing a standard of living above the poverty line.

In this group of countries, at least one out of four of the 15-19 cohort of the poorest 20%¹⁸ of the population has not completed primary education. In the top quintile, only one in 25 of that age group has failed to do so (see figure III.5). The picture is even bleaker in the four countries with the highest dropout rates (El Salvador, Guatemala, Honduras and Nicaragua), where between 47% and 64% of young people in the bottom quintile have been unable to complete their primary education.

Figure III.5
LATIN AMERICA (18 COUNTRIES): PERSONS BETWEEN THE AGES OF 15 AND 19 WHO HAVE NOT COMPLETED THEIR PRIMARY EDUCATION, BY INCOME QUINTILES (NATIONAL TOTALS), CIRCA 2002
 (Percentages)



Source: United Nations Educational, Scientific and Cultural Organization (UNESCO), *Universal primary completion in Latin America: are we really so near the goal? Regional Report on Education-related Millennium Development Goals*, Santiago, Chile, UNESCO Regional Office for Education in Latin America and the Caribbean, October 2004.

^a Urban total.

^b Simple average for the countries.

Even the countries with the highest rates of primary completion exhibit substantial lags in the poorest strata. In the Bolivarian Republic of Venezuela, Colombia, Costa Rica, Ecuador, Mexico, Panama and Peru, between one fifth and one sixth of the poorest quintile does not complete a full course of primary schooling.

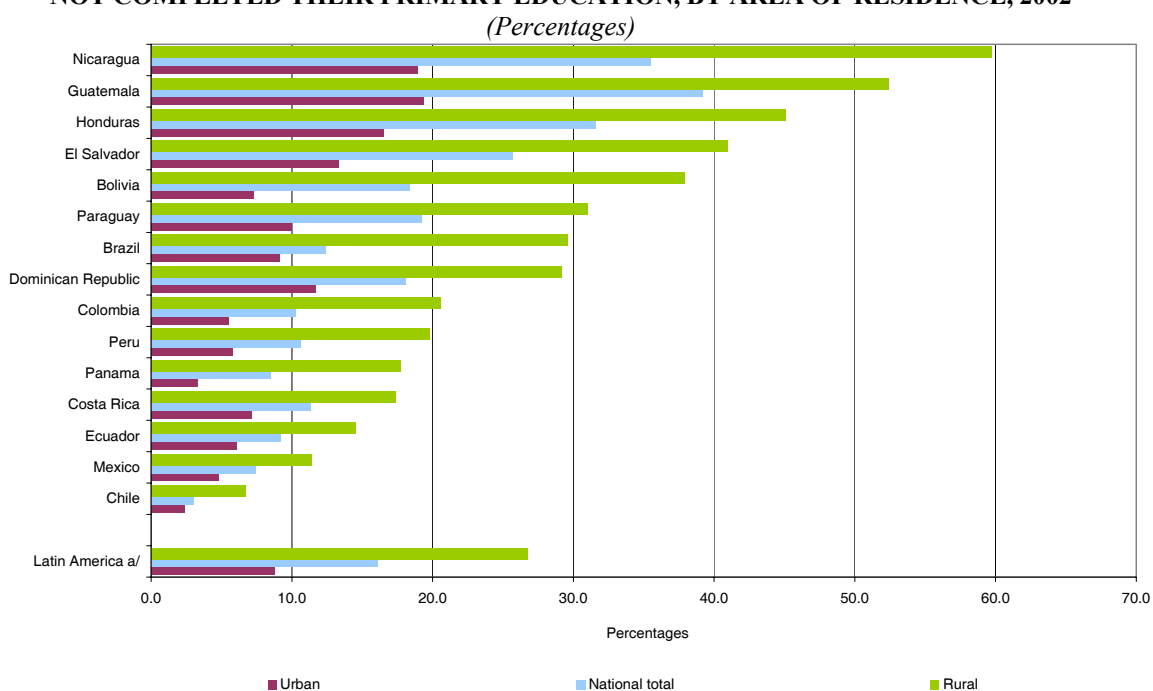
A number of ECLAC publications have drawn attention to the fact that the low educational level of broad sectors of the population, especially in the poorer countries, is the main mechanism by which poverty is transferred from one generation to another. Today, only around 20% of children whose parents did not complete primary education go on to complete their secondary education, but over 60% of children whose parents have completed 10 or more years of schooling do so. This situation translates into a very rigid social structure, which tends to perpetuate inequalities in access to well-being. The low level of education attained by young people in the poorest strata blocks them off from the main avenue for mobility and social inclusion (ECLAC, 2004b).

¹⁸ This cohort comprises young people between the ages of 15 and 19 in the 20% of households with the lowest per capita income (first quintile).

Similar inequalities are also observed as a function of area of residence and ethnic or racial group.¹⁹ The sharpest disparities, however, are those related to household income level.

As shown in figure III.6, young people living in rural areas are much less likely to complete their primary education than their urban counterparts. In fact, the countries that lag the furthest behind in this regard are precisely those where a higher proportion of the population lives in rural areas, which are more difficult to endow with infrastructure and the means required to progress towards the Goal of universal primary education. In other words, these data make it clear, yet again, that the countries with the highest poverty levels and the fewest resources are facing the most formidable challenges. In fact, across all the countries examined, the dropout rate in rural areas is, on average, three times higher than it is in urban areas.

Figure III.6
LATIN AMERICA (15 COUNTRIES): PERSONS BETWEEN THE AGES OF 15 AND 19 WHO HAVE NOT COMPLETED THEIR PRIMARY EDUCATION, BY AREA OF RESIDENCE, 2002



Source: United Nations Educational, Scientific and Cultural Organization (UNESCO), *Universal primary completion in Latin America: are we really so near the goal? Regional Report on Education-related Millennium Development Goals*, Santiago, Chile, UNESCO Regional Office for Education in Latin America and the Caribbean, October 2004.

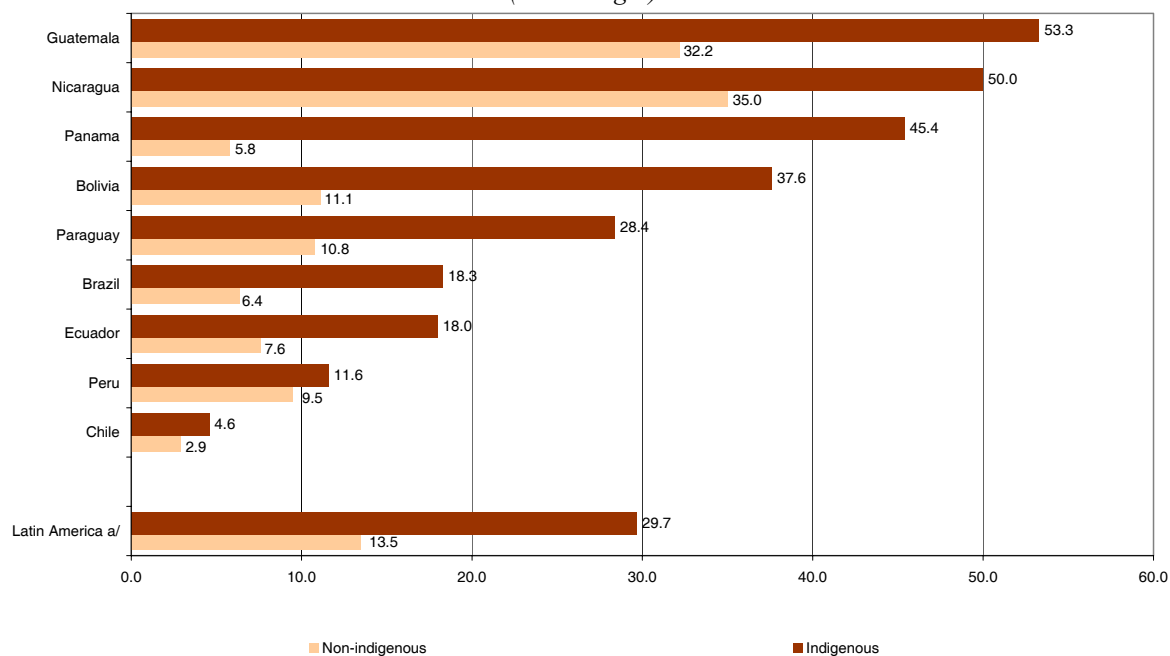
^a Simple average of the countries.

The inequalities associated with ethnic origin are also quite high but, according to the data examined, are less marked than the disparities associated with socio-economic level and area of residence (see figure III.7). Nevertheless, the greater lag among children belonging to indigenous ethnic groups (and children of African descent, in the case of Brazil) constitutes a major educational policy challenge, both because of the cultural dimension of the problem and because these groups are concentrated in rural areas and form part of the poorest segments of the population.

It should also be noted that, although girls have a lower average dropout rate than boys do at the national level, in rural areas and among indigenous groups quite the opposite is true.

¹⁹ A detailed account of the procedures used and the categories established in each country for the purposes of defining ethnic, linguistic or racial groups is given in the reader's guide and the methodological note contained in UNESCO (2004b).

Figure III.7
**LATIN AMERICA (9 COUNTRIES): PERSONS BETWEEN THE AGES OF 15 AND 19 WHO
 HAVE NOT COMPLETED THEIR PRIMARY EDUCATION,
 BY ETHNIC OR RACIAL GROUP, AROUND 2002**
(Percentages)



Source: United Nations Educational, Scientific and Cultural Organization (UNESCO), *Universal primary completion in Latin America: are we really so near the goal? Regional Report on Education-related Millennium Development Goals*, Santiago, Chile, UNESCO Regional Office for Education in Latin America and the Caribbean, October 2004.

^a Simple average of the countries.

D. Accumulated lags

A rights-based approach to educational access brings with it the obligation to deal with the cumulative lags affecting adults as well. This calls for a special effort to help the entire population to attain literacy, with particular attention being devoted to the lowest income strata so that these adults can take part in social programmes aimed at eradicating extreme poverty.

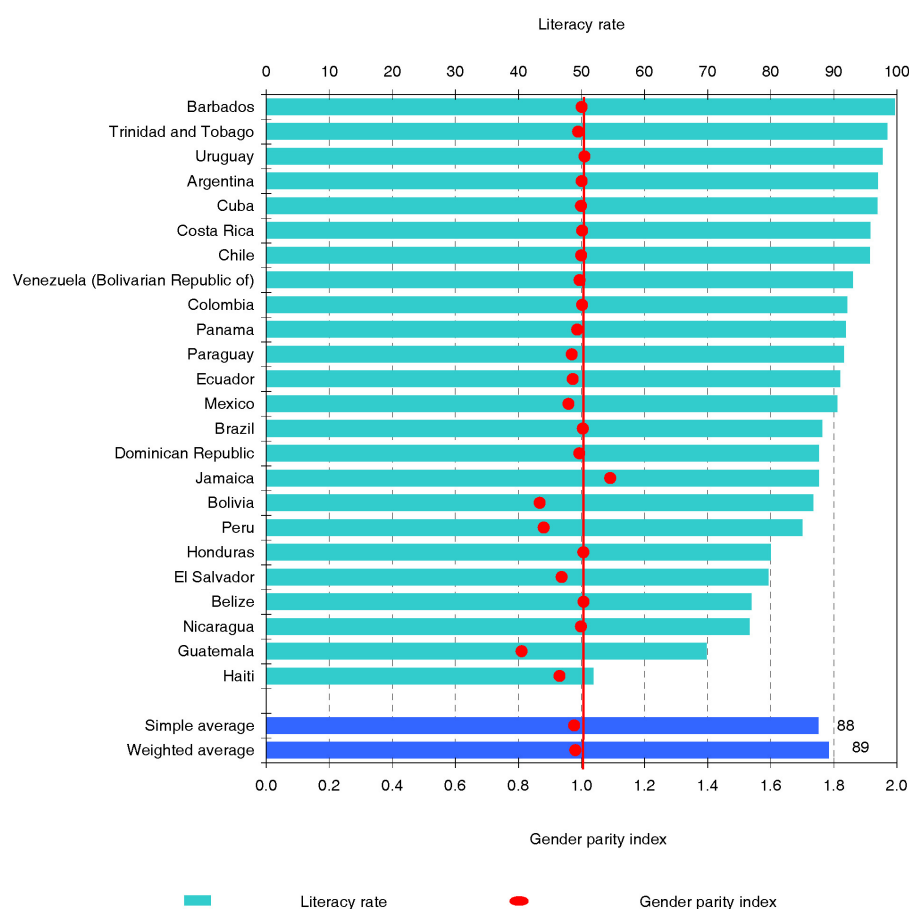
As noted earlier, about 92 million people over the age of 15 have not completed their primary education. Even more disturbingly, 36 million of these people describe themselves as unable to read or write, which effectively prevents their integration into society. In fact, in many cases, illiteracy (including functional illiteracy) is one of the main factors hindering the implementation of social programmes directed at the poorest segments of the population.

Two points should be raised in regard to this problem, which is broadly acknowledged in the region. First, 11 out of 24 countries have an official illiteracy rate of over 10%, and six have rates of 20% or more among the population aged 15 years and above (see figure III.8). Second, the gender parity index shows that, in most of the countries, the problem affects men and women to an equal degree. Illiteracy is much more frequent among women only in Bolivia, El Salvador, Guatemala, Haiti and Peru, while in Jamaica it is more frequent among men.²⁰ The efforts of the region's Governments to improve literacy are not always reflected in the official literacy rate. A case in

²⁰ In its country report, El Salvador indicated that the gender parity index for the population aged 15 -24 years rose from 0.99 in 1991 to 1.00 in 2001.

point is Bolivarian Republic of Venezuela, which, since mid-2003, has been conducting massive literacy outreach strategies in the form of what it has called the Robinson I Mission, which encompassed over 1,200,000 illiterate people, and the Robinson II Mission, which aimed to provide educational continuity thereafter. Another meritorious initiative is the Solidarity in Literacy Programme in Brazil, which was created in 1997 and has been run since 1998 by an NGO called the Solidarity in Literacy Programme Support Association (AAPAS) in partnership with different levels of government (federal, state and municipal). The Programme has made significant headway in poor municipalities in the north and north-east of the country and in rural areas, where it covers more than 70% of classrooms.

Figure III.8
LATIN AMERICA AND THE CARIBBEAN (24 COUNTRIES): LITERACY RATES FOR THE POPULATION AGED 15 AND OVER AND THE GENDER PARITY INDEX, 2000-2004
(Percentages and proportions)



Source: Estimates prepared by the UNESCO Institute for Statistics, revised figures as of September 2004 [online] www.uis.unesco.org.

Note: The red points (scale on the secondary axis) represent values for the gender parity index corresponding to the ratio between the net enrolment rates for girls and boys. A value of less than one denotes a lower rate for girls than for boys, while a rate of more than one denotes the opposite.

Box III.3

MEASURING LITERACY: LIMITATIONS OF THE CURRENT INDICATOR

UNESCO defines literacy as the ability to read, write and understand a simple statement related to one's daily life.

The traditional method for measuring illiteracy is based on a dichotomous distinction between individuals who are “illiterate” (not having that ability) or “literate” (having that ability). It is usually determined on the basis of what each individual reports (persons stating whether or not they can read and write in response to a census or survey question) or by means of estimates based on the number of years of schooling.

There are major difficulties involved in this procedure. First of all, dichotomous categories cannot fully represent literacy competencies, since, for example, the degree of understanding of a written text concerning daily situations may range from the basic identification of the explicitly stated information to the capacity to make inferences using that information and to discriminate between potentially conflicting pieces of information. Such skills should therefore be seen as a spectrum that takes in successive levels of comprehension. Furthermore, simply relying on an individual's statement or on indirect procedures (such as years of schooling) entails potential biases that may compromise the quality of the data being compiled.

In the light of these difficulties and the need to have a better information platform for decision-making purposes, the UNESCO Institute for Statistics is building on the progress made in gauging literacy skills (particularly the International Adult Literacy Survey) by means of a pilot project aimed at developing a new literacy measurement entitled the Literacy Assessment and Monitoring Programme (LAMP). For further information, see <http://www.uis.unesco.org/ev.php>.

E. Learning achievements, in addition to completion

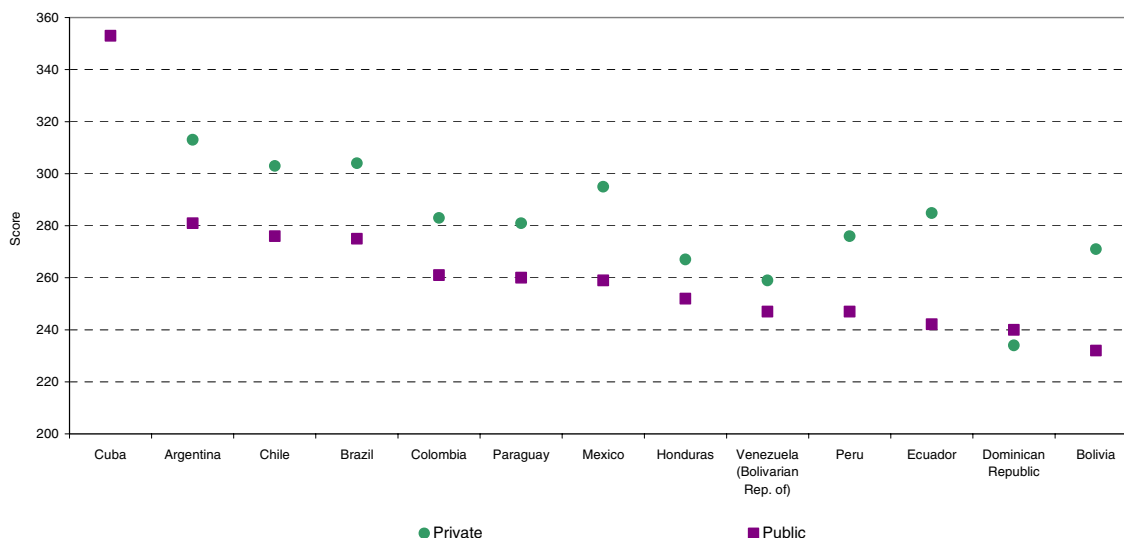
The information set out thus far has dealt with the progress being made by the region towards universal primary completion. In addition to ensuring that the entire population completes this level so that its members will be in a position to move on to the next level, however, the second of the Millennium Development Goals also focuses on acquisition of the knowledge needed to confront the challenges encountered in today's world and, above all, the development of a capacity for life-long learning.

The situation in the region is troubling in this regard. International studies, such as the first Latin American Laboratory for Assessment of the Quality of Education (LLECE) and the Programme for International Student Assessment (PISA), have found not only low student performance levels but also sharp differences between students at public and private schools (see figure III.9).²¹ Figure III.9 also illustrates the significant differences in student achievement identified among the countries of the region.

The findings of the PISA study—which is designed to assess the acquisition of key modern life skills—give serious cause for concern in view of the poor performance of students in the five Latin American countries covered by the survey. Between 44% (Argentina) and 80% (Peru) of students turned in a very rudimentary performance, equivalent to level 1 or below (see figure III.10). Although the number of participating countries was quite small, it may reasonably be assumed that this deficit in learning achievements is widespread throughout Latin America, since these countries account for a large proportion of the region's population and have quite similar academic achievement levels to the regional average, as is shown by the first Latin American Laboratory for Assessment of the Quality of Education.

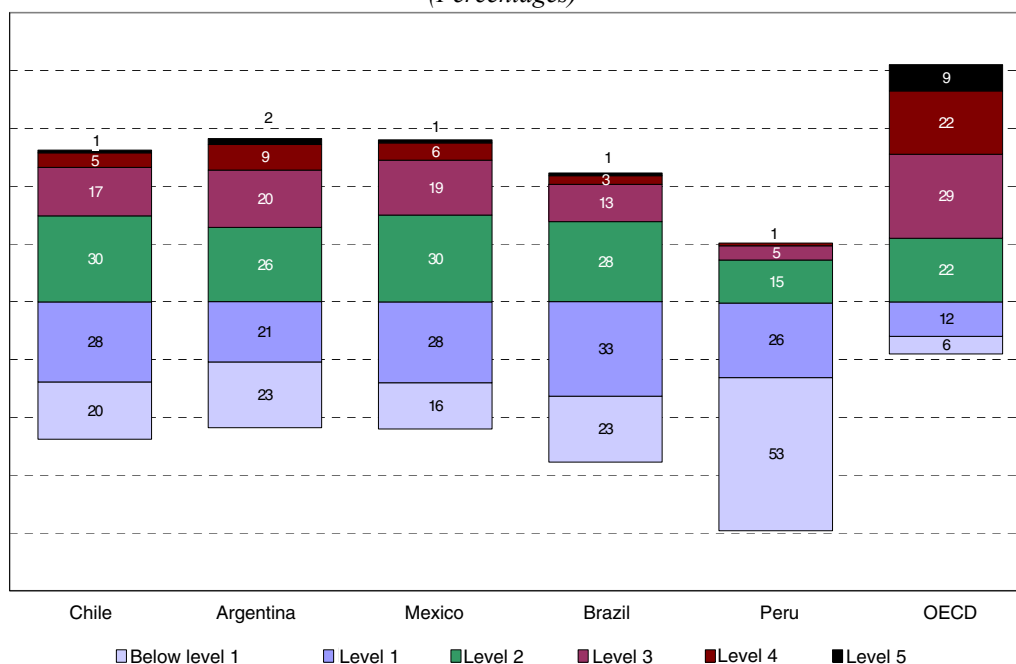
²¹ The first Latin American Laboratory for Assessment of the Quality of Education—which focused on academic achievement in language and mathematics by third- and fourth-grade students in the primary education cycle—was conducted by UNESCO in 1997. These reports are available at <http://www.unesco.cl>. The Programme for International Student Assessment (PISA) was developed by the Organisation for Economic Co-operation and Development (OECD) in order to evaluate the skills of 15-year-old students (regardless of the grade in which they were enrolled). The findings of the first round of assessments may be obtained at <http://www.uis.unesco.org>, and those of the second round at <http://www.oecd.org>.

Figure III.9
LATIN AMERICA AND THE CARIBBEAN (13 COUNTRIES): MEDIAN SCORES ON STANDARDIZED LANGUAGE TESTS OF FOURTH-GRADE STUDENTS IN PUBLIC AND PRIVATE SCHOOLS, 1997
(Test scores)



Source: United Nations Educational, Scientific and Cultural Organization (UNESCO), *First International Comparative Study of Language, Mathematics, and Associated Factors in Third and Fourth Grades of Basic Education. Technical report*, Santiago, Chile, UNESCO Regional Office for Education in Latin America and the Caribbean, 2001.

Figure III.10
LATIN AMERICA (5 COUNTRIES) AND OECD: DISTRIBUTION OF 15-YEAR-OLD STUDENTS BY LEVEL OF PERFORMANCE ON THE PISA 2000 LANGUAGE TEST
(Percentages)



Source: United Nations Educational, Scientific and Cultural Organization/Organisation for Economic Co-operation and Development (UNESCO/OECD), *Literacy Skills for the World of Tomorrow: Further Results from PISA 2000*, 2003.

This situation is all the more sobering because the survey sample design excluded 15-year-olds who were either not enrolled in educational institutions or who were enrolled in grades 1-6, as these persons, as a group, would surely have rendered an even poorer performance.²² In fact, if they had been included, it is estimated that the overall percentage scoring at level 1 or below would have ranged from 55% in Chile to 87% in Peru.

The first two rounds of the PISA survey show that the participating countries, like the others in the region, registered gender-differentiated performance levels. Girls consistently did better on tests of reading and writing skills and worse in terms of the mathematical skills covered by the tests (UNESCO/OECD, 2003).

Box III.4

THE CRUCIAL ROLE OF SCHOOL PRINCIPALS AND TEACHERS IN IMPROVING THE QUALITY OF EDUCATION

It is not enough to examine the education policies formulated by Governments and implemented by governmental ministries. What is promised or envisioned on paper does not always coincide with what is happening in educational institutions or even have a noticeable impact on them. It is therefore important to gain an understanding of the policy implementation process in order to improve the quality of education. A national education reform programme can be successful if schools become learning communities that are held accountable for their performance and are properly managed.

A number of studies have provided clear evidence as to how much student performance is influenced by school-related factors. A nationwide study on an educational programme being implemented by Chile (known as Programme P900) which targets the country's poorest schools underscores the importance of having a top-flight principal who possesses suitable capacities and skills, together with a stable, qualified and motivated teaching staff. Competent and committed teaching is a key element in formal education and makes a considerable difference in terms of students' learning experience. It is essential to design comprehensive policies that serve to attract and retain high-quality professionals into both the teaching and school administration fields, especially in schools that receive children with the greatest needs (remote areas, marginalized urban neighbourhoods, areas hit by violence). In the latter case, education professionals have a particularly important role to play in ensuring that what the children are taught is relevant to their specific environment, since this is crucial to the success of the educational experience.

Class size is a very controversial issue. Although the effect of class size does depend on teachers' skills and motivation and on the teaching methods they use, the number of students in a class is nonetheless an important indicator of educational quality, since students in smaller classes can receive more personalized instruction. In 2001, the average number of students in lower secondary grades in public schools in the countries of the Organisation for Economic Co-operation and Development (OECD) was 23.8, but the corresponding statistic was considerably higher in Brazil (34.5), Jamaica (32.4), Chile (32.3), Mexico (30.1), Uruguay (29.9) and Paraguay (29.5). Teacher training and the preparation of educators for their particular areas of responsibility are therefore particularly important.

Although training requirements for new teachers have increased over the years, most members of the teaching professions do not yet have the skills and support they need to perform their duties effectively. In addition, the intra-country distribution of teachers possessing the formal qualifications to teach primary school is quite uneven. In Brazil, for example, the percentage of teachers with tertiary-level training varies from 3% in Bahía and Pará to 42% in São Paulo, while the national average is 22%.

By the same token, the study conducted in Chile, where teaching staff are quite well-educated, indicates that, of 106 secondary-school teachers with specialized training, only 19 were qualified to teach mathematics or other sciences. Consequently, many teachers with training in other disciplines are often obliged to teach these other subjects.

Source: Beverley Carlson, "Achieving educational quality: What schools teach us. Learning from Chile's P900 primary schools", *Desarrollo productivo series*, No. 64 (LC/L.1279-P), Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC), January 2000. United Nations publication, Sales No. E.99.II.G.60; B. Carlson, "What schools teach us about educating poor children in Chile?", *CEPAL Review*, No. 72 (LC/G.2120-P), Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC), December 2000; B. Avalos, B. Carlson and P. Aylwin, "La inserción de profesores neófitos en el sistema educativo", Fondecyt Project, No. 102018, Santiago, Chile, 2002; and Organisation for Economic Co-operation and Development (OECD)/United Nations Educational, Scientific and Cultural Organization (UNESCO), *Teachers for Tomorrow's Schools: Analysis of the World Education Indicators, 2001 Edition*, Paris, 2001.

²² These two groups represent 14.3% of the population of 15-year-olds in Chile, 24.5% in Argentina, 37.2% in Peru, 47.2% in Brazil and 49.6% in Mexico, which clearly shows how serious the situation is. Exclusions in OECD countries represent 10% of the population, but three out of every four persons not represented in the study in the OECD countries correspond to Mexico, which is an OECD member.

F. Other challenges

The commitments undertaken by the Governments of the region within the frameworks of the Millennium Declaration, the World Conference on Education for All and the Summit of the Americas translate into a broad range of goals and targets relating to education. In addition to universal fulfilment of the basic right to education, these objectives have to do with the expansion of opportunities for well-being, the cultural foundation for citizenship and each society's productive capacities. This suggests that the region should set more ambitious goals than those contained in the Millennium Declaration, which, on the basis of criteria of equity, academic achievement and relevance, are geared towards providing universal access to primary education and ensuring that students continue on to the next levels of the education process. Two key objectives for the region in this regard should be the expansion of education and comprehensive care in early childhood, and a higher rate of secondary completion. Over the past decade, the countries have introduced new standards in order to lengthen compulsory education. In most cases, compulsory education has been extended to include the lower cycle of secondary education (with this first stage of secondary education plus the primary level being fused to form a "basic education" cycle) and, in some instances, the upper cycle of secondary school as well. Countries have also implemented policies to gradually expand education services for young children, starting with the ages closest to primary-school admission age, in order to provide for the care and developmental needs of early childhood.

1. Expanding preschool education and comprehensive care in early childhood

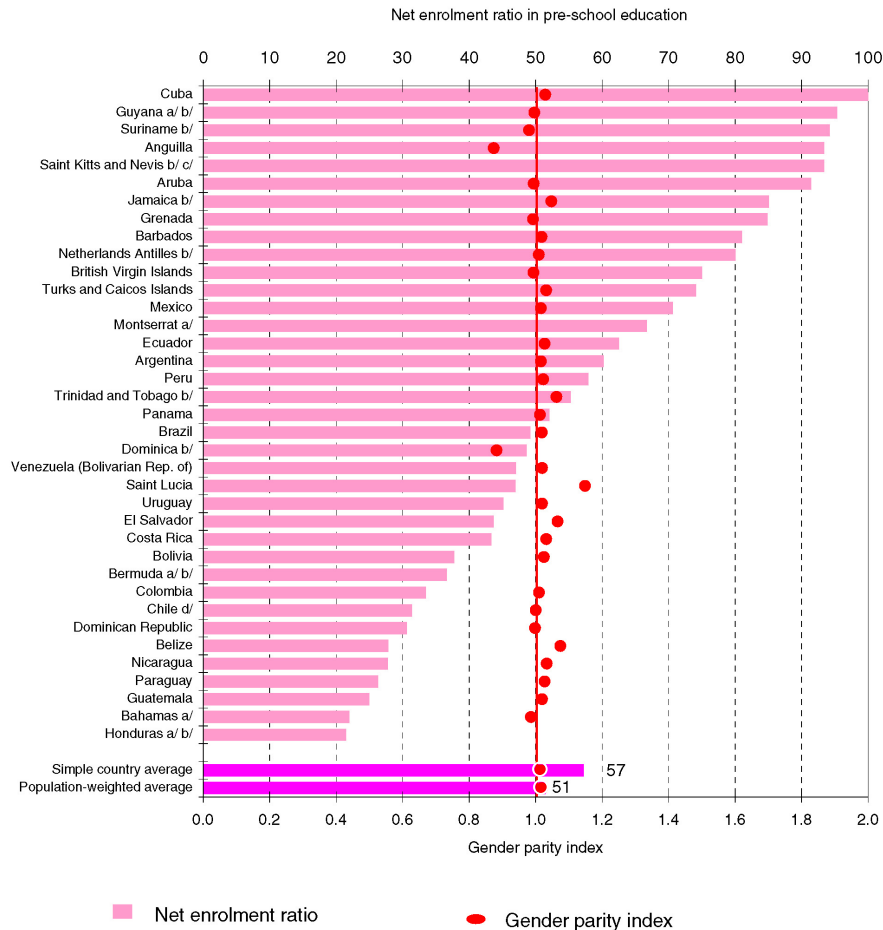
The rationale for broadening pre-primary education lies in the importance of a child's early experiences for his or her integral development. Such experiences form the building blocks whose solidity will affect many of an individual's later intellectual, emotional and social capacities. Preschool education also has positive effects in terms of school readiness (ECLAC/UNICEF/SECIB, 2001). Documented evidence shows that children with a preschool education achieve better results thereafter. Where the other factors that influence school performance remain constant, those children attain better scores on scholastic tests and make faster progress. This translates into lower repetition and dropout rates, especially in the early years of primary schooling.

Broader coverage of pre-primary education thus increases the efficiency of the education system, since it reduces the number of years needed to complete primary and secondary education and helps to narrow the gaps between children from different social strata, precisely at an age when those inequalities most seriously undermine opportunities for future well-being. Progress in increasing the coverage of early education will therefore contribute to the achievement of the second of the Millennium Development Goals. Student repetition is very costly for the education system: the annual cost of student repetition in the 15 Latin American and Caribbean countries that account for over 90% of repeating students in the region is estimated at close to US\$ 11 billion (Bruneforth, Motivans and Zhang, 2003). Brazil bears the heaviest burden in this regard, with a repetition cost of over US\$ 8 billion per year.

Another important consideration is that an expansion of preschool education services will increase women's opportunities for joining the labour market. During periods when the female labour participation rate is rising rapidly, providing children with access to pre-primary education will influence the future opportunities of children and women alike. This is particularly true for low-income households, in which women's contribution to the household budget is crucial if they are to rise above the poverty line.

Education services for children of preschool age are gradually becoming more widely available, starting with the children closest to primary-school admission age (UNESCO, 2004c). Figure III.11, which shows enrolment rates for children under the age of three, points to the existence of sizeable differences across countries. In the Caribbean subregion, around 69.5% of children receive such services, whereas only 42.5% do in Latin America.

Figure III.11
LATIN AMERICA AND THE CARIBBEAN (37 COUNTRIES AND TERRITORIES): NET PRESCHOOL ENROLMENT RATIO AND GENDER PARITY INDEX, SCHOOL YEAR BEGINNING IN 2002
(Percentages and proportions)



Source: UNESCO Institute for Statistics (UIS), database [online] www.uis.unesco.org.

Note: The red points (scale on the secondary axis) represent values for the gender parity index corresponding to the ratio between the net enrolment rates for girls and boys. A value of less than one denotes a lower rate for girls than for boys, while a rate of more than one denotes the opposite.

^a Refers to 2001.

^b Estimate by UNESCO Institute for Statistics (UIS).

^c Refers to 1999.

^d Refers to 2003.

Preschool education services are available mainly in urban areas and higher-income social sectors, and a pressing need thus exists for greater equity in this connection.

In most cases, the degree of gender parity is quite notable, although girls are at a disadvantage in some countries and territories in the Caribbean (Anguilla, Aruba, Bahamas, British Virgin Islands, Dominica, Grenada and Suriname).

2. Increasing secondary-education access and completion

ECLAC and UNESCO have both advocated the establishment of a target for increased completion of secondary education in view of the existing evidence that secondary-school completion represents an educational threshold. Passing that threshold appears to significantly increase a person's chances of remaining above the absolute poverty line during his/her working life, since it is associated with a large jump in labour income (ECLAC, 2002b, chapter III).

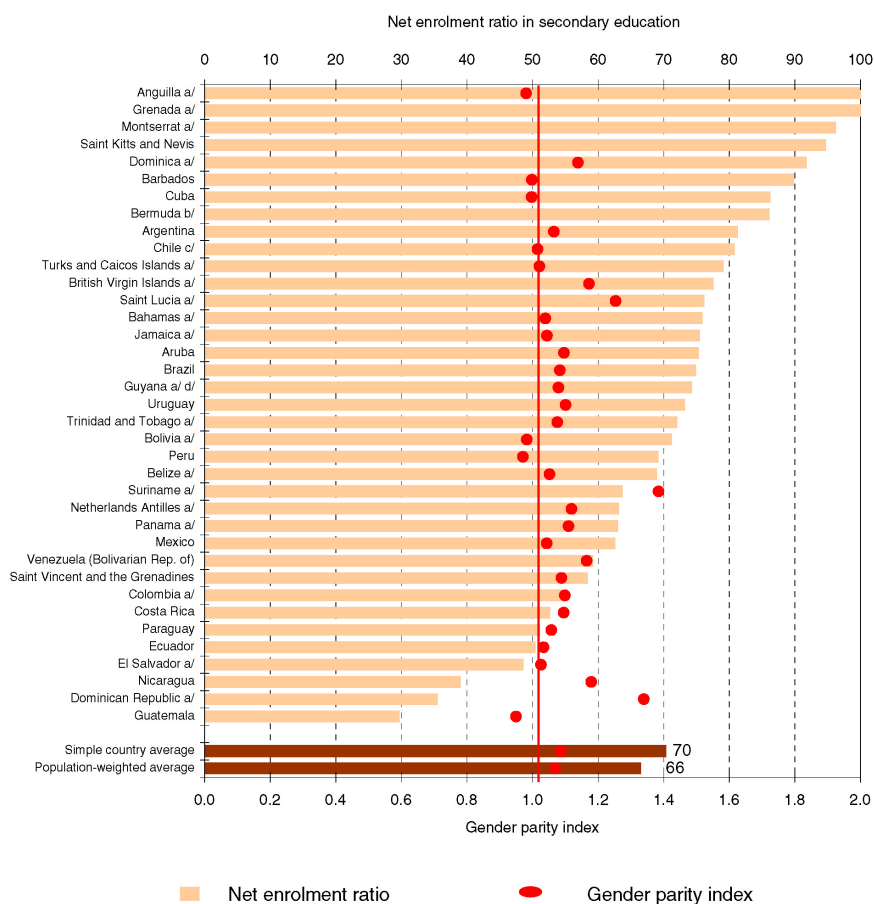
A quality secondary education system that achieves broad coverage and is aligned with social and economic needs is a crucial element in boosting productivity and social efficiency and in providing greater opportunities and more equitable access to well-being and full citizenship. Almost a decade ago, ECLAC presented an analysis indicating that the social rate of return on expanding the coverage of secondary schooling is higher than the rate yielded by adult training programmes designed to make up for educational shortfalls later on in life (ECLAC, 1995). Remedial adult education programmes cost between 1.5 and 5 times as much as four years of secondary education—hence the advantages of investing in secondary schooling for people of the corresponding age (Labarca, 1996).

The progress made in the 1990s notwithstanding, secondary-school enrolment in the region remains very low. In 2001, the average net enrolment ratio in secondary education in the region was 70%. There are also sharp differences across countries: Anguilla, Argentina, Barbados, Bermuda, Chile, Cuba, Dominica, Grenada, Montserrat and Saint Kitts and Nevis have achieved rates of around 80% or above, whereas the Ecuador, El Salvador, Dominican Republic, Guatemala, Nicaragua and Paraguay have rates of about 40% or lower (see figure III.12).

Not only is the coverage of secondary education limited, but students at this level often drop out prematurely because they need to earn an income, however precarious, from an early age. The high secondary-school dropout rate (over 15% in eight Latin American countries) results in losses both for society and in terms of personal development. According to estimates made early in this decade, in Latin American countries that have achieved relatively high rates of secondary enrolment (over 65%), secondary completion translates into an increase of around 30% in adult working wages. This finding underscores the importance of social programmes designed to keep young people in the education system until they finish their schooling (ECLAC, 2002b, chapter III).

In 27 of the 37 countries and territories examined, boys enrol in secondary education in fewer numbers than girls or drop out of it earlier. This is mainly because boys, especially in lower-income strata and in rural areas, seek gainful employment earlier than girls do in order to augment household income. Clearly, then, programmes aimed at keeping boys in school at this level must include incentives that are equivalent to the opportunity cost of their entry into the workforce. There are, in fact, programmes being implemented in the region that have an income-transfer component for households which is contingent upon the continued attendance of school-age children. The most well known of these programmes are “*Bolsa Escola*” in Brazil and “*Oportunidades*” in Mexico. In both cases these benefits are given to the mothers, who are believed to be more likely to use the resources efficiently. In the *Oportunidades* programme, the payment of benefits is contingent upon regular and verifiable school attendance by the children and regular visits by both mothers and children to health centres. Unlike the *Bolsa Escola* scheme, the subsidies for keeping students in school are variable, increasing as children and adolescents progress through the school system. The purpose of this is to offset the progressively higher opportunity cost for poor households of keeping their children in school instead of sending them out to work so that they can contribute to the family income.

Figure III.12
LATIN AMERICA AND THE CARIBBEAN (37 COUNTRIES AND TERRITORIES): NET ENROLMENT RATIO IN SECONDARY EDUCATION AND GENDER PARITY INDEX, SCHOOL YEAR BEGINNING IN 2002
(Percentages and proportions)



Source: UNESCO Institute for Statistics (UIS), database [online] www.uis.unesco.org.

Note: The red points (scale on the secondary axis) represent values for the gender parity index corresponding to the ratio between the net enrolment rates for girls and boys. A value of less than one denotes a lower rate for girls than for boys, while a rate of more than one denotes the opposite.

^a Estimate by UNESCO Institute for Statistics (UIS).

^b Refers to 2001.

^c Refers to 2003.

^d Refers to 1999.

One particularly noteworthy consideration is the need to strike a balance between technical and vocational training and general schooling in preparation for entry into higher education. As discussed earlier, complete (lower and upper) secondary education is becoming a requirement for employability and the attainment of decent work. Secondary education programmes with a technical and vocational orientation are thus gaining in importance. Most of the education systems in the region do not systematically offer this type of secondary schooling, however. (For purposes of comparison, in OECD countries about half of secondary enrolment, on average, is in such programmes.) Given the challenges of the global economy and the importance of competitiveness, the region needs to introduce policies aimed at improving people's work skills, especially those of people who have not yet entered the labour market (Carlson, 2003 and 2002).

G. Key aspects of education policy

Effective, resource-efficient policies and programmes are needed if, in addition to achieving universal access to primary education, the challenges of broadening pre-primary education, moving rapidly towards universal secondary coverage and eradicating adult illiteracy are to be addressed. These objectives, which are more ambitious than those set out in the Millennium Declaration, will contribute to the achievement of all the Millennium Development Goals.

A recent ECLAC/UNESCO study states that the provision of universal access to primary education would absorb a relatively small share of the additional resources needed to attain all the objectives discussed here (ECLAC/UNESCO, 2004). In fact, achieving universal primary education would require only about 14% of the estimated US\$ 60 billion that would be needed in addition to the projected amount of funds to be spent on education by the region's public sectors up to 2015.²³ Of this additional amount, 80% should be split almost equally between achieving universal pre-primary access and broadening secondary coverage to 75%, with the remainder being devoted to the eradication of adult illiteracy.

Education is one of the main mechanisms for averting the reproduction and perpetuation of the striking inequalities typical of the region. One of the central aims of education policy should therefore be to contribute to the equitable distribution of opportunities in society. Every education policy should have an equity-seeking component incorporated in its design. In addition to guaranteeing access to primary education and its completion, this would require ensuring that the education system enables everyone to attain an adequate level of academic achievement.

A high-quality education system should be, first of all, effective in reaching targeted levels of schooling, such as the universal completion of primary education—or completion of what is considered compulsory education in each country—and the levels of achievement that they imply. Second, the education system must produce these results by making efficient use of the available resources. The resources that society allocates to education in recognition of its importance should be used in a way that justifies the often considerable contributions and efforts of its citizens. One of the missions of the education system is to help improve the distribution of opportunities; thus, equity is not an add-on or a complement to the system, but instead is an integral aspect of its quality. And in order to achieve a high standard of quality, educational services must be relevant to the development of individuals and their potentials and must take into account their specific features, as well as the challenges of contemporary society. The attainment of such quality also entails ensuring that education systems are suited to the particular circumstances of their students, thus making diversity a source of enrichment rather than a factor of exclusion. In a constantly changing contemporary society, education systems must continuously be updated if they are to avoid becoming obsolete and are to adapt to people's needs on an ongoing basis. Only then can they can perform their role in society both autonomously and competently and serve as a factor of tolerance and responsibility.

In order to achieve these objectives, a wide range of conditions have to be taken into consideration, and not all of these conditions can be addressed solely through education policies. The effect of school meals programmes on children's nutrition and on their school attendance is but one example. Coordination among various sectors of the public apparatus is required, and agents outside the sphere of government—most importantly, the children's families themselves, with the help of civil society and community stakeholders—will need to pool their efforts.

As mentioned earlier, in 2002 the region's ministers of education identified principles and strategies for education policies directed towards achieving the goals agreed upon at the World

²³ This estimate is based on annual GDP growth of 2.6% and assumes that the proportion of GDP that the countries spend on education will remain constant.

Conference on Education for All. These goals are being pursued under the Regional Education Project for Latin America and the Caribbean (PRELAC), whose lines of action are based on the need to: (i) focus policies on people, not just on inputs; (ii) place emphasis on students' integral development rather than simply on the transmission of content; (iii) uphold the value of diversity in the face of trends towards standardization; and (iv) define education as the responsibility of society rather than simply of the schools.²⁴

These principles have been translated into the following strategic lines of action:

- Specifying the purpose of education in the globalized world, fostering the development of new life skills and preparing people for citizenship and for their role in building a culture of peace.
- Ensuring that education policies address the multiple dimensions of the teaching profession (working conditions, health, training, evaluation, career paths) and focusing on the importance of these factors in the students' learning process. It is necessary to elevate the value attributed to the teaching profession and especially to acknowledge the key role of teachers in determining the quality of learning and policy design.
- Transforming the schools' cultures and their modes of operation in order to encourage the formation of new relationships through the day-to-day experience of ethical and democratic values, based on an awareness of the fact that an enabling school environment and family and community engagement are important elements in improving academic performance.
- Diversifying the range of educational content in keeping with the specific needs and features of the population served by the system, while also encouraging the development of new models and more autonomous forms of management.
- Promoting public policies that help to engage all stakeholders in society (the media, business, non-governmental organizations) and encouraging them to contribute creatively to the design and monitoring of educational changes and the promotion of accountability in this respect.

To meet these requirements, policy decisions need to be taken with regard to both the management of education and its financing.

In general, management decisions concerning education are taken mainly by central or regional and provincial governments, which are far removed from where learning actually takes place (i.e., in the school). Many decisions are therefore taken without the necessary information and are not specific enough to translate into effective measures, while local agents lack the legal authority and the technical support they would need to respond more fully to the specific needs of their students and communities.

Schools should be viewed as forums for learning that are open to the community and answerable to it for their actions. Decentralization efforts do not always provide schools with the necessary resources and authority, however. Often, decentralization plans translate into a mere delegation of administrative functions to a lower level, in which a still-centralized bureaucracy (at the provincial level, for example) continues to be responsible for crucial decisions affecting school affairs. The capacity of education systems to respond to the real needs of students, parents and communities depends not only on the presence of good teachers and principals; those teachers and principals must also have the authority, resources and technical and administrative support they need to carry out their work on an autonomous basis and thus be accountable to the community.

²⁴ See <http://www.unesco.cl/ing/prelac/index.act>.

A school- and community-centred management scheme would favour the adoption of effective policies and measures and help ensure that the available financial resources are put to better use. This entails shifting from a delegative model of administration to a genuine transfer of responsibilities, resources and decision-making power to the schools. Such a transfer will only be useful, however, if it is accompanied by a State policy of providing support for schools and of building management capacities at this level on an ongoing basis. Naturally, such transfers must be conducted with the guidance of the State, which is ultimately responsible for ensuring the achievement of national objectives and the system's overall coherence.

Public expenditure per student remains limited in the region, although in many cases it does represent a major effort on the part of society, as is shown by the fact that it often accounts for a significant proportion of GDP and fiscal revenues.

Given these constraints, options both for increasing the funding available for public education and for making better use of the available resources need to be explored. The growing importance of private expenditure on education also needs to be taken into consideration. There is, in fact, a mounting consensus as to the need to improve the use of existing funding by, among other measures, substantially lowering the region's repetition rates, which are very costly in both personal and social terms.

Policies affecting school principals and teachers are a crucial factor in this connection, since school administrators and faculty are, together with their students, the education system's key agents. Additional financial resources and existing funds freed up by efficiency improvements can help to improve teaching performance if they are accompanied by comprehensive policies that address the factors influencing performance. The entry qualifications required of teachers, as well as the measures affecting their professional performance, promotion and dismissal or retirement, need to be reviewed and reworked, along with the countries' policies on initial teacher training and in-service professional development and the legal framework governing the teaching profession.

If progress is to be made in this area, consideration must be given to the specific needs of the segments of the population that are lagging the farthest behind in terms of education (the urban and rural poor and those with particular cultural or linguistic attributes). To this end, steps must be taken to ensure that education services are relevant to these groups. In addition, flexible educational management and service-delivery mechanisms need to be developed in order, among other objectives, to extend secondary coverage from urban centres, where it is highly concentrated, towards less densely populated rural areas.

A consensus exists with respect to the importance of comprehensive care in early childhood. Above and beyond the expansion of preschool education, this calls for a major effort to develop infrastructure and networks to provide services for children starting at a very early age. Such services would help to ensure that their health is monitored and that necessary measures are taken when required, as discussed in chapter V. The countries of the region are working to broaden such services, define their scope and design cross-sectoral policies in a variety of areas, including health protection and nutrition (UNESCO, 2004d). In Cuba, the "Educa a tu hijo" ("teach your child") programme has demonstrated that community organizations, backed up by State-provided professional support and materials, can help meet children's needs more fully than public health and education services can do on their own. Today, three out of every four Cuban children under the age of six are taking part in this programme. This initiative, together with the services provided by nurseries and day-care centres, is providing what very nearly amounts to universal coverage. Meanwhile, the Bolivarian Republic of Venezuela has recently launched the "Bandera Simoncito" project, which is aimed at providing comprehensive care and instruction to children under 6 years of age.

Box III.5

HEALTHY, PRO-HEALTH SCHOOLS

Education —as reflected in the level of schooling of people’s parents, especially mothers— has evident effects on fertility, mortality and morbidity rates; It has also been found to have a positive effect on the prevention of HIV/AIDS. In general, education services are, geographically speaking, more widespread than health services. In Peru, for example, there are primary schools in almost 30,000 localities, whereas only 6,000 have health centres. Schools therefore have a crucial role to play in promoting health, since they provide the infrastructure for immunization and early detection campaigns and for primary health care services. This underscores the need to ensure that schools are healthful places, not only out of respect for children’s right to be educated in surroundings that are suited to their needs, but also because of their impact on the general community’s state of health.

Chapter IV

Gender equality and women's empowerment

Goal	Target	Indicators
3. Promote gender equality and empower women	4. Eliminate gender disparity in primary and secondary education, preferably by 2005, and to all levels of education no later than 2015	9. Ratio of girls to boys in primary, secondary and tertiary education 10. Ratio of literate women to men, 15-24 years-old 11. Share of women in wage employment in the non-agricultural sector 12. Proportion of seats held by women in national parliaments

A. Introduction

Gender equality and women's empowerment are identified as a goal in the Millennium Declaration, which recognizes the need "to promote gender equality and the empowerment of women as effective ways to combat poverty, hunger and disease and to stimulate development that is truly sustainable". The message issued by the Secretary-General on 8 March 2003 in commemoration of International Women's Day reaffirmed the need for gender mainstreaming in development:

“Study after study has shown that there is no effective development strategy in which women do not play a central role. When women are fully involved, the benefits can be seen immediately: families are healthier and better fed; their income, savings and reinvestment go up. And what is true of families is also true of communities and, in the long run, of whole countries”. The message concludes: “There is no time to lose if we are to reach the Millennium Development Goals by the target date of 2015. Only by investing in the world's women can we expect to get there. When women thrive, all of society benefits, and succeeding generations are given a better start in life”.

The Millennium Declaration provides a summation of the major social problems faced by people in developing countries which were the focus of international conferences and summits held during the 1990s.¹ Most of the plans of action needed to address these issues were drawn up and adopted by Member States —either individually or jointly— within the framework of international organizations and conferences. It is important to bear in mind, however, that the Millennium Development Goals do not replace existing international agreements. Over the years, the notion that all rights form an integral and indivisible whole has transformed the approach taken in international agreements, particularly through the inclusion of the demands of the women's social movement. This was demonstrated with particular clarity at the International Conference on Population and Development (Cairo, 1994), where the rights-based approach supplanted, once and for all, the strictly demographic approaches that had prevailed in the past. This event represented a landmark in the effort to mainstream the gender perspective into international accords. The Fourth World Conference on Women (Beijing, 1995) marked the culmination of this process, as it set the stage for major strides forward through the implementation of the Platform for Action, which encourages the formulation of gender policies and the establishment of gender institutions at the national level.

It should be borne in mind, too, that Latin America has a wide array of policy instruments and a decade of experience in this area to draw upon. Progress in this connection is now being reviewed on the occasion of the tenth anniversary of the adoption of the Beijing Platform for Action.²

As part of the five-year review of the Platform's implementation, carried out in 2000, Governments committed themselves to removing, by 2005, all discriminatory provisions from their legislation and to eliminating legislative gaps that leave women and girls without protection for their rights and without effective recourse against gender-based discrimination. This commitment was reiterated at the ninth session of the Regional Conference on Women in Latin America and the Caribbean, held in Mexico City, at which the Conference reviewed almost a decade of regional and international commitments and reaffirmed its support for the goals and targets of the Beijing Platform for Action. Despite all the rhetoric on the subject and the 10 years that have passed since these objectives were set, however, the region is clearly lagging behind in terms of achieving them.

According to the review carried out by Governments and civil society at the ninth session of the Regional Conference,³ the region's most significant achievements in the area of gender equity have been in the sphere of education. During the 1990s, equitable access to primary education was attained, as girls and boys had equal net rates of school enrolment in most of the countries. In secondary and tertiary education, girls had higher enrolment rates than boys. It should be stressed, however, that these achievements coexist with occupational segmentation in the labour market. As a

¹ In Latin America, government agendas for women's advancement continue to be guided by the Regional Programme of Action for the Women of Latin America and the Caribbean, 1995-2001 (adopted in Mar del Plata in 1994), as the Programme was extended beyond 2001 by a decision adopted at the eighth session of the Regional Conference on Women in Latin America and the Caribbean (Lima, 2000). At the global level, the adoption of the Convention on the Elimination of All Forms of Discrimination against Women (in 1979) and the agreements reached at United Nations global conferences placed women's rights on the global agenda.

² The review process, initiated in the different regions, was concluded at the forty-ninth session of the Commission on the Status of Women (February and March 2005).

³ In their assessments, civil-society organizations and Governments were in agreement as to what the region's main achievements had been and what challenges it continued to face. For further information, see www.eclac.cl/mujer.

result of this situation, the wage gap is narrowing too slowly and the skills women acquire through education often go to waste.

The international community's political recognition of the importance of gender equality as an end in itself and as a means of achieving development is a vital starting point. In this context, the target "Eliminate gender disparity in primary and secondary education, preferably by 2005, and at all levels of education no later than 2015" should be understood as an integral part of anti-discrimination policies aimed at tackling, as a government priority, the most serious forms of gender inequality, such as labour discrimination, lack of access to productive resources and to services (particularly sexual and reproductive health services), inequality within the household, the various forms of gender-based violence and women's minimal participation in decision-making processes. The region's experiences indicate that only the right combination of economic development and political will at the highest levels will allow women's educational progress to be equitably reflected in the labour market and in terms of political participation.

The indicators for measuring compliance with this target not only concern educational equality as such (primary, secondary and tertiary enrolment rates and the ratio between male and female literacy rates among 15- to 24-year-olds); they also concern labour and political equality (women's share of wage employment in the non-agricultural sector and the proportion of seats held by women in national parliaments). The inclusion of these last two indicators is an implicit, albeit not in itself sufficient, acknowledgement of the complementary dimensions that many Governments have already incorporated into their national legislation and/or treaties with other countries. The Millennium Development Goals should therefore be seen as an endorsement —at the highest level— of gender equality as a central aim of the international agenda and as a complement to the goals adopted at the Fourth World Conference on Women and other relevant conferences.

ECLAC and the other United Nations bodies involved in producing this report believe it is important to show how progress towards gender equality and women's empowerment is linked to the achievement of the other Goals. The information available at the regional level has been analysed and, where possible and relevant, disaggregated by area of residence, age, race, ethnic group and poverty status. The purpose of this exercise was to highlight the region's heterogeneity and the negative effects of the overlapping of various forms of inequality in the case of poor, indigenous and Afro-descendent women and girls, as well as older women.

Poverty reduction is the cornerstone of the Millennium Declaration. Available information indicates that women are clearly overrepresented in the poor population, that poverty has different effects on men and women and that women contribute to poverty reduction both by earning money and by assuming primary responsibility for the care of children, the sick and the elderly and, in general, for all the various activities related to social reproduction. Analysing poverty from a gender perspective involves the adoption of a multidimensional approach that provides insights as to why certain groups of people are more likely to be poor or to have trouble escaping from poverty and makes it possible to identify the factors that come into play in this process. The main contribution of this approach is that it has identified autonomy as the missing link between poverty and equality.

As a political concept, autonomy refers to individuals' ability to initiate projects and carry out deliberate actions (expressing will) to implement them; i.e., subjectifying themselves as beings who are able to discern their own wishes and interests and to choose the best ways to realize them. Gender autonomy refers to women's degree of freedom to act according to their own choices rather than those of other people. There is therefore a close link between women's autonomy and their individual and collective empowerment.

An individual's degree of autonomy is inseparable from the degree of autonomy enjoyed by the social group to which he or she belongs. Accordingly, the degree of personal autonomy that a woman can hope to develop depends on the potential autonomy of her social group and of women

in general within her society. In short, the autonomy of a social group does not depend exclusively on the personal desires of its members. In order for individuals to know what they want in life and how to achieve it, to feel entitled to say no and to effect changes in their environment with a view to fulfilling their aims, they must possess a type of subjectivity that cannot be constructed on the basis of their individual psyche alone. Rather, it hinges on highly complex historical and social enabling conditions that are admittedly slow and difficult to change (Fernández, 1999).

The importance of one aspect of autonomy —economic autonomy— was highlighted in the Beijing Platform, which states that the best way to reduce poverty is to give women the opportunity to earn their own income by affording them equal access to resources, employment, markets and trade.

As far as women's physical autonomy is concerned, alarmingly high maternal mortality rates in many countries make it imperative to acknowledge individuals' reproductive rights and, in particular, the impact of these rights on women's autonomy. This debate should be approached in a holistic and inclusive way, given men's shared responsibility for high fertility rates, teenage pregnancies and the spread of sexually transmitted diseases, including AIDS. A thorough understanding of poverty must also include an analysis of violence as a factor that impairs victims' personal autonomy, prevents them from exercising their citizenship and erodes their social capital by isolating them. This is consistent with the definition of poverty as the absence of the minimum necessary conditions for survival.

Another area in which autonomy-building is important is the household and the family. Persistent labour-market, social and political inequalities can only be understood and addressed through changes that enable women to reconcile market-oriented work with family responsibilities. Although women in the region have overcome the exclusion they suffered when they were tied to the home, they have not been relieved of this responsibility. In other words, all the countries have instituted formal equality, whereby women's civil rights are recognized and they are allowed to engage in public affairs on a more equal footing with men. However, these rights cannot be fully exercised if discrimination goes unpenalized and if steps are not taken to promote equality in the family, in caregiving and in time distribution.

The region's indigenous and Afro-descendent women have enriched the concept of autonomy by casting a critical eye on certain community practices (established standards, customs, traditions and practices). These women argue that autonomy should be based on inclusive, egalitarian, pluralistic and democratic principles. They thus regard autonomy as a collective right of indigenous peoples and believe it should form the foundation for building equal rights and gender equity (Sánchez, 2003).

B. The situation in the region: overlapping inequalities

1. Women's education and opportunities

Education is not only a right and an end in itself, but also a prerequisite for reducing the various kinds of inequality observed in the countries of the region. It is a well-known fact that men's and women's levels of schooling have a direct impact on their chances of obtaining high-quality employment and keeping their families out of poverty and that education is conducive to more active and better-informed civic and political participation, to mention but two of this variable's effects on progress towards the other Millennium Development Goals.

To create and sustain this virtuous circle, education for girls is an essential focus. The benefits of girls' education are passed on from one generation to the next and have multiplier effects in terms of well-being by triggering improvements in other social indicators. Women's life cycles differ depending on whether or not they have completed their studies. Research indicates that

women with higher levels of schooling tend to delay marriage and childbearing, with the result that teenage pregnancy and fertility rates in general go down. Also, educated mothers provide their children with higher-quality care and attention, thereby reducing the likelihood that they will contract diseases and increasing their chances of surviving beyond the age of five. This, in turn, reduces rates of child mortality, malnutrition and morbidity and increases children's rates of school enrolment and years of education. For women as individuals, education builds autonomy and self-esteem.

Over the last few decades, the Latin American countries have undoubtedly made substantial progress in expanding educational coverage at the primary level and have also made considerable headway at the secondary and tertiary levels. Much remains to be done, however, particularly in terms of economic, ethnic-racial and geographical inequalities. It is thus clear that the objectives set out in the Beijing Platform for Action, adopted in 1995, are still relevant, especially with regard to the elimination of factors of discrimination that prevent countries from attaining universal education coverage and a 100% rate of primary-school completion among both girls and boys, as well as equal access to secondary and tertiary education for young people of both sexes (strategic objective B.1).

Target 4 of the Millennium Development Goals is therefore to eliminate gender disparity in primary and secondary education, preferably by 2005, and at all levels of education no later than 2015. Four indicators have been established to monitor progress towards this target. This document presents supplementary indicators with which the issue of education can be approached from a gender perspective that is more in tune with regional realities, with a view to adopting policy decisions conducive to genuine gender equity.

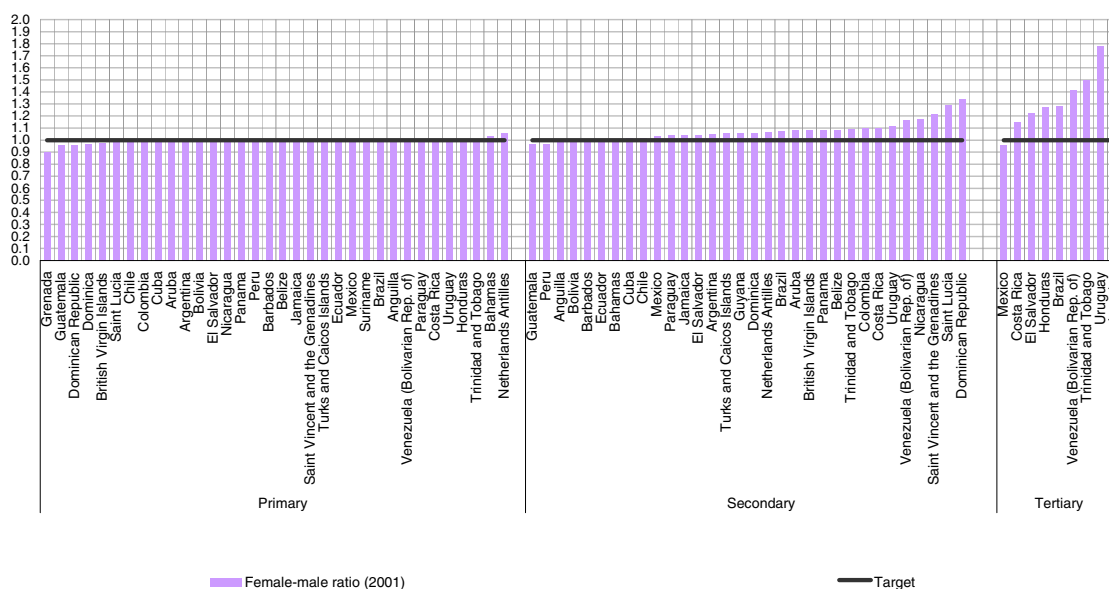
Indicator 9: Ratio of girls to boys in primary, secondary and tertiary education

Available information shows that, except in Guatemala, Grenada and the Dominican Republic, most countries have reached or are close to reaching the target for the ratio of girls to boys in primary education (see figure IV.1). This is the outcome of a trend that was already beginning to take shape in the region in the early 1990s.

Information on the initial years of the current decade (see figure IV.1) shows that, in secondary education, girls' net enrolment rates are higher than boys' in all the countries except Anguilla, Guatemala and Peru, where girls still lag behind in terms of education coverage. Although relatively little information is available on tertiary education, it seems that Mexico is the only country that has not yet reached the target. In the Bolivarian Republic of Venezuela, Brazil, Costa Rica, El Salvador, Honduras, Jamaica, Trinidad and Tobago, and Uruguay, enrolment ratios in tertiary education are highly favourable to young women.

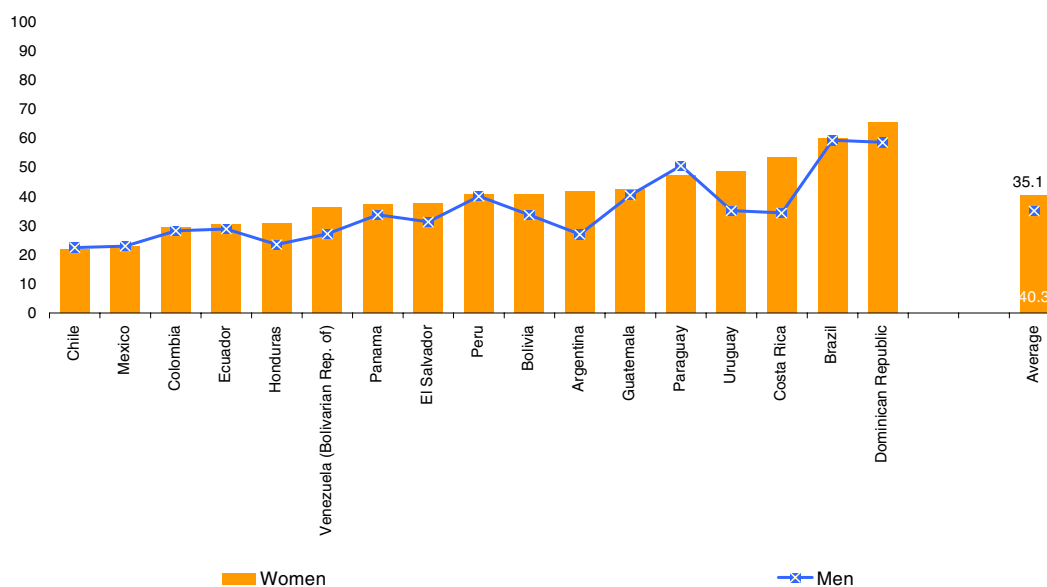
The persistently higher enrolment rates among girls and young women are due to various sociocultural and political phenomena. These include women's introjection of the discourse of "meritocracy", or the idea that the improvement of their current situation and of their future employment prospects depends on personal effort. Moreover, qualitative research has documented the protective role played by schools, especially for poor girls whose parents prefer to keep them in school as a means of protecting them from violence and other dangers encountered on the street. In addition, education seems to be more compatible with women's work schedules (at home or in paid employment) than it is with men's, given that 40.3% of economically active young women between the ages of 15 and 19 (regional average for urban areas) attend an educational institution, compared to only 35% of young men in this category (see figure IV.2).

Figure IV.1
LATIN AMERICA AND THE CARIBBEAN: NET ENROLMENT IN PRIMARY AND SECONDARY EDUCATION AND GROSS ENROLMENT IN TERTIARY EDUCATION, FEMALE-MALE RATIO, 2001 SCHOOL YEAR



Source: UNESCO Institute for Statistics (UIS) [online] (<http://www.uis.unesco.org>).

Figure IV.2
LATIN AMERICA (17 COUNTRIES): SCHOOL ATTENDANCE AMONG THE ECONOMICALLY ACTIVE POPULATION AGED 15-19, BY SEX, URBAN AREAS, AROUND 2002
(Percentages)

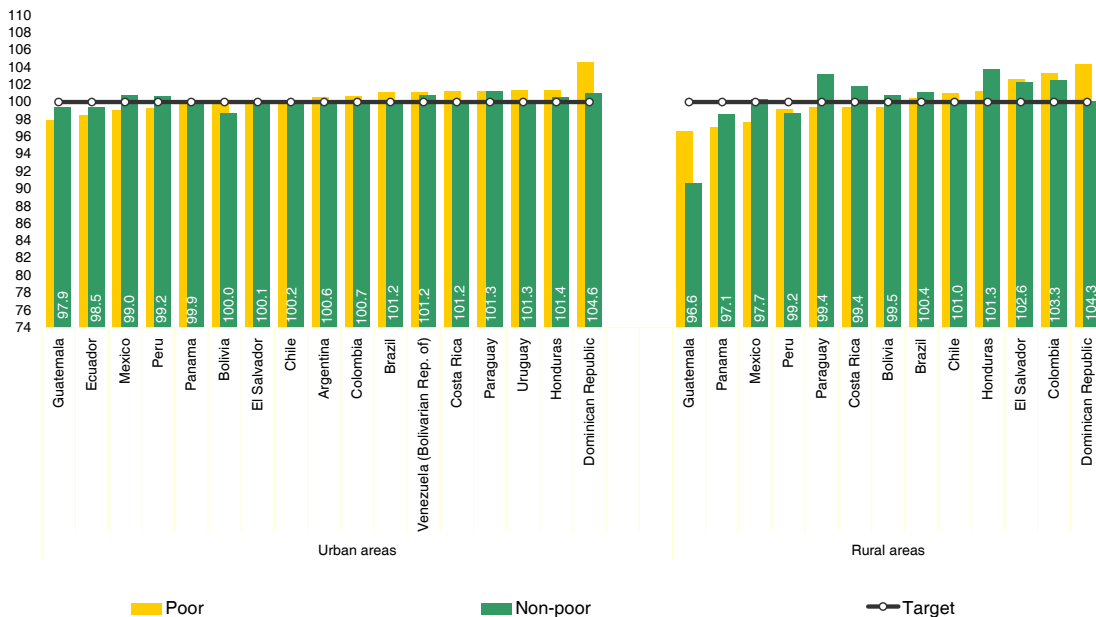


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of special tabulations of data from household surveys conducted in the respective countries.

(a) Disparities in educational achievement

Despite the progress made in the region, some countries have yet to achieve equity in school attendance among children aged 6 to 12. This indicator, used as a proxy for primary education coverage, shows that although girls from non-poor households have achieved parity, this target remains a challenge for some girls from poor households, especially in rural areas (see figure IV.3). Poor girls from urban areas of Guatemala and Ecuador still have lower attendance rates than their male counterparts. In rural areas of Guatemala and Panama, the rate for all girls in this age group (poor and non-poor alike) is still below the figure for boys, while in Mexico the target has been achieved only among non-poor children.

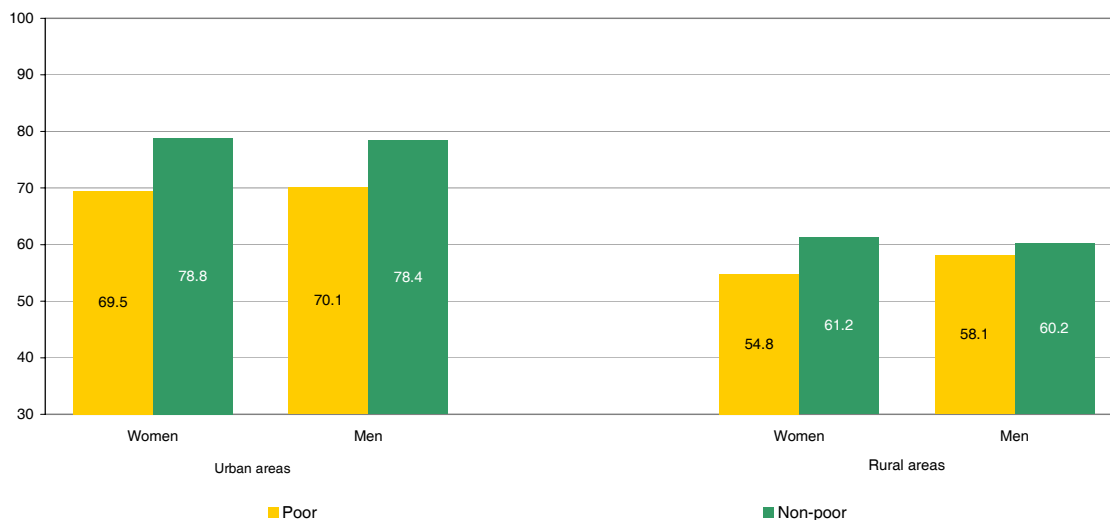
Figure IV.3
LATIN AMERICA (17 COUNTRIES): RATIO BETWEEN SCHOOL ATTENDANCE RATES AMONG GIRLS AND BOYS AGED 6 TO 12, BY POVERTY STATUS AND AREA OF RESIDENCE, AROUND 2002
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of special tabulations of data from household surveys conducted in the respective countries.

A similar pattern is observed in school attendance rates among 13- to 19-year-olds (a proxy for secondary education coverage), which vary depending on whether the young people in question are from poor or non-poor households or from rural or urban areas. In rural areas, only 55% of poor girls and 58% of poor boys attend school (see figure IV.4). The gender gap widens when it overlaps with other critical inequalities related to socio-economic group and geographical location. Attendance rates among young women from poor rural households trail the rates of their non-poor counterparts by 6.5 percentage points, but the gap widens to 24 percentage points when these rates are compared to those of non-poor women in urban areas.

Figure IV.4
LATIN AMERICA (SIMPLE AVERAGES FOR URBAN AREAS IN 16 COUNTRIES AND RURAL AREAS IN 13 COUNTRIES):^a SCHOOL ATTENDANCE AMONG 13- TO 19-YEAR-OLDS, BY SEX, POVERTY STATUS AND GEOGRAPHICAL AREA, AROUND 2002
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of special tabulations of data from household surveys conducted in the respective countries.

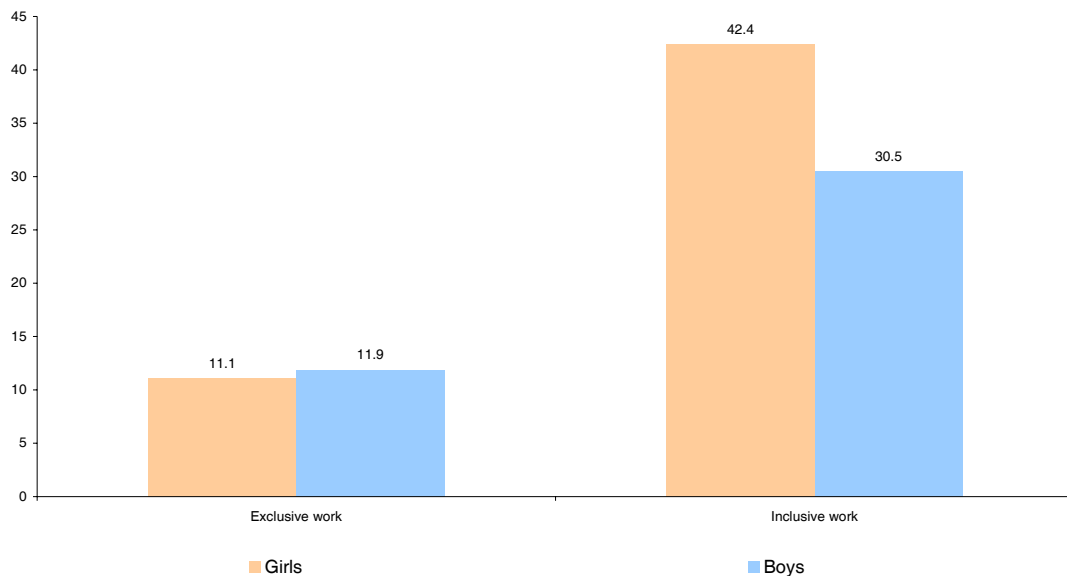
^a Urban areas: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Panama, Paraguay, Peru and Uruguay.
 Rural areas: Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Mexico, Panama, Paraguay and Peru.

(b) Education quality

Above and beyond the achievement of parity in educational coverage, the goal of equality between girls and boys also calls for eliminating the discrimination that arises when family responsibilities and child labour, including unpaid labour, reduce girls' opportunities to attend school. In addition, it is necessary to overhaul teaching methods and curricula that explicitly or implicitly "teach" children and adolescents different social rules, models and expectations for each gender.

In this connection, one problem that has yet to be sufficiently analysed is the difference between boys' and girls' repetition and drop-out rates, especially among the poorest groups. In Peru, for instance, the percentages of 7- to 11-year-old schoolchildren who have repeated at least one grade are 34% and 38% for girls and boys, respectively (Bravo, 2004). This is partly the result of cultural mandates linked to gender socialization and the early establishment of the sexual division of labour within the home, which affect learning outcomes. While girls often have problems at school because of the family responsibilities they are expected to assume, boys who fall behind or drop out usually do so because they have taken on paid employment. This is highly significant, since the narrow definitions normally applied to work in general and child labour in particular include only market-oriented work and ignore the impact of household work. Figures for Bolivia, for instance, show that the percentage of child workers is considerably higher if unremunerated household chores are included in the definition of work (see figure IV.5).

Figure IV.5
BOLIVIA (2001): GIRLS AND BOYS AGED BETWEEN 7 AND 14 WHO WORK^a
(Percentages)



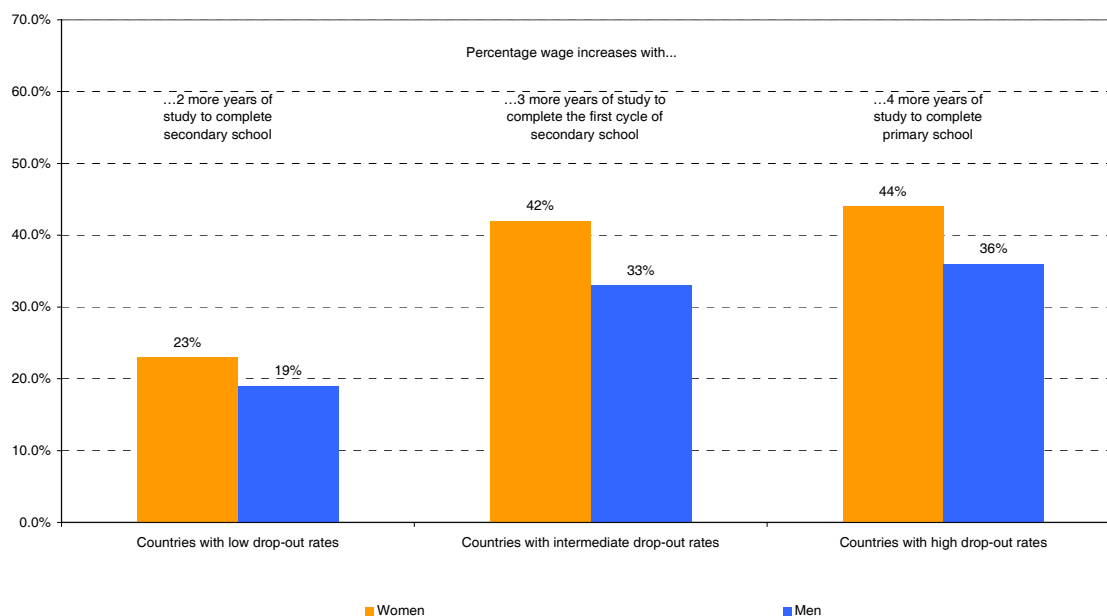
Source: Household survey in Bolivia, 2001.

^a The figure shows the percentages of girls and boys who work more than 20 hours a week. “Exclusive” or narrowly-defined work includes only market-oriented work, and “inclusive” or broadly-defined work includes both market-oriented and household work.

It should also be borne in mind that, although drop-out rates are higher among boys and young men, dropping out has a stronger economic impact on women. An analysis by gender of the amount of labour income forgone by school drop-outs shows that the loss is greater for women than it is for men. In countries with high drop-out rates, for instance, female drop-outs’ income would have been about 44% higher if they had completed four or more years of schooling to finish primary education, whereas male drop-outs’ income would have been only 36% higher (see figure IV.6).

In primary education, school textbooks and teaching practices are extremely important. Although nearly all the countries of the region have been striving to eliminate sexism from school texts and teaching materials since the early 1990s, these materials still contain stereotypes that have a negative effect on girls’ identity and how they perceive themselves, as the role models presented in the technical and political spheres are almost exclusively male, while little reference is made to women’s human rights and still less to their contributions to the development of the community and society (Rico, 1996).

Figure IV.6
LATIN AMERICA (17 COUNTRIES): LABOUR INCOME FORGONE BY SCHOOL DROP-OUTS, BY SEX AND GROUPS OF COUNTRIES,^a AROUND 1999
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), *Social Panorama of Latin America, 2001-2002 edition* (LC/G.2183-P), Santiago, Chile, 2002. United Nations publication, Sales No. E.02.II.G.65.

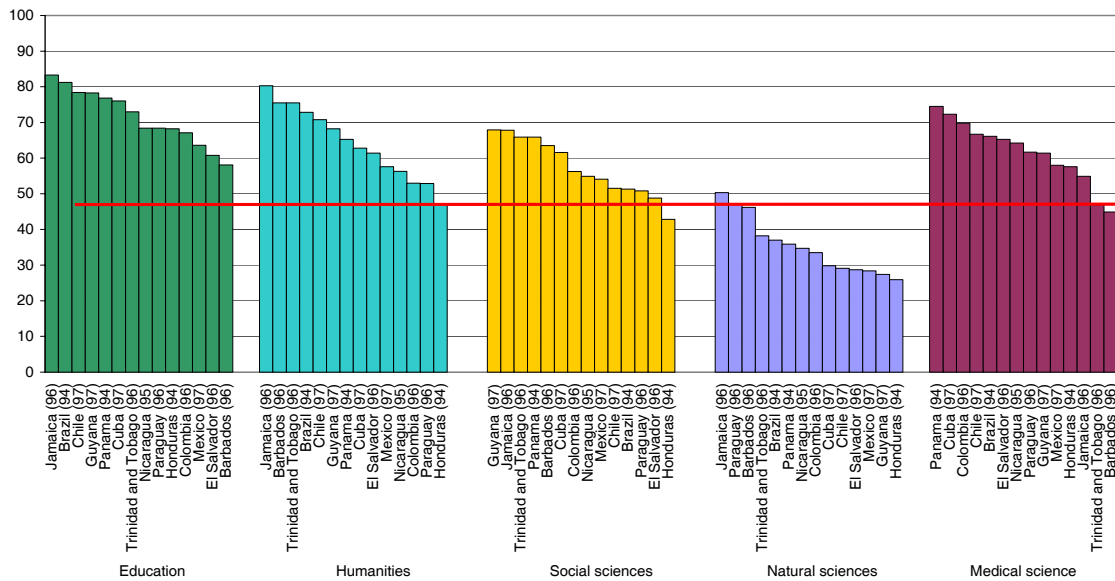
^a Countries with low drop-out rates: Argentina, Bolivia, Chile, Colombia, Panama and Peru.
 Countries with intermediate drop-out rates: Bolivarian Republic of Venezuela, Costa Rica, Ecuador, Mexico, Paraguay and Uruguay.
 Countries with high drop-out rates: Brazil, El Salvador, Guatemala, Honduras and Nicaragua.

(c) Education's relevance to the world of work

At the secondary level, when students are first provided with professional and vocational guidance, educational content is not usually adapted to the demands of the production system, newly emerging economic conditions or the information society. The teaching of girls is still influenced by traditional stereotypes of women and of the kind of work considered appropriate for them. This tends to perpetuate the sexist inertia of the educational system.

An analysis of the situation of young women who enter tertiary education (universities or technical colleges) shows that they continue to be concentrated in what have traditionally been seen as "feminine" subject areas or those considered most appropriate for women (see figure IV.7). This raises questions about the career guidance provided to young men and women and about education quality in its broadest sense. It also highlights the need to encourage women to undertake studies related to contemporary scientific and technological change and progress. The fact that women prefer and are encouraged to study certain subjects lessens the impact of their high rates of participation in the educational system. This shows that it is not enough to give girls equal access to education; it is also vital to reorient their participation, for the benefit of women themselves and of society as a whole.

Figure IV.7
**LATIN AMERICA AND THE CARIBBEAN: WOMEN IN DIFFERENT FIELDS
 OF STUDY IN HIGHER EDUCATION,^a AROUND 1995**
 (Percentages)



Source: United Nations Educational, Scientific and Cultural Organization (UNESCO), *Statistical Yearbook 1999*, Paris.

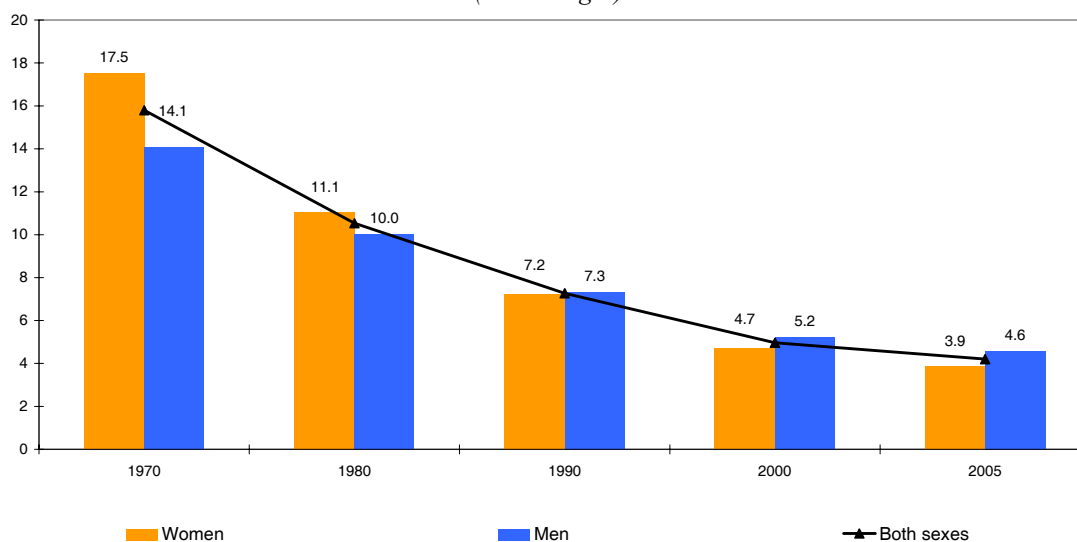
^a The area of natural sciences includes the subjects of natural sciences as such; engineering; mathematics and informatics; architecture and urban planning; transport and communications; business, craft and industrial training; and agriculture, forestry and fishing.

2. The persistence of illiteracy

Indicator 10: Ratio of literate women to men, 15- to 24-year-olds

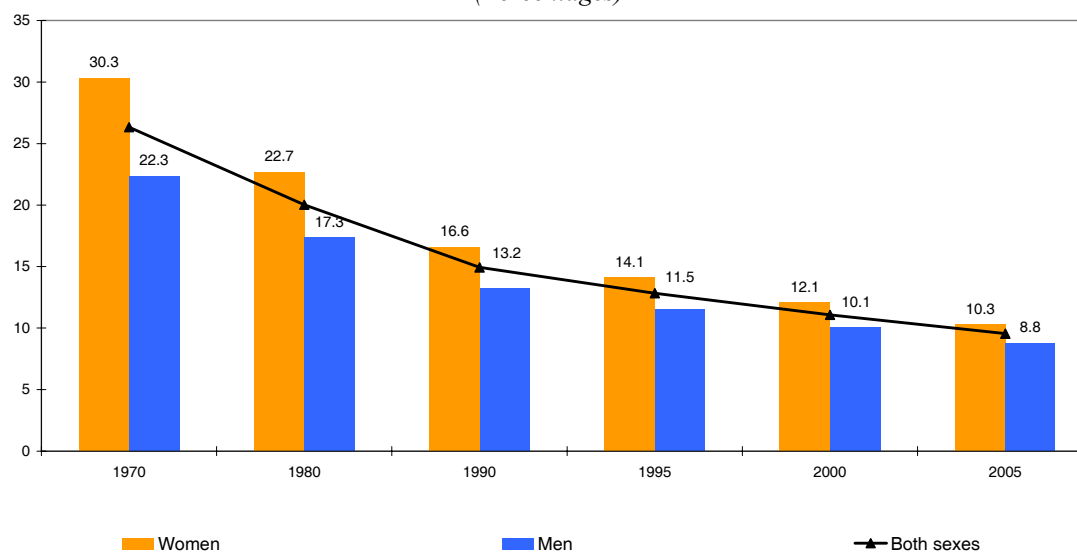
Trends in literacy rates among 15- to 24-year-olds have gradually narrowed the gap that traditionally placed women at a disadvantage. According to UNESCO estimates (www.uis.unesco.org), the pattern may have even reversed itself in 2005, as men's illiteracy rates are estimated to be higher than women's (see figure IV.8). However, if the indicator's coverage is extended to all women over the age of 15, women's illiteracy rates are still higher than men's, indicating that this gap has not been eliminated (see figure IV.9). This underscores the importance of developing illiteracy reduction policies for the over-24 population (particularly women) as well, considering the positive effects that education has on their autonomy and on the well-being of their families and communities. Investment in training and education geared primarily to women yields high economic and non-economic returns in terms of reducing poverty in the beneficiaries' households, improving their productivity, lowering their fertility rates and affording their children a brighter future.

Figure IV.8
**LATIN AMERICA AND THE CARIBBEAN: ILLITERACY RATES AMONG
 15- TO 24-YEAR-OLDS, 1970-2005**
(Percentages)



Source: UNESCO Institute for Statistics (UIS) [online] (<http://www.uis.unesco.org>).

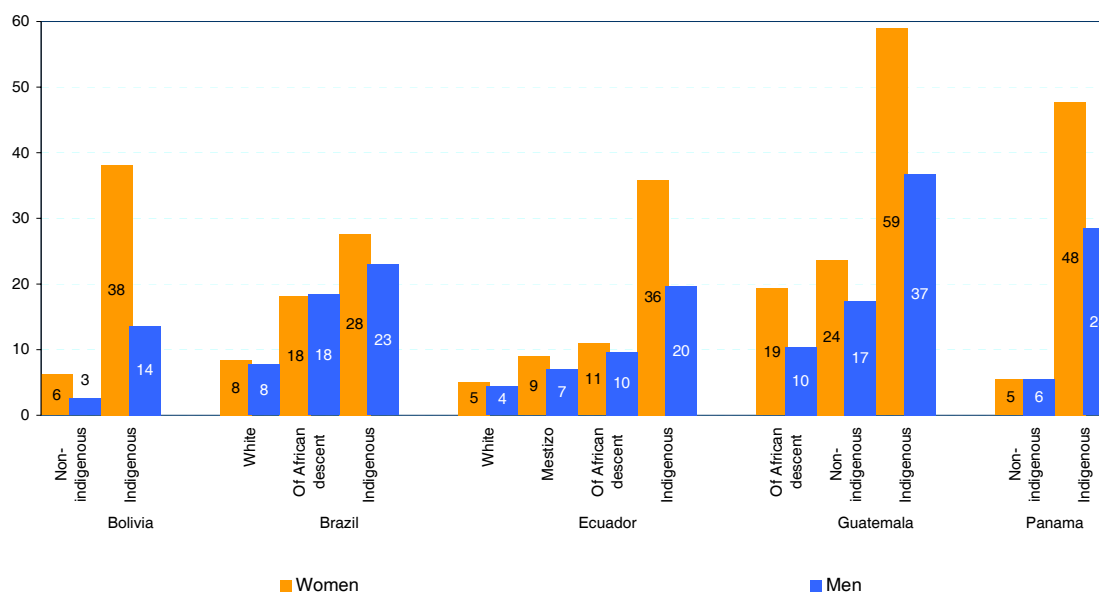
Figure IV.9
**LATIN AMERICA AND THE CARIBBEAN: ILLITERACY RATES IN THE POPULATION
 AGED 15 AND OVER, 1970-2005**
(Percentages)



Source: UNESCO Institute for Statistics (UIS) [online] (<http://www.uis.unesco.org>).

It should also be borne in mind that values based on national or regional averages conceal the particular situations of certain segments of the female population, such as indigenous women, that are subject to other forms of discrimination. According to the most recent census information from five Latin American countries, women who belong to ethnic or racial minorities have higher illiteracy rates than men of the same racial or ethnic background and age group. They also have higher rates than “white” or non-indigenous women (see figure IV.10).

Figure IV.10
LATIN AMERICA (5 COUNTRIES): ILLITERACY RATES IN THE POPULATION AGED 15 AND OVER, BY ETHNIC OR RACIAL GROUP, 2000 CENSUS ROUND
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of special tabulations of data from population censuses taken in Bolivia (2001), Brazil (2000), Ecuador (2001), Guatemala (2002) and Panama (2000).

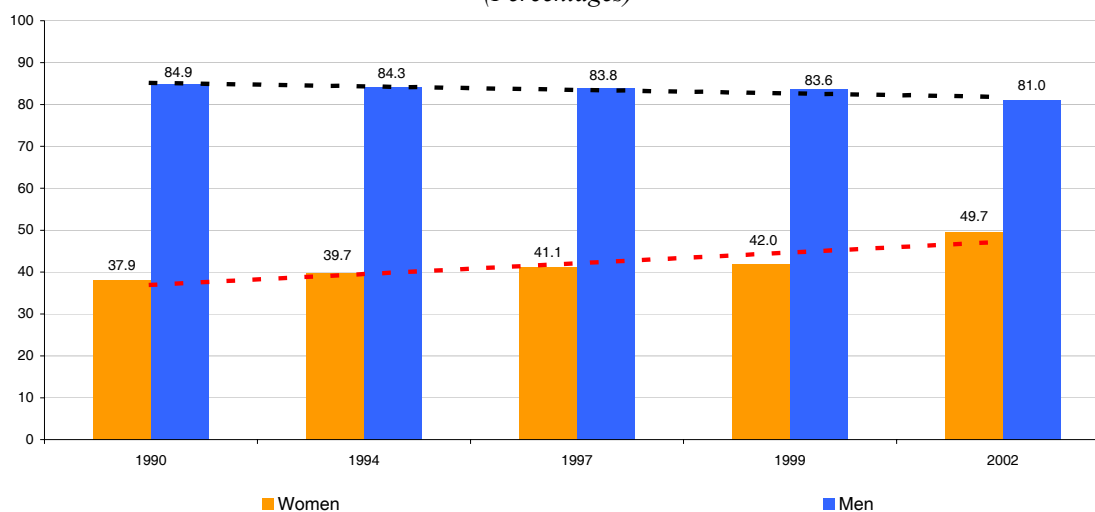
Through literacy programmes, adult women who did not have the benefit of schooling are given the chance to acquire knowledge, advance the process of self-realization and exercise one of their basic rights. Experience shows, however, that when literacy is approached as an end in itself, it does not guarantee the acquisition of the knowledge and technical skills necessary to satisfy basic needs, overcome poverty and improve quality of life.

3. Women and work

Indicator 11: Share of women in wage employment in the non-agricultural sector

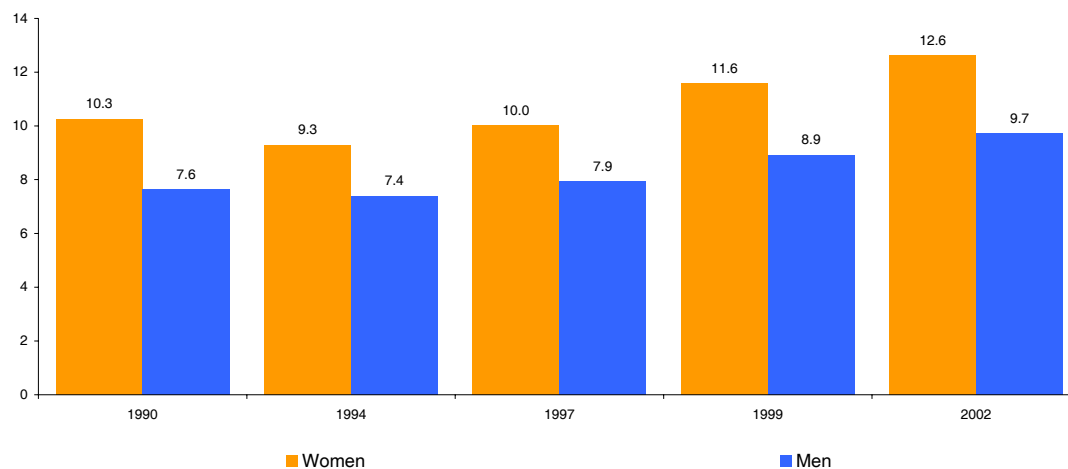
This indicator refers to a crucial aspect of the fight against poverty and gender inequality: the labour-market gap in areas other than agricultural activities. Although the indicator avoids the methodological biases found in information sources on women's employment situation in agricultural activities (United Nations, 1998), poverty and gender inequality should also be studied on the basis of gaps in the urban and rural labour markets and in the sexual division of labour within the family. As shown in figure IV.11, one of the most striking phenomena of the last 20 years is the increase in the economically active female population. This seemingly irreversible trend is the source of a series of cultural, social and economic transformations and has been accompanied by higher unemployment rates for women in both Latin America and the Caribbean (see figures IV.12 and IV.13). In order to understand the contradiction between women's increased availability to engage in paid employment and the actual difficulties they encounter in doing so, it is necessary to analyse the linkages and dynamics of the public and private spheres and, more specifically, the compatibility between productive and reproductive work.

Figure IV.11
LATIN AMERICA: ECONOMIC ACTIVITY RATES, BY GENDER, 1990-2002
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of estimates prepared by the Latin American and Caribbean Demographic Centre (CELADE) - Population Division of ECLAC and special tabulations of data from household surveys conducted in the respective countries.

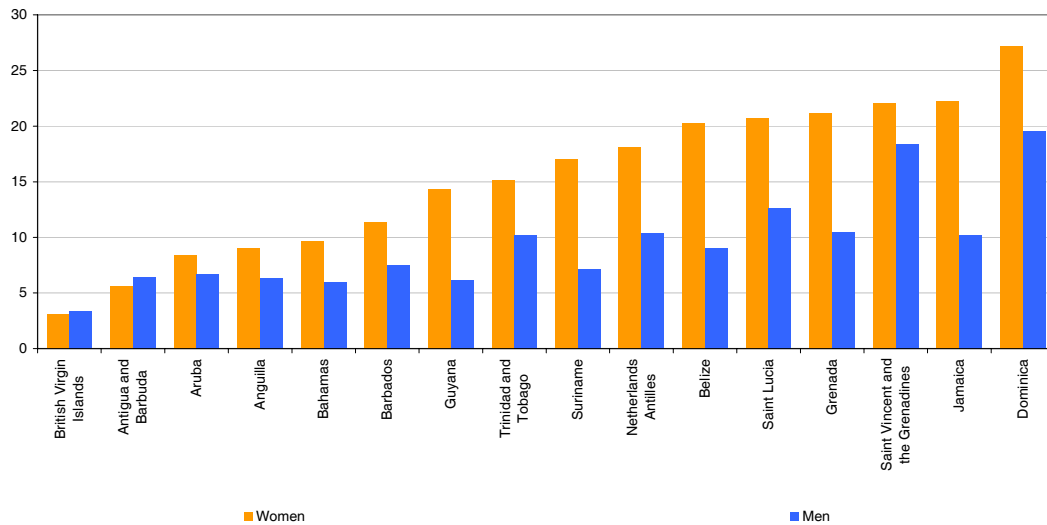
Figure IV.12
LATIN AMERICA (SIMPLE AVERAGE FOR THE COUNTRIES):^a UNEMPLOYMENT RATES AMONG ECONOMICALLY ACTIVE MEN AND WOMEN, URBAN AREAS, 1990-2002
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of special tabulations of data from household surveys conducted in the respective countries.

^a 1990 (14 countries): Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Panama, Paraguay and Uruguay.
 1994 (13 countries): Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Honduras, Mexico, Panama, Paraguay and Uruguay.
 1997 (14 countries): Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru and Uruguay.
 1999 and 2002 (16 countries): Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru and Uruguay.

Figure IV.13
CARIBBEAN (16 COUNTRIES): UNEMPLOYMENT RATES AMONG ECONOMICALLY ACTIVE MEN AND WOMEN, AROUND 2000
(Percentages)

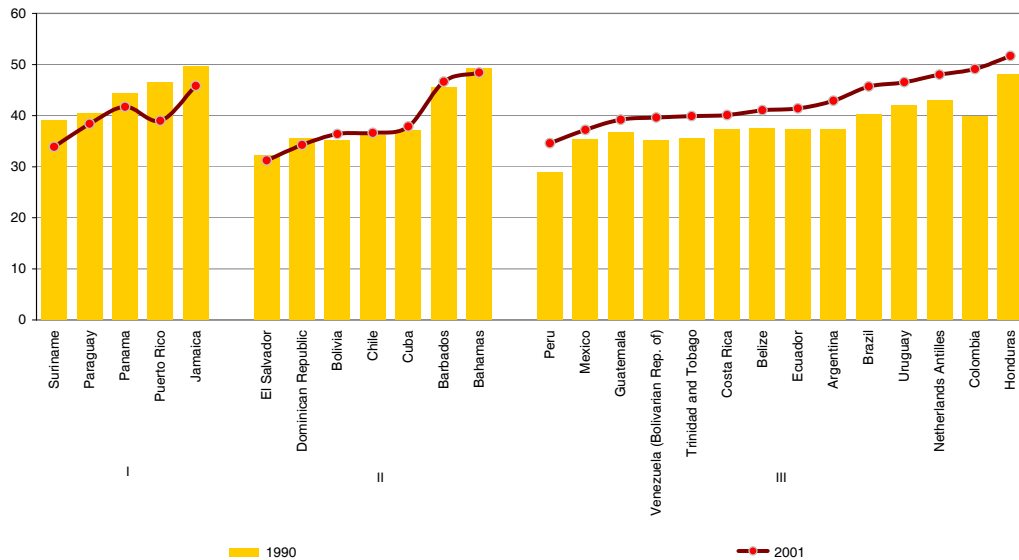


Source: International Labour Organization (ILO), Subregional Office for the Caribbean.

The composition by sex of the population employed in the non-agricultural sector has not undergone any significant changes over the last decade in the Latin American and Caribbean countries, although the share accounted for by women varies widely between countries (in 2001, it ranged from 31.2% in El Salvador to 51.7% in Honduras).

Between 1990 and 2001, varying patterns were observed in different countries (see figure IV.14). The proportion of women increased in 14 out of 26 countries (Group III), remained practically the same in seven countries (Group II) and decreased in five countries (Group I).

Figure IV.14
LATIN AMERICA AND THE CARIBBEAN (26 COUNTRIES): WOMEN ENGAGED IN WAGE EMPLOYMENT IN THE NON-AGRICULTURAL SECTOR, 1990 AND 2001
(Percentages)



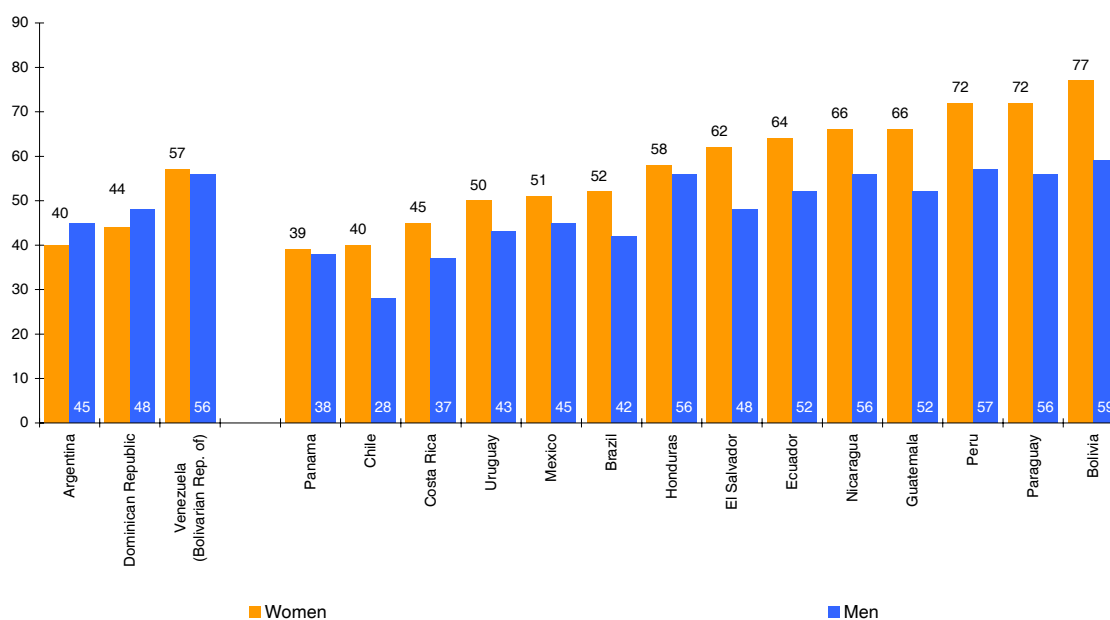
Source: International Labour Organization (ILO).

(a) Labour-force participation

The backdrop for these developments is marked by a growing influx of women into the labour market and their concentration in precarious, poorly paid jobs in low-productivity sectors (see figure IV.15). In 14 of the 17 countries analysed, the proportion of women engaged in low-productivity employment in urban areas was higher than that of men.⁴ Between 1990 and 2002, the gender gap in low-productivity sectors narrowed by only three percentage points, owing mainly to a deterioration in the male population's occupational status (men's share of low-productivity employment went from 43% to 46%, while the figure for women remained constant) (see figure IV.16).

Even though both women and men are negatively affected by the increasing trend towards informal, precarious employment in the region, women's incomes are even lower than men's in both low-productivity employment (in which undereducated women are concentrated) and the types of employment in which more highly educated workers engage (see figures IV.17 and IV.18).

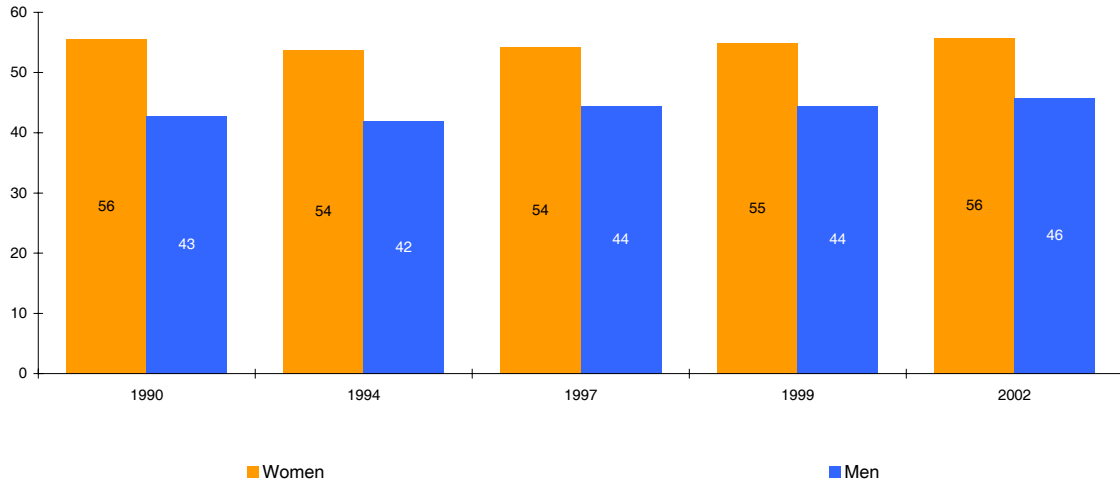
Figure IV.15
**LATIN AMERICA (17 COUNTRIES): FEMALE AND MALE POPULATION EMPLOYED
 IN LOW-PRODUCTIVITY SECTORS OF THE LABOUR MARKET, URBAN AREAS,
 AROUND 2002**
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of special tabulations of data from household surveys conducted in the respective countries.

⁴ In Panama the gender gap is 1.4 percentage points, whereas in Bolivarian Republic of Venezuela it is only 0.2 percentage points. This difference is not represented in the graph because the figures are rounded to the nearest whole number.

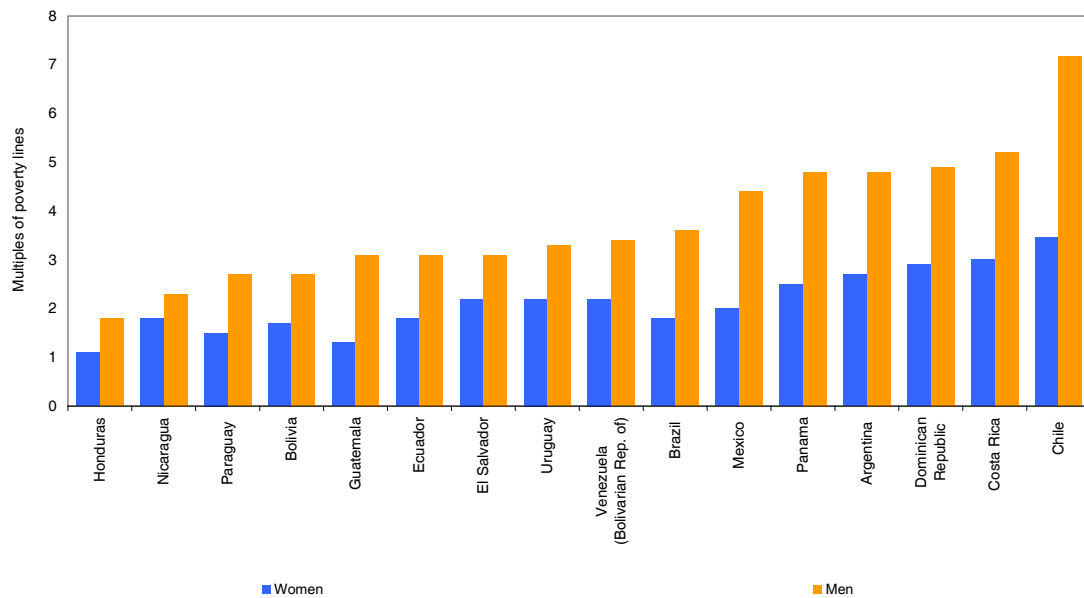
Figure IV.16
LATIN AMERICA (SIMPLE AVERAGE OF 10 COUNTRIES):^a FEMALE AND MALE POPULATION EMPLOYED IN LOW-PRODUCTIVITY SECTORS OF THE LABOUR MARKET, URBAN AREAS, 1990-2002
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of special tabulations of data from household surveys conducted in the respective countries.

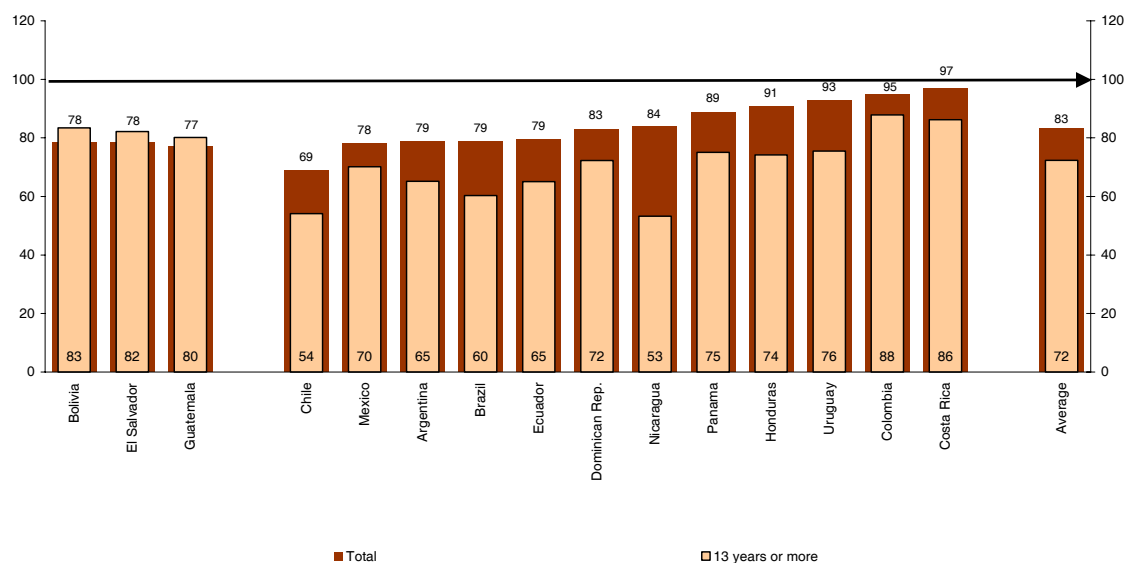
^a Bolivia, Brazil, Chile, Costa Rica, Ecuador, El Salvador, Honduras, Panama, Paraguay and Uruguay.

Figure IV.17
LATIN AMERICA (16 COUNTRIES): AVERAGE INCOME OF WOMEN AND MEN EMPLOYED IN LOW-PRODUCTIVITY SECTORS OF THE LABOUR MARKET, URBAN AREAS, AROUND 2002
(Multiples of the respective per capita poverty lines)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of special tabulations of data from household surveys conducted in the respective countries.

Figure IV.18
LATIN AMERICA (15 COUNTRIES): RATIO BETWEEN WOMEN'S AND MEN'S AVERAGE HOURLY LABOUR INCOME, FOR ALL WORKERS AND FOR THOSE WITH 13 OR MORE YEARS OF EDUCATION, URBAN AREAS, AROUND 2002
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of special tabulations of data from household surveys conducted in the respective countries.

(b) The income gap

Although progress has been made over the past 12 years in narrowing the labour-income gap between men and women, it has been uneven for different categories of workers, grouped according to their levels of education.

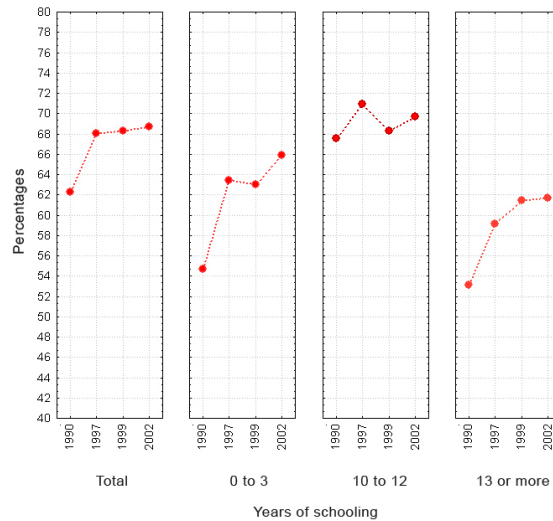
Figures IV.19 and IV.20 show that, in 2002, women's average labour income and average wage income amounted to 69% and 84%, respectively, of the corresponding figures for men. Taking all workers into account, the wage gap narrowed by 14 percentage points between 1990 and 2002, but the labour-income gap narrowed by only 6.5 percentage points. This shows that wage employment, though not easy to obtain, is offering women better opportunities.

In terms of total labour income, the gender gap narrowed among the least educated workers (those with from 0 to 3 years of schooling), as women's labour income as a percentage of men's rose from 55% in 1990 to 66% in 2002. The wage gap also decreased, with women's wage income climbing from 55% of men's in 1990 to 72.3% in 2002, thus reducing the gap by almost 18 percentage points.

The widest gender gap is found among the most highly educated women. In 2002 their labour income and wage income were only 61.7% and 66.2%, respectively, of the corresponding figures for men.

The smallest gender gap is between men and women with from 10 to 12 years of schooling. Women in this group (including both wage-earners and self-employed workers) earn about 70% of men's labour income, while female wage-earners receive 79% of the wage income of their male counterparts. However, progress in reducing the gap has been slow in this group: in 12 years, the labour-income gap narrowed by only 2.1 percentage points and the wage-income gap, by 4 percentage points.

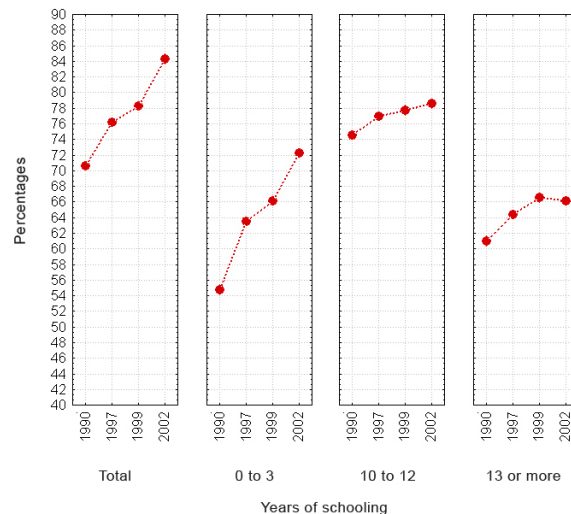
Figure IV.19
**LATIN AMERICA (13 COUNTRIES):^a RATIO BETWEEN WOMEN'S AND MEN'S
 AVERAGE LABOUR INCOME, URBAN AREAS, 1990-2002**
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of special tabulations of data from household surveys conducted in the respective countries.

- ^a 1990 (11 countries): Argentina (greater Buenos Aires), Bolivia, Chile, Colombia, Costa Rica, Ecuador, Honduras, Mexico, Panama, Paraguay (Asunción) and Uruguay.
 1997, 1999 and 2002 (13 countries): Argentina (greater Buenos Aires), Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Honduras, Mexico, Panama, Paraguay (Asunción) and Uruguay.

Figure IV.20
**LATIN AMERICA (13 COUNTRIES):^a RATIO BETWEEN WOMEN'S AND MEN'S
 AVERAGE WAGE INCOME, URBAN AREAS, 1990-2002**
(Percentages)



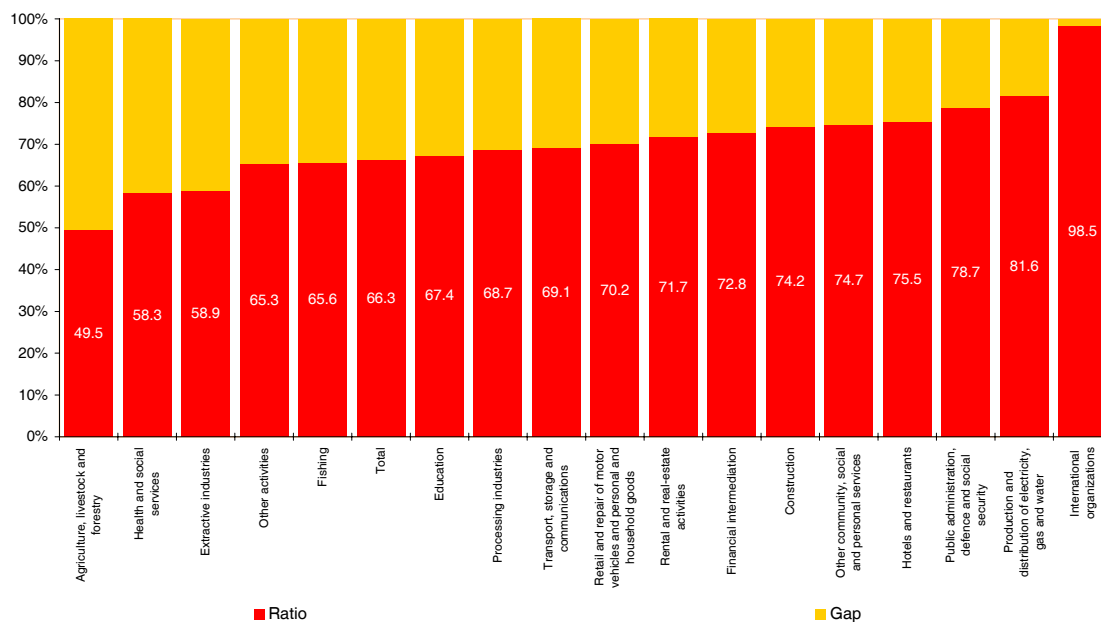
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of special tabulations of data from household surveys conducted in the respective countries.

- ^a 1990 (11 countries): Argentina (greater Buenos Aires), Bolivia, Chile, Colombia, Costa Rica, Ecuador, Honduras, Mexico, Panama, Paraguay (Asunción) and Uruguay.
 1997, 1999 and 2002 (13 countries): Argentina (greater Buenos Aires), Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Honduras, Mexico, Panama, Paraguay (Asunción) and Uruguay.

Gender wage gaps result from many different forms of discrimination. These include education-related factors (despite considerable progress in this area), working hours (as most part-time workers are women), occupational segmentation (brought about in part by obstacles linked to family obligations), gender stereotypes, traditional gender roles and work experience. For many women, the work experience they accumulate is influenced by their reproductive cycle, although fewer and fewer women leave the labour market when they have children.

To identify the factors that give rise to these disparities, data from Brazil's 2000 census round were analysed. In a subsample of the population surveyed, respondents were asked about income and other labour-related variables. The data show that women are indeed subject to discrimination, since they receive less income than men in every sector and branch of economic activity (see figure IV.21).

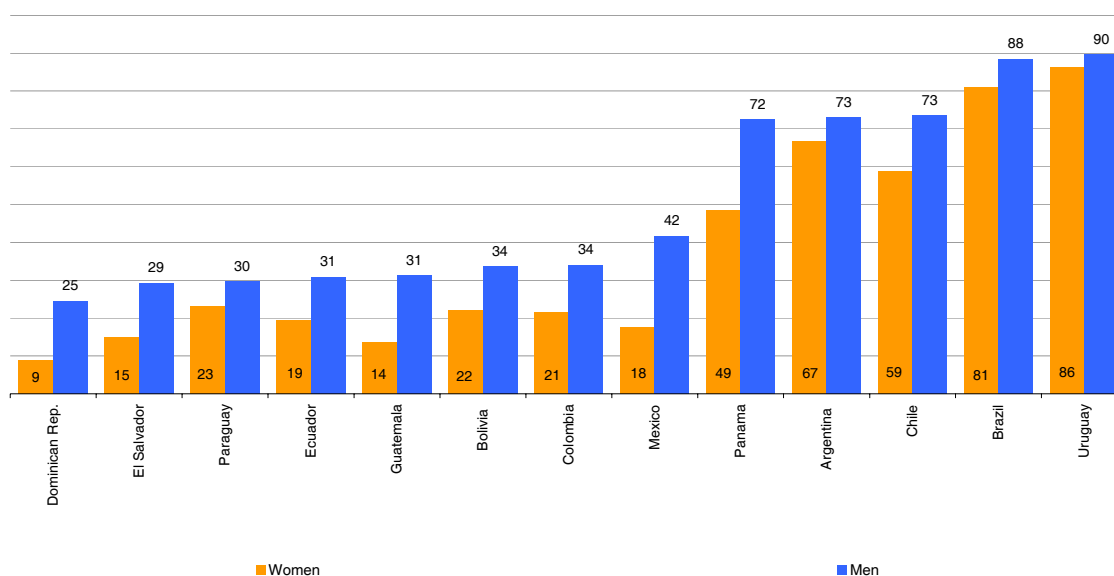
Figure IV.21
BRAZIL (2000): RATIO BETWEEN WOMEN'S AND MEN'S AVERAGE LABOUR INCOME AMONG WORKERS AGED 30 TO 39, WITH 15 OR MORE YEARS OF EDUCATION, WORKING 40 HOURS PER WEEK, BY BRANCH OF ACTIVITY, NATIONWIDE TOTAL
(Percentages)



Source: Jorge Rodríguez, "Pobreza, ingresos y género usando los censos de la ronda de 2000", paper presented at the Meeting of Experts on Poverty and Gender Issues, Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC), 12 and 13 August 2003, unpublished.

This set of inequalities accumulates over time, as is indicated by the lesser degree of social protection enjoyed by older women. Even though women make up the majority of the older adult population, they are a minority among retirement or other pension recipients (see figure IV.22); when they do collect such benefits, they receive a smaller proportion than men.

Figure IV.22
LATIN AMERICA (13 COUNTRIES): POPULATION AGED 65 OR OVER RECEIVING RETIREMENT OR OTHER PENSION BENEFITS, URBAN AREAS, AROUND 2002
(Percentages)



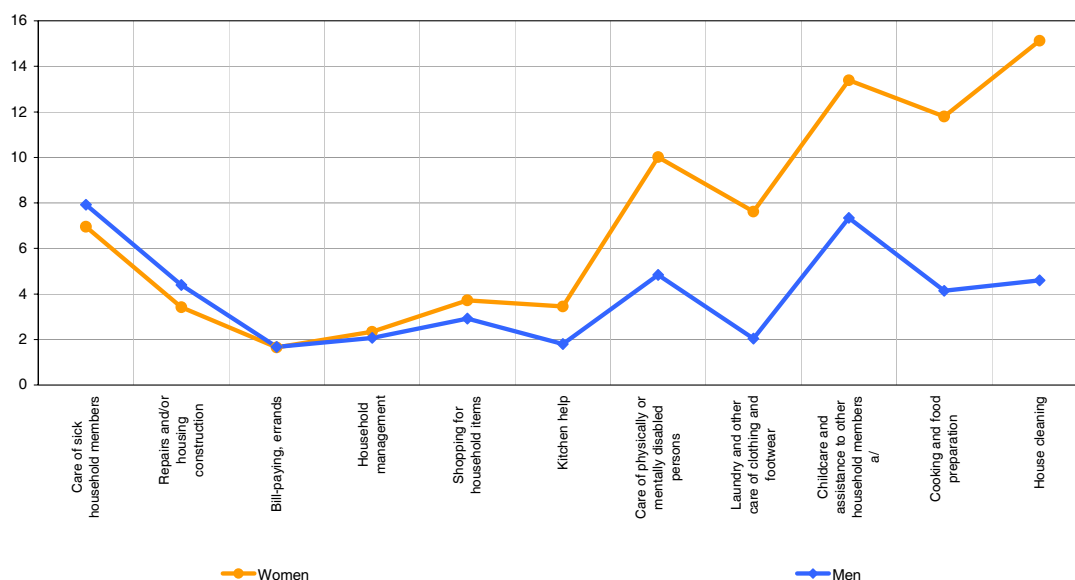
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of special tabulations of data from household surveys conducted in the respective countries.

In Latin America and the Caribbean, transformations in the labour market and women's educational achievements have not been matched by changes in the distribution of family responsibilities. This places the region on a par with other regions where women have the primary responsibility for unpaid household work and caregiving activities. The case of Mexico illustrates a fundamental aspect of the sexual division of labour within the family, as the proportion of women who perform household activities is greater than the proportion of men, and women spend more time on such activities than men (see figure IV.23). Women are in charge of shopping, cooking, caring for disabled persons, laundry and other clothing care, childcare, food preparation and house cleaning, whereas men's household activities consist mainly of paying bills, making repairs and caring for sick persons.⁵

An analysis of the labour market is hampered by the bias associated with the practice of confining the definition of work to gainful employment or labour, thereby excluding the many women who engage in unpaid household work and who, for that reason, are not participating in the labour market. In other words, women who are working within the household without pay or recognition are considered "inactive". Figure IV.24 shows how few men engage in unpaid household work as their principal activity.

⁵ In Mexico, it is actually quite unusual for men to care for people who are sick or mentally or physically disabled. This suggests that the number of cases in the sample is not statistically representative (INEGI, 2002).

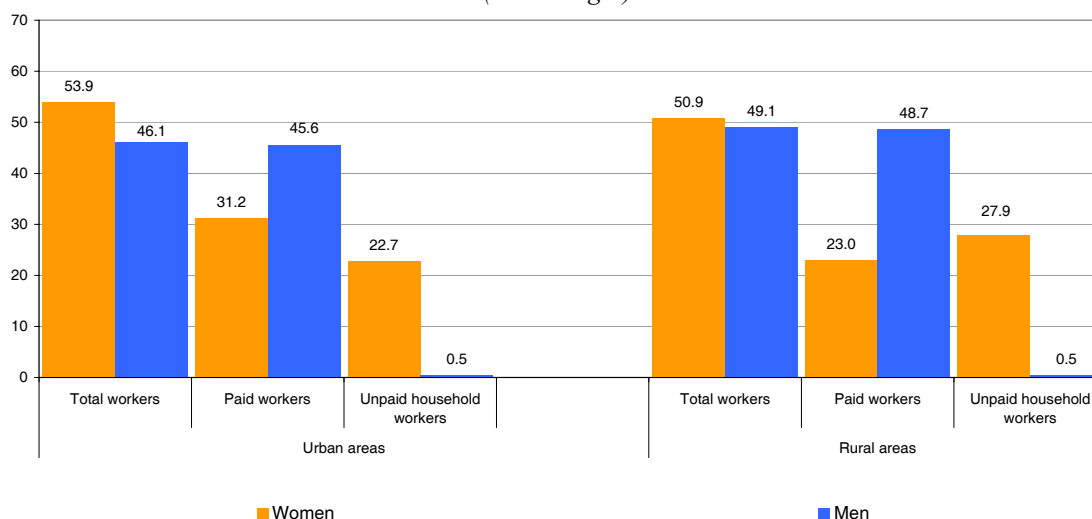
Figure IV.23
MEXICO (2002): WEEKLY HOURS SPENT ON HOUSEHOLD ACTIVITIES BY HOUSEHOLD MEMBERS AGED 12 OR OVER, BY GENDER AND TYPE OF ACTIVITY, NATIONWIDE TOTAL
(Averages)



Source: National Institute of Statistics, Geography, and Information (INEGI), National time-use survey, Mexico City, 2002 (http://www.inegi.gob.mx/est/contenidos/espanol/sistemas/enut2002/datos/2tema/enut02_2_32.xls).

^a Activities that can be carried out at the same time as other activities.

Figure IV.24
LATIN AMERICA (WEIGHTED AVERAGE OF URBAN AREAS IN 15 COUNTRIES AND RURAL AREAS IN 12 COUNTRIES):^a TOTAL WORKERS, PAID WORKERS AND UNPAID HOUSEHOLD WORKERS, AROUND 2002
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of special tabulations of data from household surveys conducted in the respective countries.

^a Urban areas: Argentina, Bolivia, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay and Uruguay.
 Rural areas: Bolivia, Chile, Colombia, Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama and Paraguay.

Lastly, it should be emphasized that, in almost all the countries, the situation of most Afro-descendent and indigenous women has been seriously exacerbated by the existence of multiple and mutually reinforcing types of discrimination, which mainly take the form of violations of economic, social and cultural rights (see box IV.1 and figure IV.25).

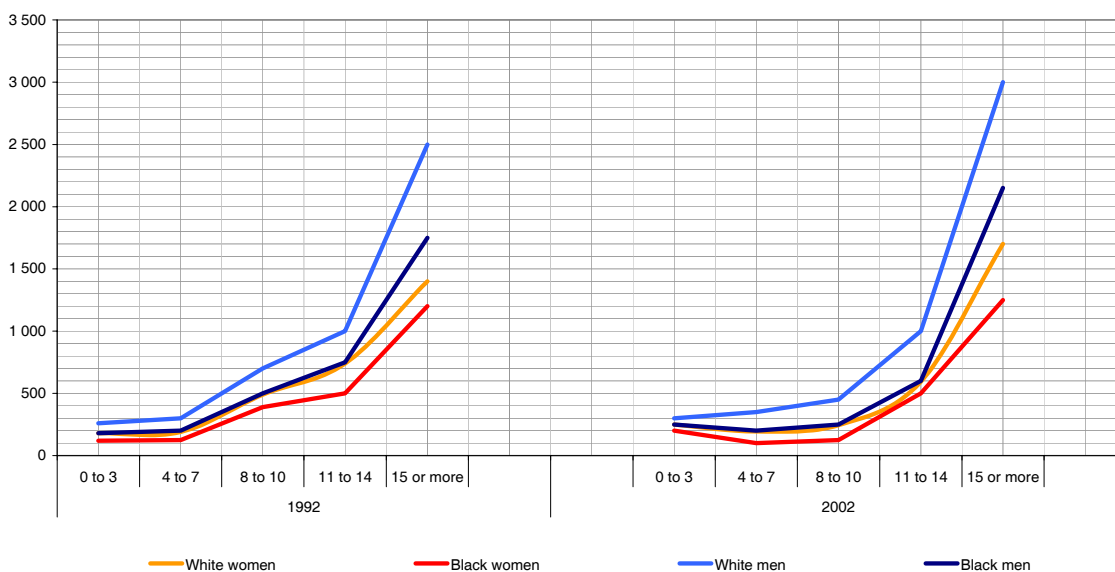
Box IV.1 POVERTY, RACE AND GENDER IN BRAZIL

In Brazil in 2001, 62% of the white population was living above the poverty line, as compared to 37.5% of the population of African descent. People of African descent account for 61% of the poor population and 71% of the indigent population. Disaggregated by sex, the data show that the shares represented by women and men in poor, indigent and non-poor families closely reflect the proportion of each sex in the total population. In other words, there are more women than men in each racial group, except among people of African descent, and there are also more poor women than poor men. In 2001, women of African descent accounted for 30.9% of the poor population, while the figure for men of African descent was 30.2%. The proportions of indigent women and men who are of African descent are very similar (22% and 21.6%, respectively) (Pereira de Melo, 2004). In addition, there are considerable gaps between women of different races. Some 22% of women of African descent are indigent, as against only 8% of white women.

Gender and race combine to determine the living conditions of women of African descent. Their average monthly labour income is 32% of the average for white men. Women in general earn 66% of what men earn, while the income earned by all workers of African descent (of both sexes) is only 50% of that earned by their white counterparts (Abramo, 2003). Of the entire population of African descent, barely 2% enter university, and only 3% of women of African descent have 15 or more years of schooling, as compared to 12% of white women. The earnings gap between whites and people of African descent (of both sexes) is wider than the earnings gap between women and men. This changes if the number of years of schooling is taken into account: when population groups with similar levels of education are compared, white women are at a greater disadvantage than men of African descent. Thus, women of African descent are subject to double discrimination. Those who have 11 to 14 years of schooling receive 39% of the hourly pay earned by white men in the same category (Abramo, 2003).

Source: United Nations, *Treaty Series. Cumulative Index*, No. 25, New York, 1999.

Figure IV.25
**BRAZIL: PAY LEVELS BY SEX, ETHNIC GROUP AND YEARS OF SCHOOLING,
1992 AND 2002**



Source: Laís Abramo, *Desigualdades e discriminação de gênero e raça no mercado de trabalho brasileiro*, International Labour Organization (ILO), August 2003; Hildete Pereira de Melo, “Gênero e pobreza no Brasil”, paper presented in the framework of the project “Democratic governance and gender equality in Latin America and the Caribbean”, Rio de Janeiro, Special Secretariat for Women’s Policies (SPM)/Economic Commission for Latin America and the Caribbean (ECLAC).

4. Women's political participation

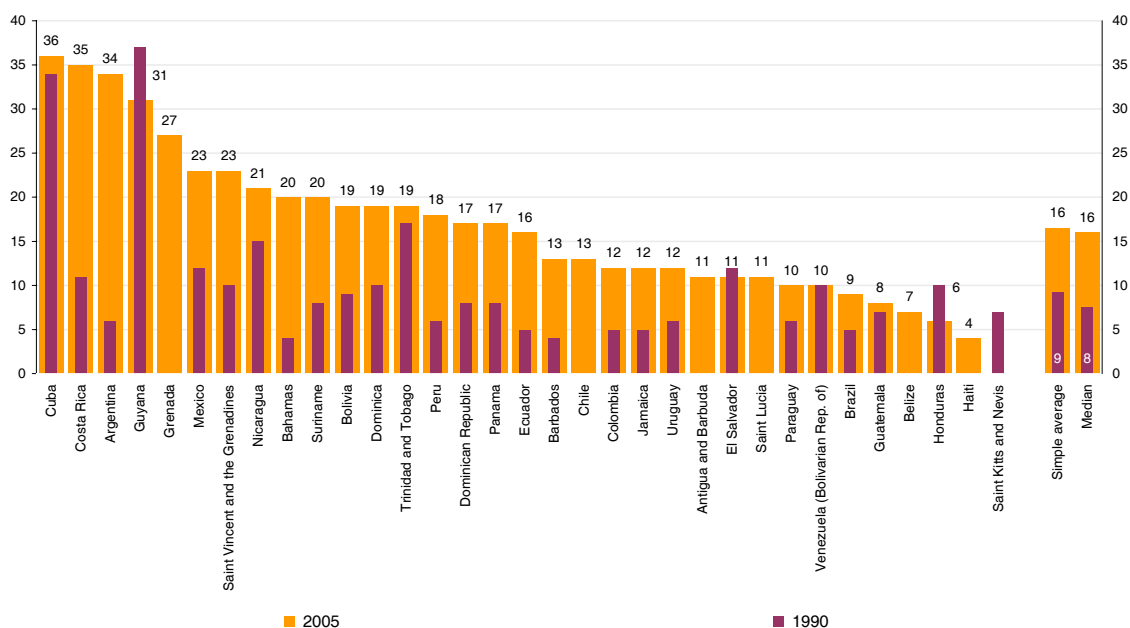
Indicator 12: Proportion of seats held by women in national parliaments

Women's presence in national parliaments attests to wider processes of participation in various decision-making spheres. This indicator mirrors a phenomenon observed in other State institutions such as the judicial branch (where the figures are even more negative in all the countries), in local governments such as municipalities and in the upper ranks of business, trade unions and academia (see figure IV.26).

The increase in women's parliamentary representation in the region is linked to the adoption of affirmative-action measures and systems of proportional representation. In fact, the situation prevailing today is the fruit of explicit affirmative-action policies known as quota laws. A study by Bareiro and others (2004) indicates that the following countries have such quota laws: Argentina and Costa Rica, where women account for more than 20% of parliamentarians; Bolivia, Dominican Republic, Ecuador, Mexico and Peru (between 10% and 20%); and Brazil, Panama and Paraguay (up to 10%). ECLAC has argued that, in order for quotas to have the desired effect, they must be: (i) well suited to the electoral system and enshrined in law; (ii) well regulated; and (iii) actively enforced by the election authority. These three conditions have been met in countries such as Argentina, Costa Rica and Mexico, where a quantitative leap has been observed in women's participation. In some countries, such as the Bolivarian Republic of Venezuela, quotas were repealed after having been in force for a short time. Paraguay's 20% quota applies only to primary elections held by political parties to choose their candidates (see figure IV.27).⁶

Figure IV.26

LATIN AMERICA AND THE CARIBBEAN (33 COUNTRIES): WOMEN IN THE LEGISLATIVE BRANCH OF GOVERNMENT, 1990 AND 2005 (Percentages)

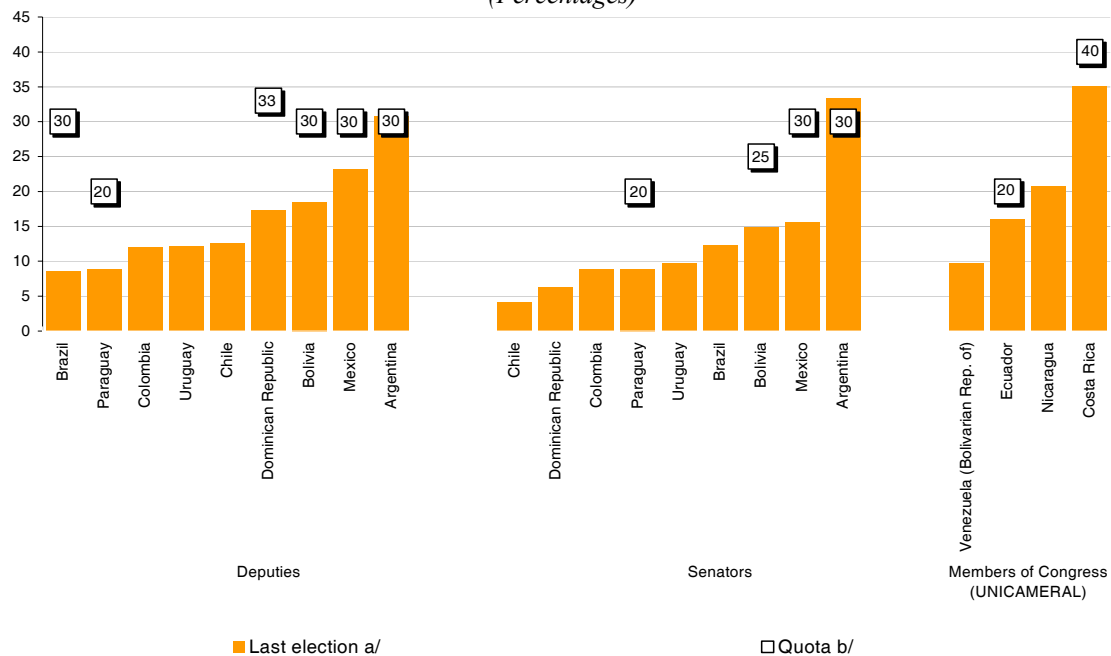


Source: Inter-Parliamentary Union, *Women in National Parliaments* [online] (www.ipu.org/wmn-e/world.htm).

Note: The figures shown refer to the percentage of women in lower or single houses of parliament.

⁶ ECLAC project on democratic governance and gender equality in Latin America and the Caribbean.

Figure IV.27
LATIN AMERICA (SELECTED COUNTRIES): WOMEN IN THE LEGISLATIVE BRANCH OF GOVERNMENT, AROUND 2000-2002
 (Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data from *Women and Power in the Americas* (www.thedialogue.org), Inter-Parliamentary Union (www.ipu.org) and International Institute for Democracy and Electoral Assistance (www.idea.int).

^a Uruguay (1999), Bolivarian Republic of Venezuela (2000), Argentina (2001), Chile (2001), Nicaragua (2001), Bolivia (2002), Brazil (2002), Colombia (2002), Costa Rica (2002), Dominican Republic (2002), Paraguay (2003).

^b The Bolivarian Republic of Venezuela, Chile, Colombia, Nicaragua and Uruguay have no quota laws.

5. Violence against women: a human-rights and development issue

The complementarity between the Millennium Development Goals and the gender equality agenda is brought out by an analysis of strategic objectives such as the eradication of violence and the positive effects this has on poverty reduction and equity.

The Declaration on the Elimination of Violence against Women defines this phenomenon as any act of gender-based violence that results in, or is likely to result in, physical, sexual or psychological harm or suffering to women, including threats of such acts, coercion or arbitrary deprivation of liberty, whether occurring in public or in private life (United Nations, 1993). The Inter-American Convention on the Prevention, Punishment and Eradication of Violence against Women (OAS, 1994) affirms that violence against women constitutes a violation of their human rights and fundamental freedoms, and impairs or nullifies the observance, enjoyment and exercise of such rights and freedoms. The Convention also asserts that violence against women is a manifestation of the historically unequal power relations between women and men.

Although there are myriad manifestations of violence against women, it has been internationally recognized that domestic and sexual violence (which is most often perpetrated by the victim's spouse or partner) is one of the most common forms of such violence, has the most serious consequences and is the one to which women are most vulnerable. Accordingly, intimate partner violence against women is one of the most extreme manifestations of gender inequality and one of the main barriers to women's empowerment.

Gender-related violence based on the perceived social inferiority of women makes it impossible for women to build their capacities and exercise their rights. Women who are the victims of such violence cannot escape from poverty, as they are subjected to degrading relationships that undermine their standing in both the private and public spheres, thereby making them vehicles for the intergenerational transmission of poverty.

The Pan American Health Organization (PAHO) has reported that one out of every three women in the Americas is a victim of violence. Some 33% of the women surveyed reported that they had been sexually abused, and 45% said that they had been threatened by their spouse or partner. Although the information available on this subject is limited, table IV.1 shows that, in a sample consisting of five countries, the percentage of women between the ages of 15 and 49 who suffer or have suffered physical violence at the hands of a spouse or partner ranges from 18.2% in Haiti to 41.2% in Peru, whereas the proportion who have suffered sexual violence ranges from 6.4% in the Dominican Republic to 17% in Haiti.

The effect of education on victims and perpetrators of the cycle of violence is still a matter of debate. Although the incidence of violence is high regardless of educational level, rates of physical violence inflicted by a spouse or partner tend to be inversely correlated with the victim's level of education.

Table IV.1
**LATIN AMERICA AND THE CARIBBEAN (5 COUNTRIES): WOMEN AGED 15-49
 CURRENTLY OR PREVIOUSLY MARRIED OR COHABITING WHO SUFFER
 OR HAVE SUFFERED PHYSICAL OR SEXUAL VIOLENCE AT THE HANDS
 OF A SPOUSE OR PARTNER, AROUND 2000**
(Percentages)

	Level of education	Physical violence	Sexual violence	Physical or sexual violence	Emotional, physical or sexual violence	Emotional, physical and sexual violence
Colombia 2000	No education	26.8	14.4	41.2		
	Primary	32.0	12.7	44.7		
	Secondary	30.8	10.2	41.0		
	Higher	22.2	7.0	29.2		
	Total	30.1	11.0	41.1		
Haiti 2000	No education	14.2	13.2	21.2		23.7
	Basic literacy/primary	19.4	19.1	29.2		32.1
	Secondary or higher	22.5	17.3	33.8		36.2
	Total	18.2	17.0	27.3		29.9
Nicaragua 1998	No education	31.6	10.2	17.8		
	Primary (1-3 years)	29.5	11.3	20.5		
	Primary (4-6 years)	28.4	11.1	25.7		
	Secondary	25.1	9.4	30.5		
	Higher	18.2	7.5	34.7		
Total	27.6	10.2	28.7			
Peru 2000	No education	43.3				
	Primary	44.6				
	Secondary	42.9				
	Higher	30.4				
	Total	41.2				
Dominican Republic 2002	No education	23.7	6.5	24.3	29.2	5.1
	Primary (1-4 years)	23.8	8.6	25.3	29.5	6.5
	Primary (5-8 years)	23.8	8.3	24.4	30.1	5.8
	Secondary	20.9	4.7	21.5	26.2	3.1
	Higher	15.9	3.5	15.8	22.2	2.3
	Total	21.7	6.4	22.4	27.6	4.6

Source: Demographic and Health Surveys (DHS) [on line] <http://measuredhs.com>.

Box IV.2
INTIMATE PARTNER VIOLENCE IN MEXICO

Violence, in its various forms, affects 46.6% of Mexican women living with a spouse or partner and is much more widespread in urban areas (48%) than in rural ones (40.9%). However, the most extreme forms of violence (physical abuse and sexual violence) are more common in rural areas. The rate of physical abuse is only a fraction of a percentage point higher in rural areas, whereas the rate of sexual violence is almost two percentage points higher. It should also be pointed out that survey results may underestimate the problem, as many women prefer to hide the fact that they are victims of violence. The rate of economic violence is up to seven percentage points higher in urban areas, as is emotional or psychological violence, which is reported by 39% of women in urban areas and almost 35% in rural areas.

Domestic violence is not only a source of countless health problems for women and their children; it is also the most tragic expression of severe gender inequality. In 2003, a survey of Mexican women aged 15 or over and living with a spouse or partner found that 35.4% of these women had suffered from emotional violence at the hands of her partner or husband, () while 27.3% had been the victim of economic violence, 9.3% had been the object of physical violence and 7.8% had suffered from sexual violence (Castro, 2004). Of the women interviewed in the 2003 national survey on household relationship dynamics (ENDIREH), only 56.4% reported that they had not been the victim of any type of violence whatsoever.

Type of violence/ area	Total women	Women reporting at least one violent incident ^a	Percentage of women reporting at least one violent incident
Total	19 471 972	9 064 458	46.55
Rural	4 199 888	1 720 408	40.96
Urban	15 272 084	7 344 050	48.09
Emotional	19 471 972	7 474 242	38.38
Rural	4 199 888	1 452 585	34.59
Urban	15 272 084	6 021 657	39.43
Physical	19 471 972	1 813 370	9.31
Rural	4 199 888	397.221	9.46
Urban	15 272 084	1 416 149	9.27
Sexual	19 471 972	1 527 209	7.84
Rural	4 199 888	378 856	9.02
Urban	15 272 084	1 148 353	7.52
Economic	19 471 972	5 709 078	29.32
Rural	4 199 888	993 189	23.65
Urban	15 272 084	4 715 889	30.88

Source: National Institute of Statistics, Geography and Information (INEGI), database of the national survey on household relationship dynamics (ENDIREH), 2003, Mexico City, National Women's Institute (INMUJERES).

Note: The data refer to women aged 15 and above with a partner residing in the household. The total does not correspond to the sum of the age groups because the "not specified" category is not included in the table.

^a Women reporting at least one violent incident are those who report having suffered at least one incident of any type of violence in the 12 months preceding the interview.

Box IV.3

THE MEXICO CITY CONSENSUS: PATHS TO GENDER EQUALITY

The Platform for Action adopted at the Fourth World Conference on Women: Action for Equality, Development and Peace (Beijing, 1995) is the outcome of a lengthy process of change in the approach taken to women's human rights and is the culmination of an extensive exchange of ideas concerning the form to be taken by this global agenda for gender equality and women's human rights. The Convention on the Elimination of All Forms of Discrimination against Women and its Optional Protocol, both of which are binding instruments, also advocate efforts to mainstream the human rights approach and underscore the relevance of incorporating the gender perspective into all areas of life. This is reflected in regional agreements such as the Mexico City Consensus (June 2004), in which the region's Governments reaffirm their determination to:^a

- Adopt measures to ensure the full development and advancement of women of all ages, with a view to guaranteeing their access to justice and their exercise and enjoyment of all human rights;
- Strive to incorporate a gender perspective into public policies, taking racial, ethnic and generational diversity into account;
- Design and implement public policies that help to redress the conditions of poverty affecting women in the region, especially in least developed countries and small island developing States;
- Adopt proactive policies to promote job creation, including affirmative actions for ensuring that men and women enjoy equal conditions in the labour market, and to strengthen women's entrepreneurial capacity, ensuring full respect for their rights at work and their individual rights, as well as their equitable access to the benefits of social protection;
- Recognize the economic value of unpaid domestic and productive work, and implement policies for reconciling family and work responsibilities, involving both men and women in this process;
- Encourage States to include gender impact considerations in the negotiation of bilateral and regional trade agreements;
- Implement education policies that meet the countries' development needs, encouraging education for all women and promoting their access to economic, technological and scientific activities conducive to their equitable participation in a globalized world;
- Review and implement legislation guaranteeing the responsible exercise of sexual and reproductive rights and non-discriminatory access to health services, including sexual and reproductive health;
- Intensify efforts for the prevention, diagnosis and treatment of sexually transmitted diseases, particularly HIV/AIDS, while safeguarding the rights of women and girls living with the virus and guaranteeing access, without discrimination, to information, care, education and services for HIV/AIDS prevention;
- Strengthen the full participation of women in environmental conservation and management with a view to achieving sustainable development;
- Adopt the comprehensive measures needed to eliminate all forms of violence and their manifestations against all women;
- Promote all women's access to information and communication technologies as a means of eradicating poverty and fostering development;
- Promote the full and equal participation of men and women in decision-making in the State, society and the marketplace, and promote the participation of civil society; and
- Urge Governments that have not yet done so to consider ratifying and effectively implementing the Convention on the Elimination of All Forms of Discrimination against Women and its Optional Protocol, as well as the Inter-American Convention for the Prevention, Punishment and Eradication of Violence against Women, and to adopt an effective mechanism for the implementation and follow-up of the latter Convention by the States parties thereto.

^a The Mexico City Consensus was adopted at the ninth session of the Regional Conference on Women in Latin America and the Caribbean, held in Mexico City in June 2004. The full text of the Consensus is available at <http://www.cepal.org/publicaciones/UnidadMujer/6/LCG2256/lc12256i.pdf>.

Box IV.4

STRENGTHS AND LIMITATIONS OF LAWS FOR THE PREVENTION AND TREATMENT OF GENDER-BASED VIOLENCE**Strengths of laws against violence in the region**

- A dual approach to prevention: negative measures (detering perpetrators with the threat of punishment) and positive ones (encouraging victims to trust that the legal system will protect them);
- Establishment of the State as the guarantor of the legal rights protected by these laws: the physical and psychological health of individuals and/or their physical and mental integrity;
- Empowerment of police officers and judges to take temporary or emergency measures to help stop violence;
- Provision for the prosecution of domestic violence cases under civil law, thereby emphasizing the need to protect and safeguard victims' rights and repair the social fabric, rather than the need to punish perpetrators;
- Precautionary or protective measures to help ensure the safety of victims and their families;
- Establishment of broad definitions of the family;
- Provision of easier access to justice by streamlining procedures and, in many cases, not requiring that victims be represented by legal counsel;
- Provisions allowing family members and dependants to act as witnesses, as they are usually the only ones aware of the violent situation.

Limitations of laws against violence in the region

- Laws that address domestic violence, rather than violence against women, run counter to the spirit and the letter of the Convention of Belém do Pará;
- Failure to take due account of rural and indigenous practices, customs and values or to recognize the danger of allowing problems of violence against women to be solved according to custom, as the custom has been to mistreat women with impunity;
- Establishment of penalties for non-compliance with protection measures rather than for acts of violence themselves;
- Failure to provide for severe penalties or for mandatory therapy as part of the judgement, especially in cases of recidivism;
- Establishment of conciliation as a compulsory measure;
- Establishment of protection measures for time periods that are inappropriate to the circumstances;
- Assignment of functions to a multiplicity of institutions —police, judges, health officials and others— or, in some cases, to none in particular, with the result that victims have to seek help in many different places in order to satisfy all or most of their demands;
- Allocation of insufficient resources and budgets;
- Lack of enforcement mechanisms to ensure compliance with precautionary measures and penalties, with the result that aggressors often go unpunished and victims are not adequately protected.

Source: Luz Rioseco, “En búsqueda de las mejores prácticas para la erradicación de la violencia doméstica en la región de América Latina y el Caribe”, paper prepared for the Economic Commission for Latin America and the Caribbean (ECLAC), Santiago, Chile, 2004, unpublished.

Chapter V

The right to health and the Millennium Development Goals ¹

Goals	Targets	Indicators
1. Eradicate extreme poverty and hunger	2. Halve, between 1990 and 2015, the proportion of people who suffer from hunger	4. Prevalence of underweight children under five years of age
		5. Proportion of population below minimum level of dietary energy consumption
4. Reduce mortality in children under the age of 5	5. Reduce by two thirds, between 1990 and 2015, the under-five mortality rate	13. Under-five mortality rate
		14. Infant mortality rate
		15. Proportion of 1-year-old children immunized against measles
5. Improve maternal health	6. Reduce by three quarters, between 1990 and 2015, the maternal mortality ratio	16. Maternal mortality ratio
		17. Proportion of births attended by skilled health personnel
6. Combat HIV/AIDS, malaria and other diseases	7. Have halted by 2015 and begun to reverse the spread of HIV/AIDS	18. HIV/AIDS prevalence, both sexes
		19. Contraceptive use rate
		20. Ratio of school attendance of orphans to school attendance of non-orphans aged 10-14

¹ This chapter was prepared by the Pan American Health Organization (PAHO), in close collaboration with ECLAC and with valuable input from the United Nations Population Fund (UNFPA).

	8. Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases	21. Prevalence of and deaths associated with malaria 22. Population in malaria-risk areas using effective malaria prevention and treatment measures 23. Prevalence and death rates associated with tuberculosis 24. Proportion of tuberculosis cases detected and cured under directly observed treatment short course (DOTS)
7. Ensure environmental sustainability	10. Halve, by 2015, the proportion of people without sustainable access to safe drinking water and basic sanitation	30. Proportion of population with sustainable access to an improved water source, urban and rural
8. Develop a global partnership for development	17. In cooperation with pharmaceutical companies, provide access to affordable, essential drugs in developing countries	46. Population with access to affordable essential drugs on a sustainable basis

A. Introduction

The health-related Millennium Development Goals and targets need to be considered in the context of the right to health, taking into account the ethical, social, technical and political aspects of this right. Good health is crucial to the well-being of individuals, families and communities, and it is also a prerequisite for human development with equity. Furthermore, people are entitled to fair, efficient and conscientious health care, and society as a whole has to ensure that no one is excluded from access to health services and that these services provide high-quality care to all users. Identifying and combating shortcomings and social divides in health conditions and care should be viewed strategically as a vital component of comprehensive public action to break the vicious circle of poverty and, ultimately, to attain sustainable human development.

For these reasons, a significant number of the Millennium Development Goals concern health. They include the reduction of maternal and child mortality; the control of diseases such as HIV/AIDS, malaria and tuberculosis; greater access to safe drinking water and sanitation; the reduction of poverty and relief of hunger and undernutrition; and access to health services, including essential drugs. This chapter deals mainly with the three Millennium Development Goals (numbers 5, 6 and 7), and the four targets covered by them, which relate explicitly to health and which the health sector will have to pursue by means of measures and actions undertaken jointly with other sectors. As the Secretary-General of the United Nations has stressed on a number of occasions, there is a close relationship between the Goals and the outcomes of global conferences such as the World Summit for Children, the International Conference on Population and Development, the World Summit on Sustainable Development and the World Conference on Women, among others. Specifically, and as has been argued in other international reports on progress towards the Millennium Development Goals (IDB, 2004), advances towards the health-related Goals will significantly increase the countries' capacity to combat poverty and hunger and achieve environmental sustainability.

Although the Latin American and Caribbean countries differ greatly in terms of their development levels and health situations, when it comes to attaining the health-related Millennium Development Goals, they face certain common challenges that manifest themselves to varying degrees in the different countries. First, the effort will require faster progress towards a substantial

reduction in health inequities, including those linked to poverty, exclusion, gender, race/ethnicity and age. Second, it must entail major progress with respect to health-care coverage under social protection schemes, without which there is no prospect of extending the coverage of the most critical interventions that the population's health situation requires. Third, public-sector current and investment spending in the sector has to be increased, and the quality of resource allocation needs to improve substantially. Fourth, health-care services should be reoriented towards a new primary health-care strategy that encourages active involvement by all users of the system. Fifth, sustained improvements are needed in public health infrastructure. Sixth, progress is urgently needed in formulating and implementing cross-sectoral policies and actions that have a real impact on the political, economic and sociocultural determinants of the health targets associated with the Millennium Development Goals.

All this is necessary to increase social cohesion and strengthen citizens' right to health. Accordingly, these aims should be integrated into the health policies, plans and programmes of the region's countries so that, in conjunction with the actions taken in other sectors, the countries will succeed in meeting the commitments they have undertaken for 2015.

B. How close is the Latin American and Caribbean region to achieving the health-related Millennium Development Goals?

1. Goal 4: Reduce mortality in children under the age of 5

In 1990-2003, which covers about half the time allowed for achieving the targets, the region made significant strides in improving the health of its population, particularly children, as is demonstrated by the substantial reductions seen in all the child mortality indicators² and the resulting increase in life expectancy at birth. This progress leaves the region relatively well placed by world standards, since infant mortality has fallen faster in the region than anywhere else in the world, and in 2003 was lower in Latin America and the Caribbean than in any other developing region (see table V.1).

Table V.1
**INFANT MORTALITY RATES (PER 1,000 LIVE BIRTHS), WORLDWIDE
AND BY REGION, 1990-2003**
(Percentages)

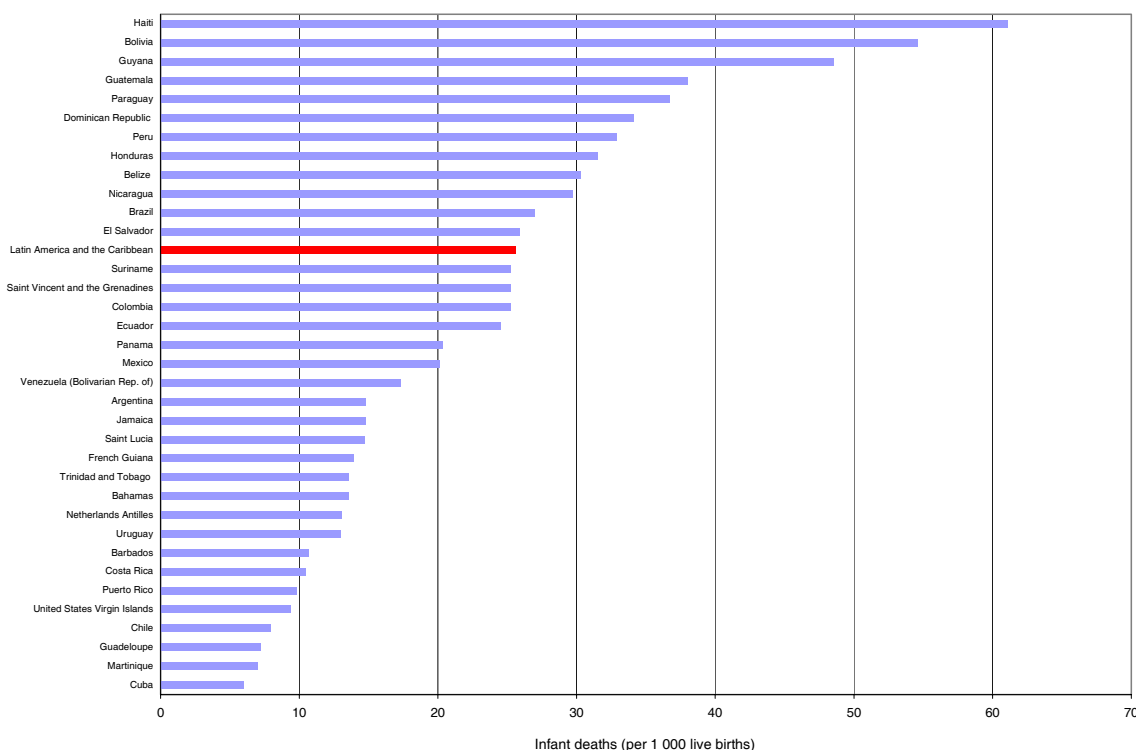
Geographical region	1990	2003	Percentage change between 1990 and 2003
World	68.1	56.5	-17.0
Africa	144.6	93.6	-35.3
Asia	69.2	53.1	-23.3
Europe	14.0	9.2	-34.3
Latin America and the Caribbean	42.9	25.6	-40.3
North America	8.2	6.8	-17.1
Oceania	33.5	28.4	-17.0

Source: United Nations, World Population Prospects. The 2004 Revision Database [online], <http://esa.un.org/unpp/>.

² Goal 4 refers to the reduction of mortality during the first five years of life, usually termed child mortality. The present document has used the two indicators of mortality among children proposed by the United Nations for following up the relevant target: infant mortality and child mortality. However, preference has been given to the infant mortality rate—which reflects the probability of dying between birth and exact age 1 and is expressed as deaths per 1,000 live births—because it accounts for the bulk of mortality in childhood and because there is a larger amount of comparable information available on this indicator for more countries in the region. In addition, the 2004 revision of the population projections prepared by the United Nations Population Division (the standard source used to follow up this target) does not include the child mortality indicator for years prior to 1995.

The regional infant mortality averages mask wide disparities between countries (see figure V.1). In 2003, five countries displayed levels of infant mortality below 9.2, which is on a par with European rates. By contrast, that same year 12 other countries had infant mortality levels higher than the regional average of 25.6 per 1,000. The most serious case is that of Haiti, with a rate of over 60 per 1,000. This figure is indicative of the general underdevelopment of that country, the poorest in the Western Hemisphere. Supporting the idea that all forms of development are interconnected, the vast majority of these countries also display poor results for the indicators used to measure progress towards the other Millennium Development Goals.

Figure V.1
**LATIN AMERICA AND THE CARIBBEAN (35 COUNTRIES AND TERRITORIES):
 INFANT MORTALITY RATE (INDICATOR 14), 2003^a**



Source: United Nations, World Population Prospects. The 2004 Revision Database [online], <http://esa.un.org/unpp/>.

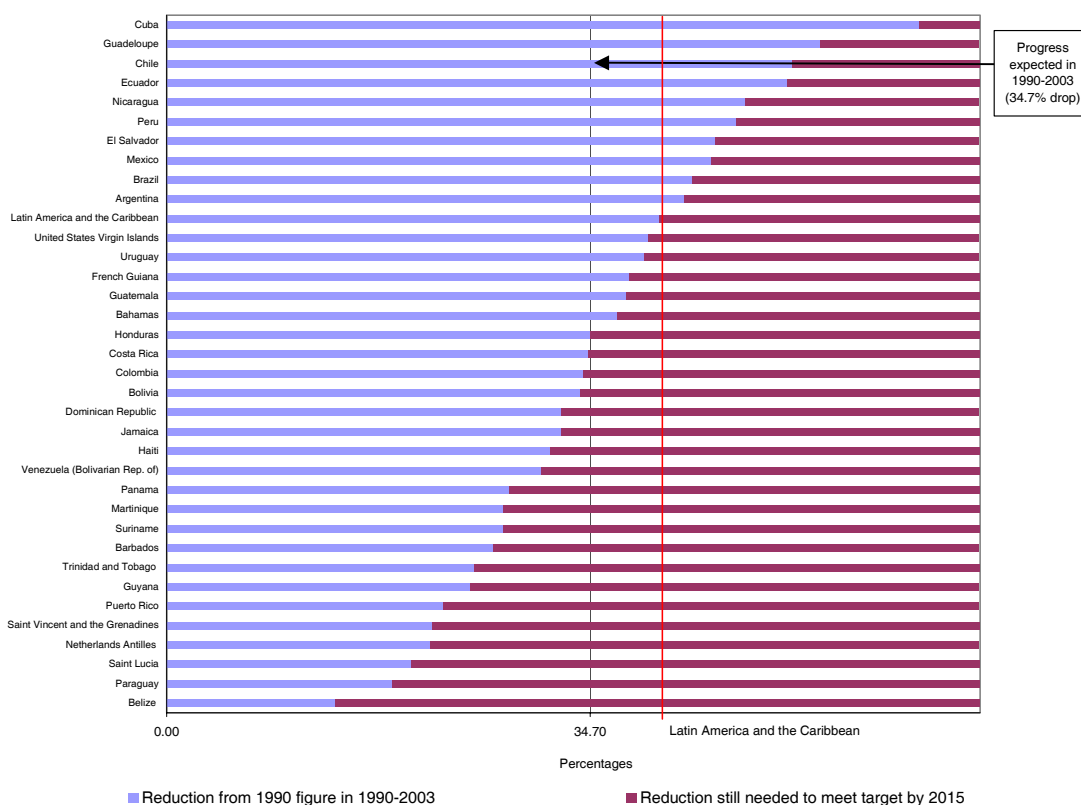
^a Linear interpolation of estimates of the probability of dying between birth and age 1, prepared by the source for 2000-2005 and 2005-2010.

Target 5 under Goal 4 concerns the reduction of child mortality, regardless of its initial level. Given that the reference period (1990-2003) represents about half the period set aside for achieving the target (1990-2015), the countries ought to have made at least half the progress required in order to be on track to meet the target. Since the target is to reduce child mortality by two thirds, a decline of less than 34.7% between 1990 and 2003³ can be regarded as insufficient progress. The region as a whole has exceeded this level, since between 1990 and 2003 it recorded a reduction of 40.3% (see figure V.2). This achievement has not been shared by all its countries and territories, however, since 19 out of 36 have shown reductions of less than 34.7%. Only in the cases of Costa Rica and a few

³ The 13 years from 1990 to 2003 represent 52% of the 25-year time frame (1990-2015) for meeting the targets of the Millennium Development Goals. Since in this case the target is to reduce the indicator by two thirds between 1990 and 2015, in order to be on track to meet it the countries should by now have made 52% of the required progress; i.e., they should have reduced infant mortality by 34.7% (52% of two thirds).

Caribbean countries can this be explained, in part, by low levels of infant mortality at the outset (Martinique, Puerto Rico and Barbados had rates of fewer than 15 per 1,000 in 1990). Of particular concern are those countries with medium and high levels of infant mortality in 1990 that had achieved a reduction of less than 34.7% by 2003 (Belize, Paraguay, Guyana, Suriname and Haiti). In interpreting these results, it must be borne in mind that small countries with low figures for infant deaths may display large variations in a single year's figures. Taken as a whole, though, the evidence suggests that further efforts will be needed to attain the goal of a two-thirds reduction. It must also be recognized that, given the differences existing across the countries and territories of the region, specific measures will have to be taken to reduce the main determinants of mortality in each situation.

Figure V.2
**LATIN AMERICA AND THE CARIBBEAN (35 COUNTRIES AND TERRITORIES):
 PROGRESS IN REDUCING INFANT MORTALITY BETWEEN 1990 AND 2003
 AND PROGRESS REQUIRED BY 2015^a**
(Indicator 14)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations, World Population Prospects. The 2004 Revision Database [online], <http://esa.un.org/unpp/>.

^a Calculated from data obtained by linear interpolation of estimates of the probability of dying between birth and age 1, prepared by the source for 1985-1990 and 1990-1995 (1990 figures) and 2000-2005 and 2005-2010 (2003 figures).

In the case of child mortality (deaths among children under the age of 5 per 1,000 live births), 10 countries in Latin America and the Caribbean had levels in excess of 40 per 1,000 live births in 2004, namely Haiti, Bolivia, Guyana, Ecuador, Guatemala, Dominican Republic, Peru, Honduras, Paraguay and Brazil. Taken together, these countries accounted for about 270,000 under-five deaths, equivalent to 61% of all deaths in this age group in the region. In relation to the target of reducing child mortality by two thirds, the picture that emerges when changes in this indicator are

analysed is broadly similar to the situation described for infant mortality; this is because the latter accounts for the bulk of child mortality. To sum up, while the weighted regional average decline in infant mortality holds out the hope that the target may be met by 2015, some countries of the region, including several of the poorest, have not achieved a reduction sufficient for this purpose.

One important finding is that there is almost no correlation between the countries' levels of infant mortality in 1990 and the percentage reductions they achieved between 1990 and 2003, even though reducing infant mortality from already low levels requires an increasing institutional, technical and financial effort. This is because the remaining cases of infant mortality are usually caused by factors that are hard to address, such as diseases and pathologies whose treatment is costly and requires highly specialized human and technical resources. This finding underlines the importance of national circumstances and of public policies, particularly on health. By giving consistent political and institutional priority to this target and gradually adapting health programmes to emerging epidemiological realities (which has meant providing universal coverage for primary care and for preventive and prophylactic interventions, as well as expanding and improving protection and treatment for more complex pathologies), a number of countries in the region, such as Chile and Cuba, have coped successfully with the challenge of further reducing their already fairly low levels of infant mortality.

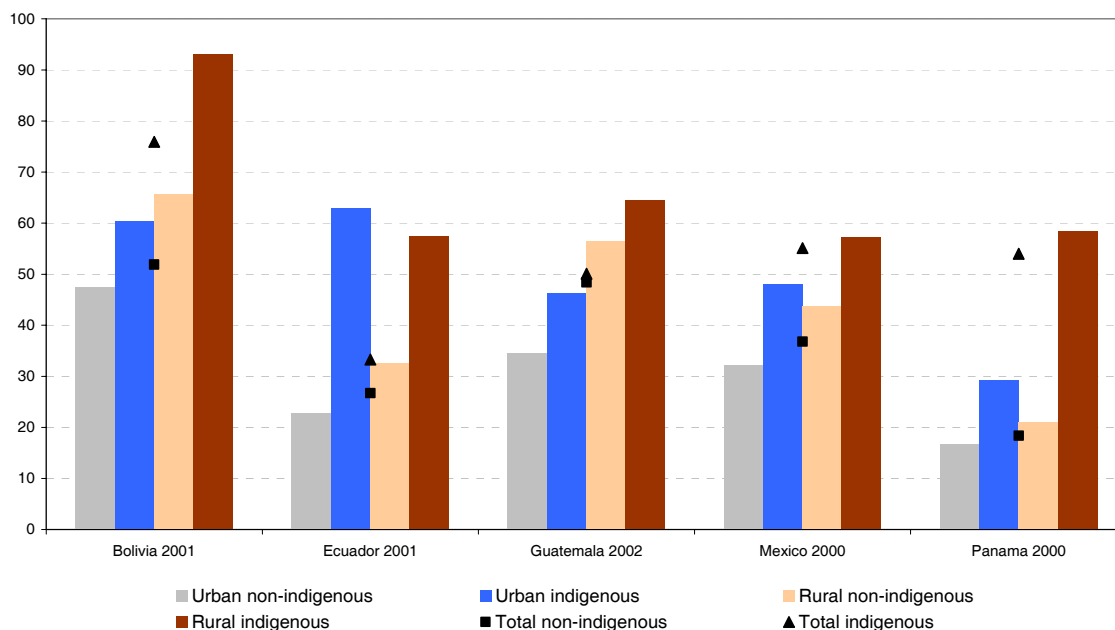
Target 5 also includes an indicator of measles immunization coverage among children between 12 and 23 months of age. The coverage of timely immunization against this infection in Latin America and the Caribbean is high (91%), and this is reflected in the absence of measles deaths in the region since 2000 (www.paho.org). All in all, the indicator highlights both the region's ability to make major strides with regard to health care and the need to sustain successful policies so that these results will be lasting ones.

As ECLAC, PAHO and other organizations have frequently stressed, and as is now, in fact, internationally acknowledged, the countries of Latin America and the Caribbean are characterized by high levels of social inequality, which in many respects are actually the highest in the world. Child mortality is no exception, since historically the most excluded and vulnerable groups have had higher mortality rates.

Most of the countries' health information systems do not collect data that could be used to analyse social inequalities in this area by ethnicity, income level, education or other factors. Population censuses and household surveys have therefore been used as supplementary information sources. Figures V.3 and V.4 illustrate these inequities with respect to two critically important socio-economic variables: ethnicity and income level. In particular, figure V.4 shows that, in some countries for which information is available, higher mortality among indigenous people is not an outcome that can be explained by their greater rurality. While it is true that indigenous children in rural areas are at greater risk of dying before their first birthday than rural children who do not belong to indigenous groups, the same pattern is also found in urban areas.

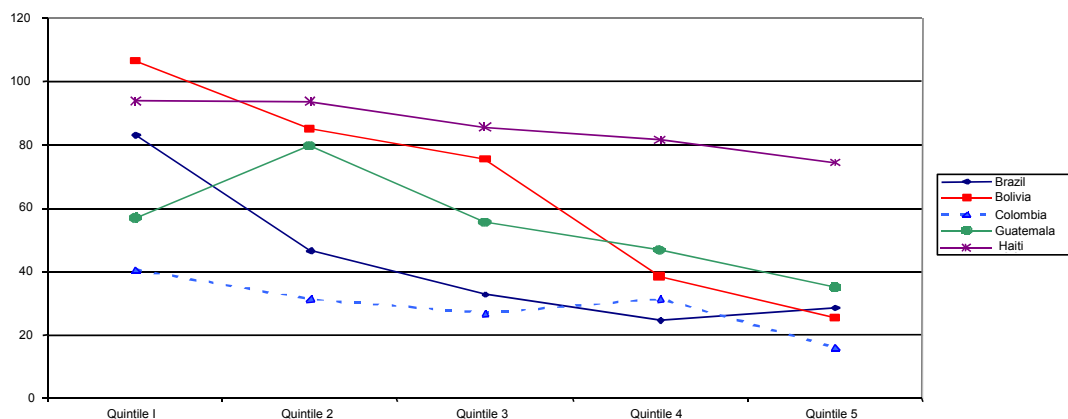
Concerning income levels, the evidence available shows that in the late 1990s there were large differences between economic segments in some countries. Child mortality was found to have been higher in the most excluded groups, defined as the lowest income quintiles (quintiles I and II) (see figure V.4).

Figure V.3
LATIN AMERICA (SELECTED COUNTRIES): INFANT MORTALITY RATES FOR INDIGENOUS AND NON-INDIGENOUS POPULATION GROUPS (SELF-DEFINED), BY MOTHER'S AREA OF RESIDENCE



Source: Inter-American Development Bank (IDB)/Economic Commission for Latin America and the Caribbean (ECLAC) project on indigenous peoples and Afro-American populations based on data from the 2000 census round, and population censuses in Guatemala (2002) and Mexico (2000).

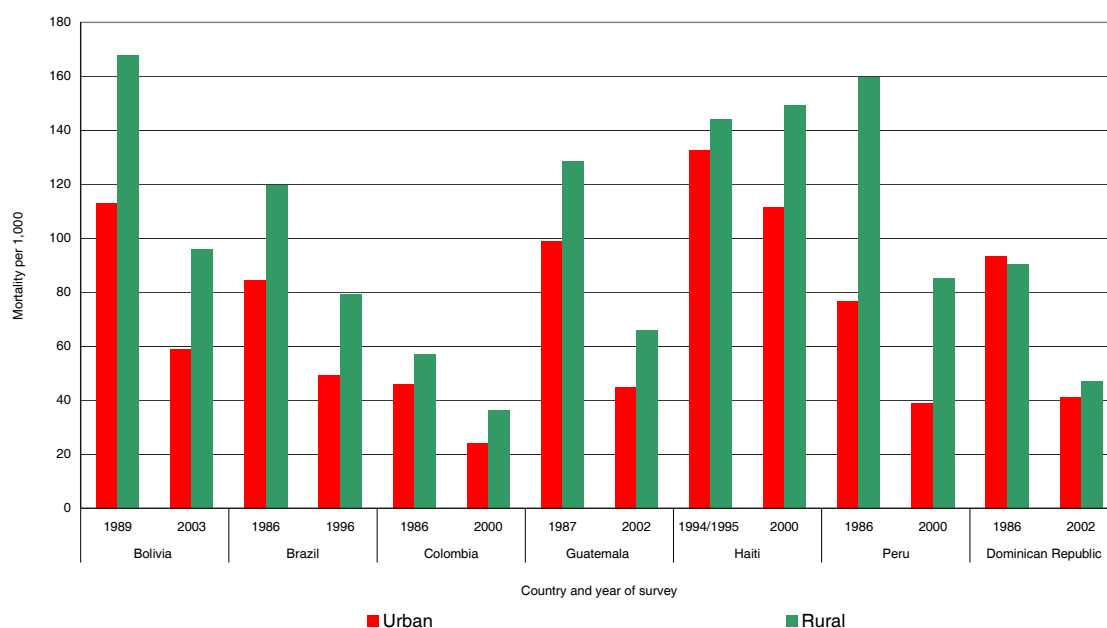
Figure V.4
LATIN AMERICA AND THE CARIBBEAN (SELECTED COUNTRIES): INFANT MORTALITY RATES, BY INCOME QUINTILES, 1999



Source: D.R. Gwatkin and others, *Socio-Economic Differences in Health, Nutrition and Population in Selected Countries*, Washington, D.C., World Bank, quoted in Pan American Health Organization (PAHO), *Health in the Americas*, 2002 edition, Washington, D.C., 2002.

The situation with respect to the reduction of child mortality gaps in the region is mixed. While the average figures indicate that mortality levels have dropped in all population groups, the socio-economic gaps in mortality rates have followed dissimilar trends. In some cases, the greatest declines have been seen in segments with low initial mortality levels, as illustrated by figure V.5, which shows that the mortality gap between rural and urban areas has tended to widen slightly. In Bolivia, for example, child mortality in rural areas was 1.5 times the rate in urban areas in the 1980s,⁴ but 1.6 times the urban rate in the 1990s (strictly speaking, between 1993 and 2003). By contrast, in some countries the gaps have narrowed. While the mother's educational level still has a significant effect on child mortality rates, figure V.6 shows that the mortality gap between the children of uneducated mothers and those of mothers with secondary or higher education narrowed in only three countries (Brazil, Colombia and Peru).

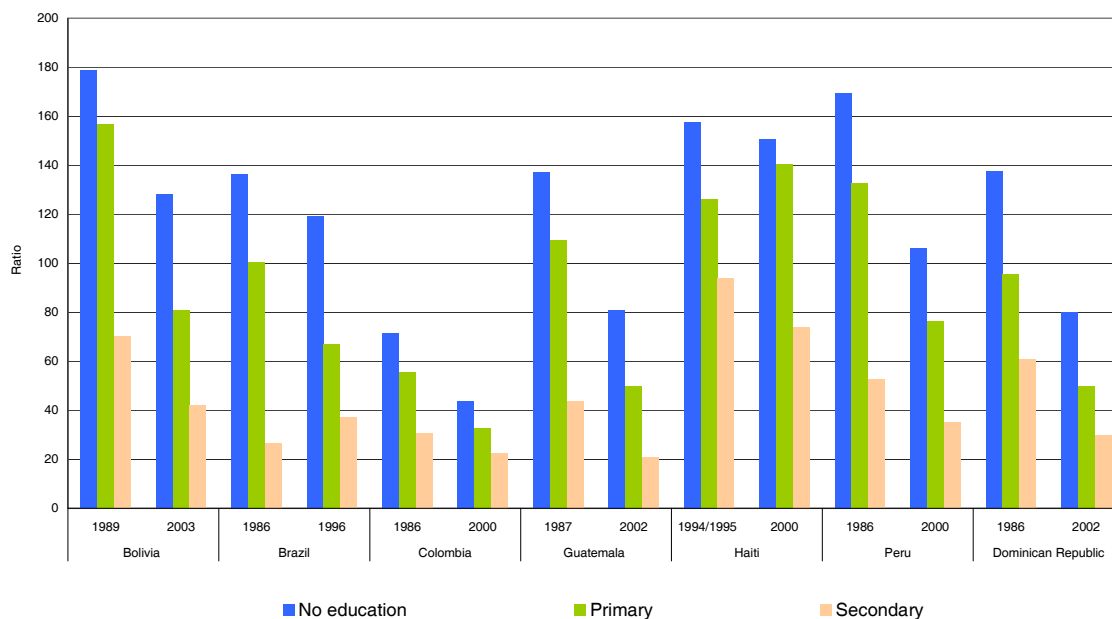
Figure V.5
LATIN AMERICA AND THE CARIBBEAN (SELECTED COUNTRIES): CHILD MORTALITY,
BY AREA OF RESIDENCE



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data from official national publications available at www.measuredhs.com or obtained through processing with the STATcompiler tool available at the same website.

⁴ The reference period for the data is the 10 years prior to the survey.

Figure V.6
LATIN AMERICA AND THE CARIBBEAN (SELECTED COUNTRIES): CHILD MORTALITY GAP, BY MOTHER'S EDUCATIONAL LEVEL



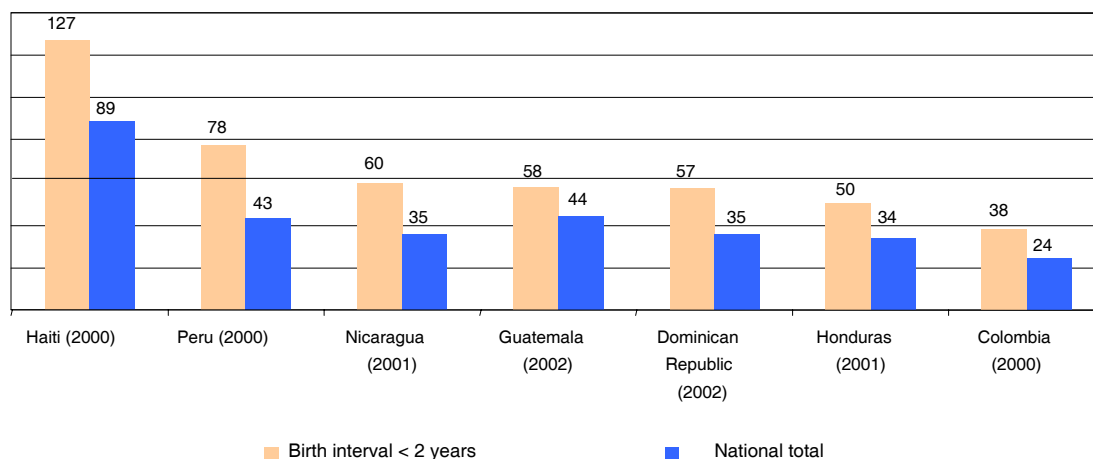
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data from official national publications available at www.measuredhs.com or obtained through processing with the STATcompiler tool available at the same website.

In any event, significant social divides still exist with respect to child mortality, and higher mortality rates are systematically found among the most disadvantaged groups.⁵

A number of infant mortality risk factors relate directly to sexual and reproductive health. It is well documented that children who are further down in the birth order, children of teenage mothers (especially those under 18) and children born soon after a previous birth (short birth interval, as shown in figure V.7) are more likely to die early, even after controlling for socio-economic factors. All these risk factors are far more frequent in contexts of high fertility or inadequate access to family planning services. Thus, progress in expanding the coverage of sexual and reproductive health care, including contraception, not only helps to achieve the aims agreed upon in the Cairo Programme of Action, but also makes a direct contribution to the attainment of the Millennium Development Goals (World Bank, 2003b).

⁵ The Latin American and Caribbean Regional Plan of Action on Population and Development (ECLAC, 1996), which is the regional implementation instrument of the Programme of Action adopted at the Cairo Conference, lays down additional criteria for reducing inequality: a reduction of at least 50% in the differences between infant mortality rates observed among different places of residence, geographical locations and social groups.

Figure V.7
**LATIN AMERICA AND THE CARIBBEAN (SELECTED COUNTRIES): INFANT MORTALITY
 AND BIRTH INTERVALS OF LESS THAN 24 MONTHS, 2000-2002**



Source: Demographic and health surveys for the countries and years shown.

Finally, table V.2 shows the results of an exercise that demonstrates the degree of linear correlation between the levels attained by the countries in or around 2003 for different indicators of the Millennium Development Goals, including infant mortality. Because the calculations were carried out only for 13 countries that had all the data available and because, among other considerations, these are aggregate indicators, they serve as a basis for general observations only. For example, infant mortality varies significantly and directly with poverty levels and inversely with the coverage of sanitation and attendance of births by skilled personnel. When the effect of poverty in the countries is controlled for, access to sanitation and attendance of births by skilled personnel are still associated with lower levels of infant mortality, which suggests that cross-sectoral public action is important if progress is to be made in relation to certain aspects of development in countries with different income levels.⁶

Access to sanitation services can be taken as a sign of people's general living conditions and has a direct influence on hygiene and health, while attendance of births by skilled personnel is indicative of opportunities to come into contact with health services and the response to health needs, which depend on geographical, economic, cultural and social aspects. These and other determinants play a fundamental role in the health situation; some of them, however, lie beyond the scope of what the health sector can achieve. To bring about improvements in health levels and eliminate current social inequalities, then, it is essential for social policies to be tied in with health policies.

⁶ Regressions carried out with the same data as were used to compile table V.2.

Table V.2
CORRELATION MATRIX FOR INFANT MORTALITY LEVELS AND OTHER SELECTED INDICATORS OF THE MILLENNIUM DEVELOPMENT GOALS, UP TO 2003

	Infant mortality	Poverty	Sanitation	Infant undernutrition	Attendance of births by skilled personnel	Access to safe drinking water
Infant mortality	1 000					
Poverty	0.806 ^a	1 000				
Sanitation	-0.870 ^a	-0.641 ^a	1 000			
Infant undernutrition	0.354	0.410	-0.394	1 000		
Attendance of births by skilled personnel	-0.683 ^a	-0.569 ^a	0.664 ^a	-0.757 ^a	1 000	
Access to safe drinking water	-0.519	-0.606 ^a	0.450	0.016	0.322	1 000

Source: Calculated from data in the statistical annex of this document. The data cover 13 countries which had information available for all the indicators: Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, Guatemala, Mexico, Nicaragua, Panama, Paraguay and Peru.

^a Significant at a 95% confidence level.

2. Goal 5: Improve maternal health

Goal 5 of the Millennium Development Goals is to improve maternal health, and this translates into a target of reducing the maternal mortality ratio by three quarters⁷ between 1990 and 2015. The available estimates indicate that this ratio has held steady at about 190 deaths per 100,000 births in Latin America and the Caribbean during the past decade. Because the total number of births has not changed significantly since then, the number of women dying from causes related to pregnancy and childbirth in the region is estimated to have remained at about 22,000 a year. The impairment of maternal health has many other implications, however, apart from mortality; the World Health Organization has drawn attention to the high incidence of morbidity and disabilities resulting from inadequate monitoring and care during pregnancy and childbirth, including infertility and sexually transmitted diseases.

When analysing the current situation and the progress being made towards this Goal and target, particular caution should be exercised in interpreting the maternal mortality ratio. Estimates are known to have a significantly wider margin of uncertainty than is the case with most demographic and health indicators. This is due to a number of factors, including the low total incidence of maternal deaths as a share of the total population and the lack of reliable sources for detecting and recording them. Consequently, considerable underreporting is known to exist, particularly for the more vulnerable groups within the population; this situation is associated with poverty and/or race or ethnicity, as in the case of indigenous peoples and Afro-descendants (Bergsj, 2001). Comparison of the maternal mortality ratio over time or across countries is further complicated by the fact that sources and calculation methods vary significantly from one country to another, and sometimes within the same country over time. For this reason, it is recommended that particular care be taken when analysing time trends.

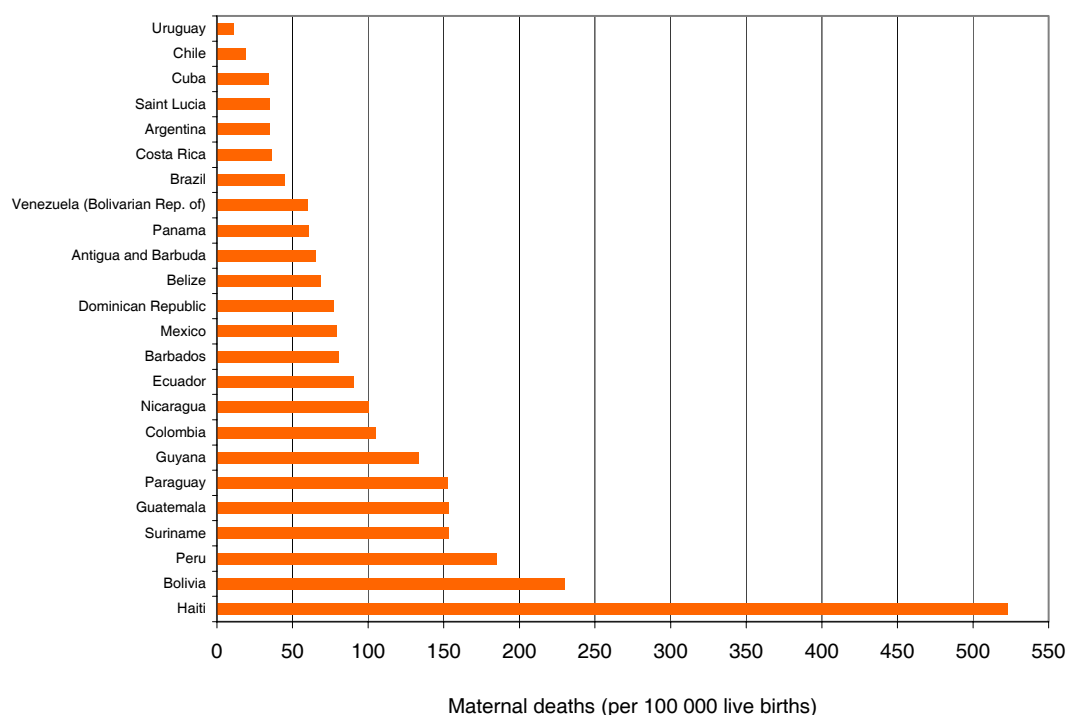
Nonetheless, it is clear that maternal mortality and the morbidity associated with its determinants are a major public health problem that highlights some of the most severe inequities in living conditions and reflects the health status of women of reproductive age, their access to health services and the quality of the care they receive, including access to contraception. This situation results in deaths and health problems that could be avoided entirely with appropriate monitoring and care.

⁷ Defined as the number of women dying each year from causes related to pregnancy and childbirth, for every 100,000 births. The data source used is the PAHO regional core database. There are some discrepancies in the coverage and quality of these data, but an effort has been made to improve them over the last 10 years, and the figures contained in the countries' official reports to PAHO have been used without modification.

Although the figures are imprecise, the virtual lack of change in maternal mortality rates and the absolute number of such deaths in Latin America and the Caribbean over the past decade should be a cause for concern, since this is by no means a positive signal with regard to progress towards the target of a three-quarters reduction by 2015. Renewed efforts are needed, therefore, if the region is to approach this target.

Figure V.8 shows the figures reported to PAHO by the countries in or around 2000, which should be interpreted in the light of the limitations mentioned earlier. With this caveat, the chart illustrates the large differences among the countries of the region and the substantial progress that many of them may be expected to make. Only a small group of countries (Uruguay, Chile, Cuba, Saint Lucia, Argentina, Brazil and Costa Rica) have levels below 50 deaths per 100,000 births. Rates in the remainder range from 60 to a high of 520 maternal deaths per 100,000 live births in Haiti.

Figure V.8
**MATERNAL MORTALITY RATIO IN LATIN AMERICA AND THE CARIBBEAN,
 AS REPORTED BY THE COUNTRIES, CIRCA 2000**



Source: Pan American Health Organization (PAHO), on the basis of the PAHO *Regional Core Health Data Initiative: 1995-2005*, 2004.

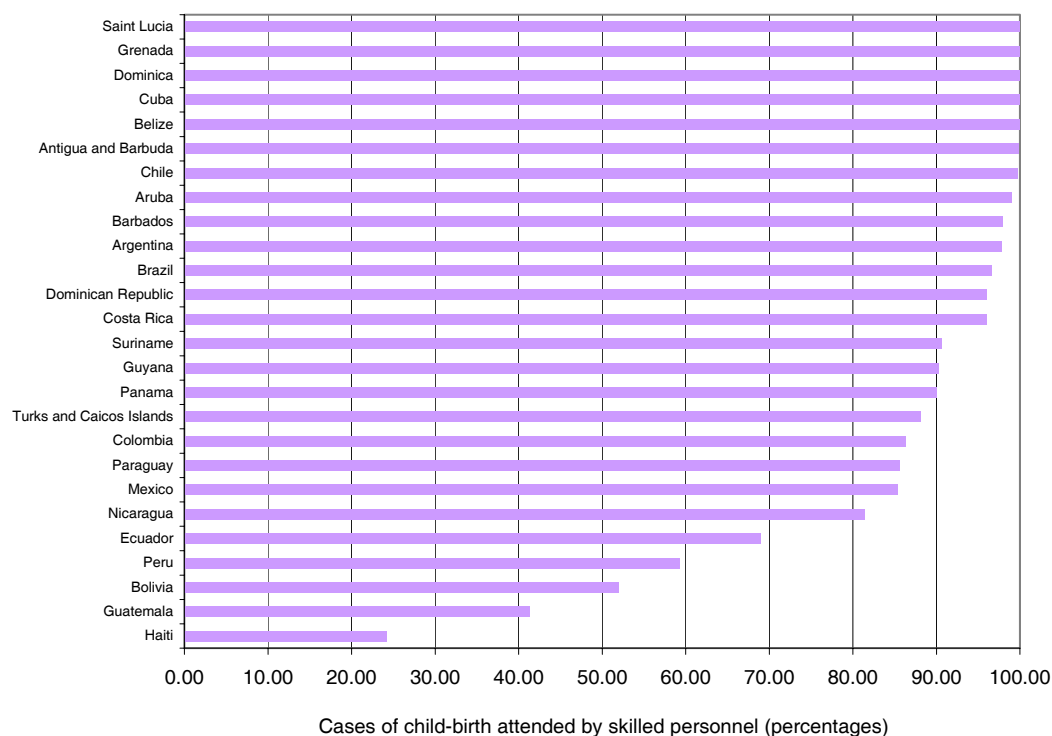
There is evidence⁸ that in Latin America and the Caribbean maternal death is mainly the result of direct obstetric causes such as haemorrhage (20%), toxæmia (22%), complications in puerperium (15%) and other direct causes (17%). Deaths due to complications from unsafe abortions account for a large share; given widespread underreporting, this is estimated to be far more than the 11% shown by official statistics. The remaining 15% of deaths are related with other causes.

⁸ According to an analysis of reported maternal deaths in 20 countries, conducted by PAHO between 1995 and 2000 on the basis of a variety of sources (chiefly vital statistics, epidemiological monitoring data and special country studies).

One of the factors most closely and universally associated with maternal morbidity and mortality is whether or not childbirth is attended by skilled health personnel,⁹ since such personnel can forestall complications and provide referrals to other services, such as family planning and treatment for sexually transmitted diseases. In fact, this is one of the indicators established to monitor progress towards target 6 of the Millennium Development Goals, which is also related to maternal mortality. Among the major regions of the world, Latin America's figure of 82% of births attended by skilled personnel once again compares quite favourably with the figures for other less developed regions (Africa with 46% and Asia with 62%), but is below the 99% recorded for the more developed countries of Europe and North America.

Figure V.9 gives figures by country for around the year 2000. The birth attendance indicator is useful for identifying situations and countries where substantial improvements are required. Thus, Haiti, Guatemala, Peru, Paraguay, Bolivia and Nicaragua once again (as with the maternal mortality estimates) head the list of the countries that are lagging the furthest behind and thus stand most in need of improvement. It can also be seen that 16 of the 26 countries with information available have reached the threshold of 90% of births attended by skilled personnel set as the target for 2015 by the United Nations General Assembly.¹⁰

Figure V.9
LATIN AMERICA AND THE CARIBBEAN: ATTENDANCE BY SKILLED PERSONNEL DURING CHILD BIRTH, CIRCA 2000



Source: Pan American Health Organization (PAHO), on the basis of the PAHO *Regional Core Health Data Initiative: 1995-2005*, 2004.

When interpreting this indicator it must be remembered that improvements in maternal mortality are not guaranteed by reaching a particular attendance threshold, since they also depend

⁹ "Qualified personnel" are health professionals such as midwives, doctors or nurses who have been educated and trained in the skills needed to handle normal pregnancies (without complications), births and the immediate postnatal period and to identify, administer and refer women and newborn babies suffering complications to specialists.

¹⁰ At a special session to follow up the International Conference on Population and Development, known as ICPD+5, held in 1999.

on the effectiveness and quality of health care and services, along with other socio-economic and environmental factors. In Guyana and Paraguay, for example, over 85% of births are attended, but maternal mortality rates exceed 130 per 100,000.

Another aspect is the existence of disparities within countries. Surveys have revealed that women living in the countryside are less likely to be attended by skilled personnel when they give birth than women in cities, as the sample of countries in table V.3 shows. The contrasts can be marked, as in the case of Haiti, where childbirth is four times as likely to be attended by skilled personnel in urban areas as in rural ones (UNFPA/CST, 2004a).

Table V.3
LATIN AMERICA AND THE CARIBBEAN (SELECTED COUNTRIES): PERCENTAGE OF BIRTHS ATTENDED BY SKILLED PERSONNEL, BY MOTHER'S AREA OF RESIDENCE (ORC MACRO, DEMOGRAPHIC AND HEALTH SURVEYS, 1996-2001)

Country	Area of residence	
	Urban	Rural
Bolivia (1998)	77	31
Brazil (1996)	92	73
Colombia (2000)	94	70
Dominican Republic (1999)	98	97
Guatemala (1998-1999)	66	25
Haiti (2000)	52	11
Nicaragua (2001)	89	46
Peru (2000)	69	20

Source: Pan American Health Organization (PAHO), *Gender, Health and Development in the Americas 2003*, Washington, D.C., Population Reference Bureau, October 2003.

Maternal mortality is closely linked to the issues of women's rights and poverty, providing indeed a synthetic indicator of gender inequities (UNFPA/CST, 2004a). In addition, although maternal mortality affects all social strata, the fact that it is more prevalent among women from lower socio-economic strata makes it a poverty-related issue (Ortiz, 2002), especially given the lack of effective health policies focusing on sexual and reproductive health. Denial of the right to freely decide whether or not to have children, fear of male violence, sociocultural pressure for motherhood, even on adolescents, the absence of government information and contraception-delivery services and the lack of sex education policies are all causes associated with maternal mortality that ought to be openly addressed.

Another key aspect associated with maternal mortality is the lack of access to and use of contraception, which leads to unwanted and high-risk pregnancies. In most of the region's countries, rates of contraceptive use stand at between 45% and 70%, while in three of them (Bolivia, Guatemala and Haiti), the figures are far lower. Only Brazil, Colombia, Costa Rica, Cuba and Puerto Rico display usage rates in excess of 75%.

Furthermore, access to reproductive health services is subject to severe inequalities and difficulties, especially among the rural and indigenous populations, both of which have a high incidence of maternal mortality. This is due to the lack of emergency services and care (particularly in the case of obstetric emergencies), communication difficulties (e.g., remoteness from health centres) and a lack of information about the services that are available. Consequently, measures to improve access and reduce inequalities can make a substantial contribution to meeting this Goal.

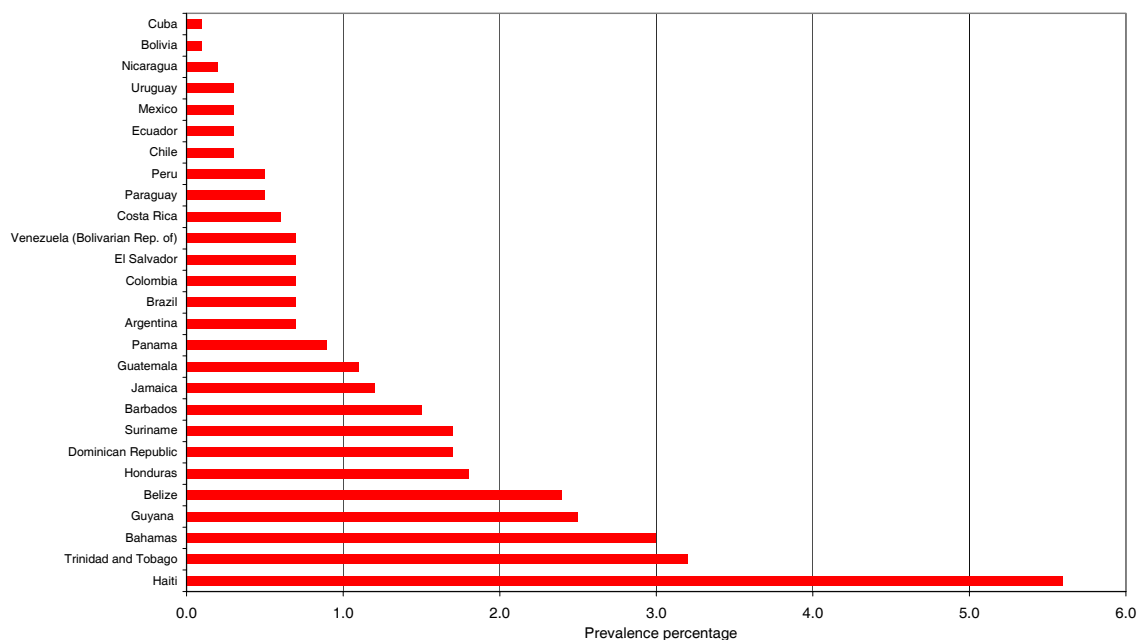
3. Goal 6: Combat HIV/AIDS, malaria and other diseases

(a) Target 7: Have halted by 2015 and begun to reverse the spread of HIV/AIDS

The attainment of this aim is an aspect of the Millennium Development Goals that requires special attention because of its impact on poverty and because it can enhance the countries' ability to achieve the other objectives, since the infection has spread through all subregions with extraordinary speed, particularly via sexual transmission. Data from the Joint United Nations Programme on HIV/AIDS (UNAIDS) show that, with an average rate of 2.3% among adults, the Caribbean has the highest prevalence of HIV/AIDS among adults after sub-Saharan Africa, making this the leading cause of death in the population aged 15-49. At the same time, there were significant increases throughout the region in the total number of people infected between 2002 and 2004. It is estimated that, as of 2004, a total of 2.4 million people were infected in Latin America and the Caribbean, 21% of them living in the Caribbean (UNAIDS/WHO, 2004). It is calculated that the number of people living with HIV/AIDS rose by 200,000 in Latin America over the same period; the figure for the Caribbean is 20,000.

An overview of the situation in the region, as shown in figure V.10, reveals that, of the 27 countries in Latin America and the Caribbean that have reported on HIV/AIDS, there are now 11 with an incidence of over 1%, including five with rates of over 2%. Eight of the 11 high-incidence nations in the region are in the Caribbean (if Guyana and Belize are counted as belonging to that subregion). Haiti is the only country in the region that has an incidence of over 5%.

Figure V.10
LATIN AMERICA AND THE CARIBBEAN: PREVALENCE OF HIV/AIDS, 2003



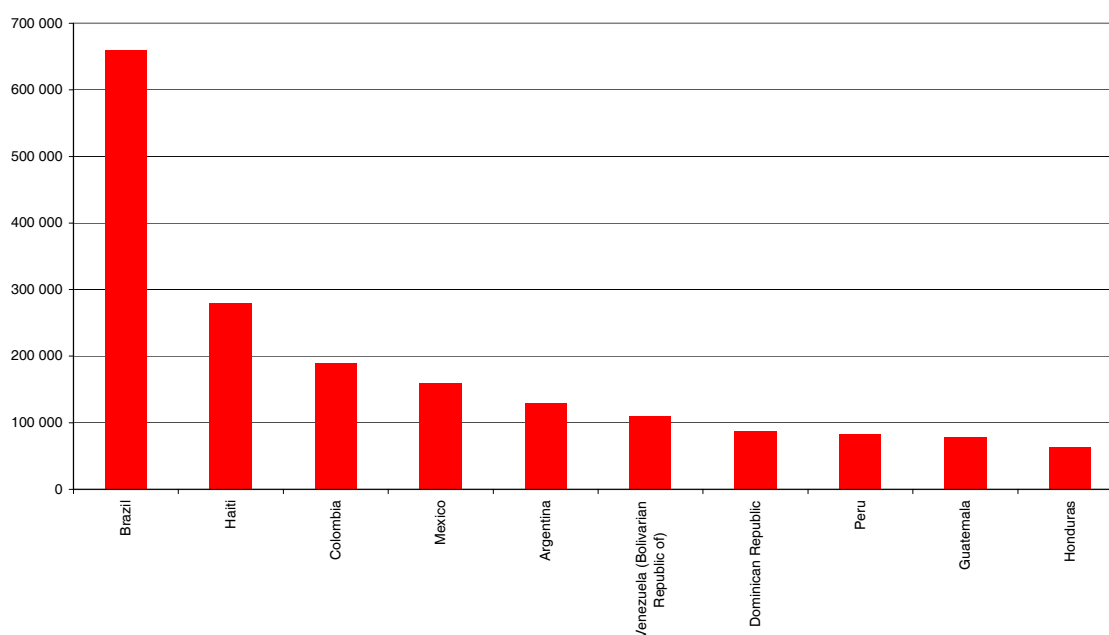
Source: Joint United Nations Programme on HIV/AIDS (UNAIDS), *2004 Report on the Global AIDS Epidemic*, Geneva, July 2004.

In the high-incidence countries, HIV/AIDS is having a strong impact on mortality rates and is thus bringing down average life expectancy, thereby reversing the previous gains made by these countries. The extreme case is Haiti, where AIDS deaths are estimated to have reduced life expectancy by some eight years. In Guyana, Bahamas and Trinidad and Tobago, the loss is over four years. Thus, in just a few years, the AIDS epidemic has swept away decades of investment in public health. In the other hardest-hit countries, the loss of life expectancy resulting from AIDS is between 2 and 3.5 years. Recovering from this is going to be a formidable challenge for most of the countries with high infection rates unless they take extraordinary measures, especially as regards prevention and treatment.

In terms of absolute numbers, however, as opposed to incidence, the situation looks somewhat different, since the 10 countries with the highest absolute numbers of people living with AIDS (see figure V.11) account for 90% of cases. Brazil and Haiti are the countries with the largest numbers of people living with HIV, accounting for 32% and 14% of all cases in the region, respectively, even though the incidence of HIV/AIDS is 0.7% in Brazil and almost seven times higher in Haiti.

Figure V.11

LATIN AMERICA AND THE CARIBBEAN: TOTAL NUMBER OF PEOPLE LIVING WITH HIV IN THE 10 COUNTRIES WITH THE LARGEST ABSOLUTE NUMBERS OF HIV CASES



Source: Joint United Nations Programme on HIV/AIDS (UNAIDS), *2004 Report on the Global AIDS Epidemic*, Geneva, July 2004.

Looking beyond the national averages, even in countries with a low prevalence rate at the national level, there are specific population groups that contain subpopulations with high prevalence levels, in particular certain cities where there are population segments consisting of drug users, sex workers, and men who have sex with men, who have become, as a group, one of the main sources of heterosexual transmission.

Although transmission through intravenous drug use is still high in Brazil, Uruguay and Argentina, the pattern of men having sex with men is still the main form of transmission in the Central American and Caribbean subregions. This situation is changing, however. The pattern of infection is no longer that of an epidemic clearly centring on transmission by men having sex with other men but is now shifting towards women in all the countries of the region, the result being a rise in perinatal transmission rates.

The epidemic is also changing its age profile. Half of all new cases of HIV infection have occurred in the population aged 15-24, a change from the tendency seen in the first half of the 1990s, when cases were concentrated among those aged from 30 to 39. This phenomenon is associated with the “rejuvenation” of the epidemic. As with other disadvantaged groups, infected adolescents are subject to stigma and discrimination, which limits their access to education and health services and places major constraints on the scope for mounting high-impact prevention campaigns.

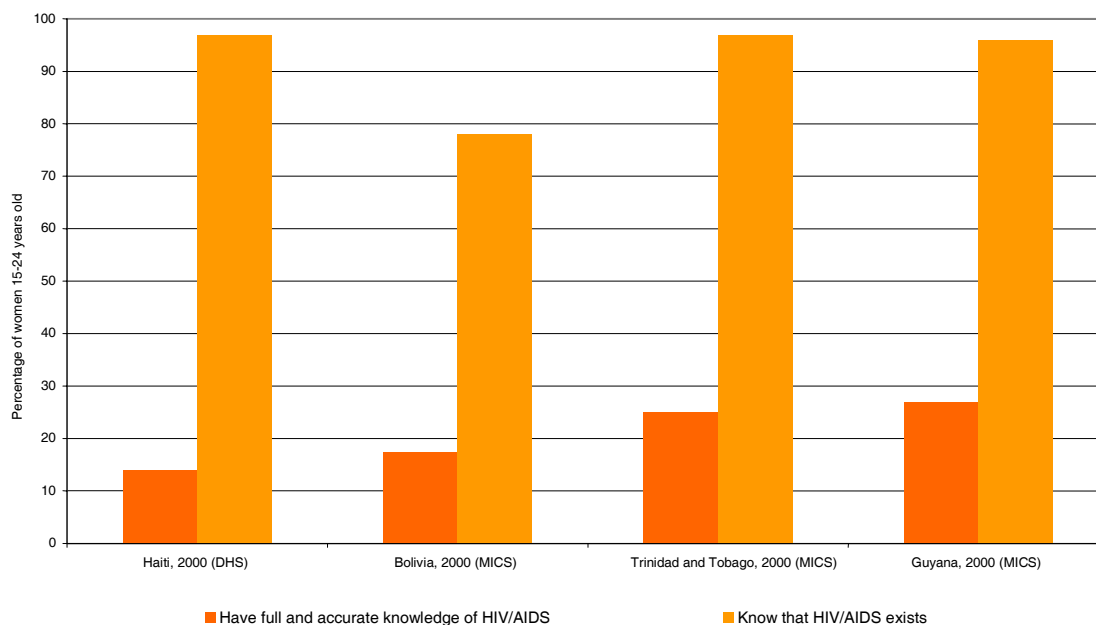
Where the HIV/AIDS epidemic is concerned, adolescents are among the most vulnerable groups (ECLAC, 2003b). As of December 2001, when there was a total of 1.82 million people living with HIV in the region, the incidence of this disease among young men and women was estimated at 320,000 and 240,000 cases, respectively. In the Caribbean, the majority of new HIV cases are occurring among women aged 15-24. In Jamaica, pregnant young women have an incidence rate almost double that of older women. The growth of the epidemic among young people can be ascribed to various causes, among them the fact that this group has greater difficulties than for the rest of the population does in obtaining proper access to sexual and reproductive health information and services¹¹ and a lack of development opportunities as manifested in exclusion from health services, education and employment. Hence the importance of designing and implementing public policies for the young that are sensitive to their needs and demands (UNFPA, 2003).

In some countries of the region, it is clear that there is still widespread ignorance about HIV/AIDS among young people. It is estimated that between a quarter and one half of adolescents between the ages of 15 and 19 in Guatemala, Peru, Haiti and Brazil are unaware that a person with HIV may show no symptoms of AIDS until some time has passed (UNFPA/CST, 2004a). A more precise indicator is the percentage of people with full, correct knowledge about HIV/AIDS.¹² Figure V.12 shows this indicator for female adolescents and young people (aged 15-24) in four countries of the region, three of them with a high incidence of HIV, along with the percentage of people who have heard of HIV/AIDS. The evidence is clear and reveals an enormous gap between a general awareness that the virus and disease exist and the fuller knowledge required to make more informed decisions.

¹¹ To be equipped to take informed decisions about matters concerning them, adolescents and young people need to receive suitable and timely information and services relating to sexual and reproductive health and need to be empowered to protect themselves against high-risk sexual relationships resulting from abuse.

¹² This is the percentage of people who correctly identify the three main ways of protecting themselves against HIV transmission (having non-penetrative sex, using condoms and having sex only with a faithful uninfected partner), do not hold two of the incorrect beliefs that are most widespread locally, and answer correctly that a healthy-looking person may be HIV-positive (HIV/AIDS Survey Indicators Database, <http://www.measuredhs.com/hivdata/data/>).

Figure V.12
LATIN AMERICA AND THE CARIBBEAN (SELECTED COUNTRIES): WOMEN AGED 15 TO 24 WHO ARE AWARE OF THE EXISTENCE OF HIV/AIDS



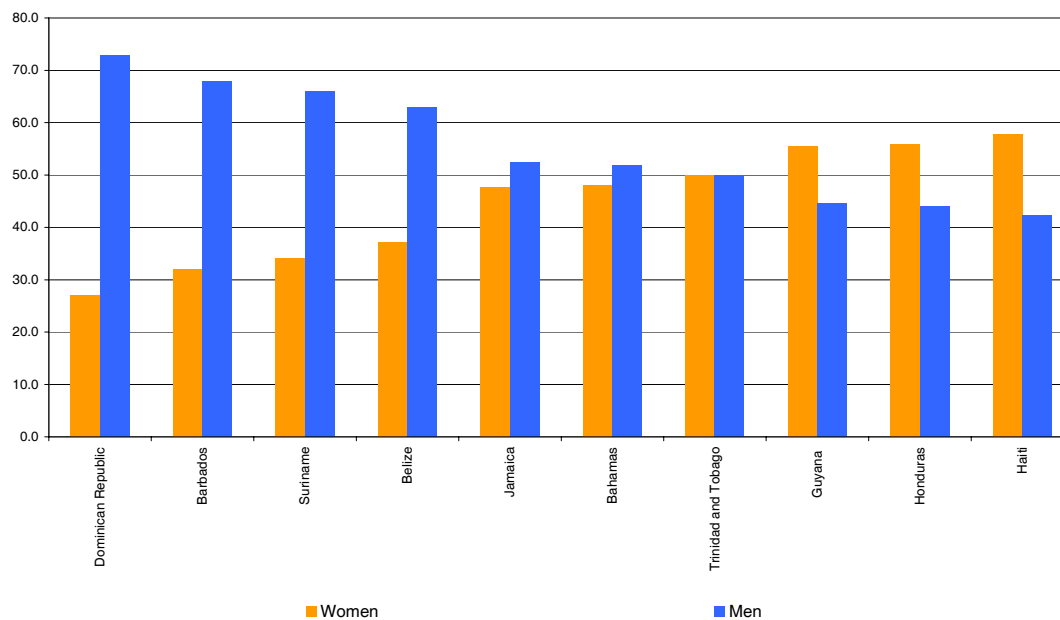
Source: Multiple Indicator Cluster Surveys (MICS), Demographic and Health Surveys (DHS) and HIV/AIDS Survey Indicators Database [online] <http://www.measuredhs.com/hivdagta/data>.

The use of condoms is considered to be the best way of avoiding infection, but it is still limited even among people who have high-risk sex in countries with a high prevalence of HIV/AIDS.¹³ In four countries for which data are available, the percentage of women of child-bearing age who have used a condom in high-risk sexual relations ranges from 16% to 25%. In the case of men, information is available only for the Dominican Republic and Haiti. In the latter country, which is where HIV/AIDS is most prevalent, condom use in high-risk relations is a mere 27%, while the figure for the Dominican Republic is 51%.

Gender inequities are at work in the way infection spreads. Women are made more vulnerable by a culture that limits their access to goods and services and prevents them from taking independent, informed decisions about sex and reproduction. The fact that in many situations, it is commonly women's partners or husbands who decide when, how and with what frequency they are to have sex limits women's scope for adopting preventive or protective measures to avoid infection. These power asymmetries make women more socially vulnerable and account for the shift in the male/female ratio (the "feminization" of the epidemic). In the Caribbean, for example, in or around 1985 there were four men with AIDS for every woman. This ratio has now fallen to 2:1 and in some places, such as Haiti, Dominica, Saint Lucia and Jamaica, it is close to 1:1. An analysis of the proportions of women and men infected in those countries where the disease is most prevalent (see figure V.13) shows that in Guyana, Honduras and Haiti, women are in the majority (between 55% and 58%), while in another three countries (Jamaica, Bahamas and Trinidad and Tobago) they are practically as numerous as men.

¹³ Sexual relations are defined as high-risk when they have taken place in the last 12 months with a non-marital, non-cohabiting partner (HIV/AIDS Survey Indicators Database, <http://www.measuredhs.com/hivdata/>).

Figure V.13
LATIN AMERICA AND THE CARIBBEAN: PROPORTION OF WOMEN AND MEN INFECTED WITH HIV/AIDS IN HIGH-PREVALENCE COUNTRIES, 2003



Source: Prepared by the authors on the basis of data from the Joint United Nations Programme on HIV/AIDS (UNAIDS), *Epidemiological Fact Sheet, 2004 Update*, UNAIDS, 2004.

Since HIV is transmitted, among other means, via sexual relations and from mother to foetus or newborn baby, the epidemic has a primary impact on sexual and reproductive health, and this in turn affects the general health of individuals, families and whole communities. As the prevalence of infection in the adult population begins to reach a certain critical level (over 3%) in a particular area or country, a concomitant impact begins to be seen on productivity, services provision, care for minors and the elderly, and social development, as those responsible for the education and health care of the new generations succumb. Even below these critical levels, however, there are major social and demographic effects.

The data on trends in HIV/AIDS in the region are inconclusive. While it is becoming more prevalent in all the countries, no conclusive information is available to show that incidence is also rising. In the case of Brazil there is clear evidence that the epidemic has been stabilizing over the last six years.¹⁴ The reason for this achievement seems to be the fact that the whole of society is taking part in a proactive, aggressive programme involving a strategy of prevention, treatment and advocacy for the human rights of infected persons. Anti-retroviral therapy is now provided to 100% of eligible individuals. The latest UNAIDS report for the Caribbean describes trends that suggest that at least two of the subregion's countries —Bahamas and Barbados— are managing to lower levels of infection thanks to the active HIV prevention campaigns they have been conducting since the late 1990s.

In conclusion, the HIV/AIDS epidemic is one of the greatest challenges for the countries in the region. An expansion of activities in this field is therefore a matter of the utmost urgency. This effort must involve society at large and health programmes in particular, especially primary health care and sexual and reproductive health and gender equity programmes. Policies and programmes

¹⁴ Presentation by Paulo Roberto Teixeira, STD/AIDS State Programme, São Paulo, Brazil, at the thirty-eighth session of the United Nations Commission on Population and Development, New York, 4-8 April 2005.

should recognize and support the full integration of HIV prevention efforts into sexual and reproductive health services and the integration of reproductive health services into HIV-related programmes (United Nations, 2004c).

(b) Target 8: Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases

The incidence of malaria is much lower in Latin America and the Caribbean than in the regions that are the hardest-hit by this disease (see table V.4). Of the 35 countries and territories that are members of PAHO/WHO, however, 21 report that the active transmission of malaria is occurring in some areas. Generally speaking, these areas are less developed and exhibit marked differences from the rest of the country or territory.

Table V.4
NUMBER OF CASES OF MALARIA IN THE WORLD, BY CONTINENT, 2001

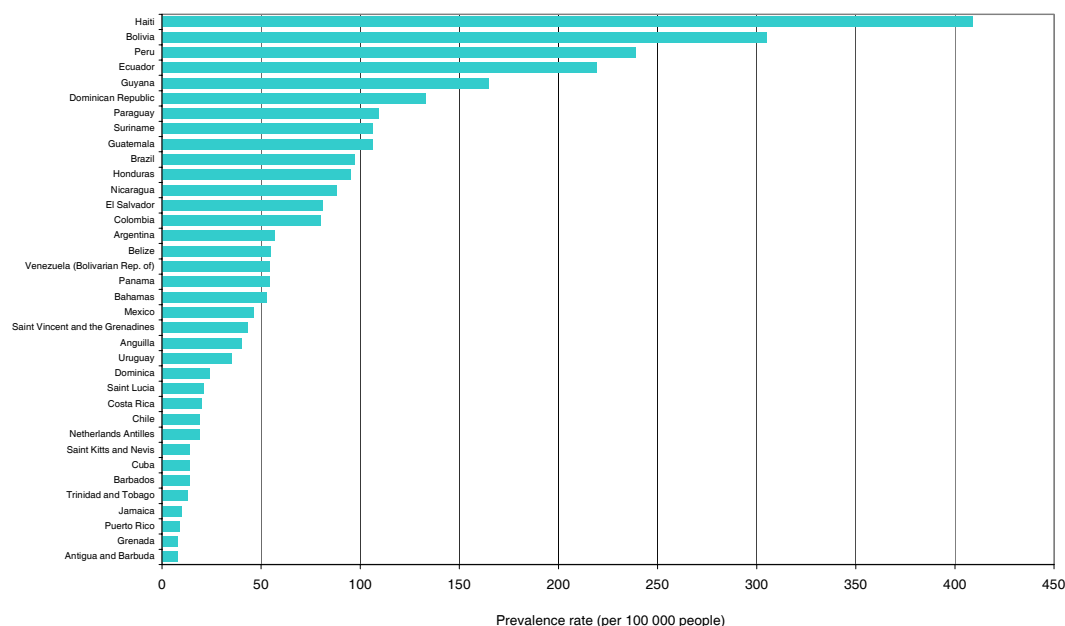
	Number of cases	Percentage
Latin America and the Caribbean	1 052 947	2.6
Africa	33 184 158	82.9
Asia	5 686 319	14.2
Europe	11 339	0.0
Oceania	81 216	0.2
World total	40 015 979	100.0

Source: United Nations Development Programme (UNDP), *Human Development Report 2002*, New York, 2002.

Of the 472 million inhabitants of the 21 countries where malaria is actively transmitted, 208 million (44.1%) live in areas where they are exposed to some risk of transmission. Of these, 131 million (59.8%) are at low or very low risk of contracting malaria. In 2003, about 850,000 cases of malaria were recorded in Latin America and the Caribbean. The countries reporting the largest absolute number of malaria cases were Brazil and the countries of the Andean subregion, accounting between them for about 82% of all cases, although the highest risk of transmission is found in the subregion that includes French Guiana, Guyana and Suriname, where parasitic incidence exceeded 200 cases per 1,000 inhabitants in that same year.

Tuberculosis is another of the diseases whose incidence is expected to have been reduced by 2015. In Latin America and the Caribbean, it is estimated that there were 370,000 tuberculosis sufferers in 2002. Of these, some 200,000 were infectious cases. These cases merit priority diagnosis and treatment, since over 150 people died each day from the disease. Most tuberculosis sufferers were young adults at the most productive stage of their lives, with five women falling ill for every eight men. To make significant inroads in reducing the prevalence of this disease, it will be necessary to increase diagnostic coverage and expand directly observed treatment short-course (DOTS) programmes. According to PAHO, Peru, Haiti and Bolivia are the countries with the largest numbers of tuberculosis cases in Latin America and the Caribbean; the incidence of the disease is attributed mainly to the social conditions and poverty of these countries (see figure V.14).

Figure V.14
LATIN AMERICA AND THE CARIBBEAN: TUBERCULOSIS PREVALENCE RATE, 2002



Source: Pan American Health Organization (PAHO), on the basis of United Nations database on Millennium Development Goals indicators [on line] http://unstats.un.org/unsd/mispa/mi_goals.aspx.

Progress has been made, nonetheless, in controlling tuberculosis in Latin America and the Caribbean. The DOTS strategy was launched in the region in 1994. This strategy, whose scope of implementation encompasses an estimated 78% of the region's population, provides a very inexpensive and effective way of detecting and curing tuberculosis cases. The DOTS strategy has the backing of a policy commitment on the part of the countries concerned and is based on laboratory diagnosis and treatment involving observation to ensure drugs are taken. It is estimated that, as of 2003, 76% of all contagious tuberculosis sufferers had been diagnosed, and 81% of them had been cured. From 1995 to date, 17 million people have been treated using this strategy.

Another of the main objectives of the strategy is to effectively address the links between tuberculosis and HIV/AIDS. The HIV pandemic represents a considerable challenge for the struggle against tuberculosis at every level, as tuberculosis is one of the most frequent causes of morbidity and one of the main causes of death among people living with HIV/AIDS.

C. The response of health systems to the challenges of meeting the health-related Millennium Development Goals

The situation existing in the region during the 1990s defined the starting conditions and context for the Millennium Development Goals and the challenges associated with them. This situation involves a number of different facets. There is encouragement to be drawn from the strength of democracy and democratic institutions; significant progress with macroeconomic stability; a new economic openness; and progress as measured by social indicators. On the other hand, disappointing features include slow growth; the modest extent of the decline in poverty; the persistence of severe inequity and exclusion; and the scale of social discontent. Given the close relationship between the political, economic and social determinants of development, these negative tendencies, should they persist, may undermine the progress made to date.

By comparison with the modest poverty reduction achieved and the persistence of the distribution problem, in the last decade the region has made major progress in improving average social indicators. The Human Development Index (HDI), which synthesizes key indicators of well-being such as life expectancy at birth and literacy, reflects this clearly, as it shows that the average for the region (which stood at 0.78 at the time of the last survey in 2003) is comparable to that of Eastern and Central Europe and exceeded only by the average for developed countries (IDB, 2004). But the index does not capture the region's high levels of inequality and exclusion, which means that average well-being can improve without there being any change in the rights of the poor and disadvantaged with regard to development and health. Paradoxical though it might seem, progress in terms of average social indicators has coexisted with setbacks in terms of poverty reduction. An analysis of the situation in the region shows that its averages mask a deep inequity in the factors measured by indicators of health outcomes.

Achieving the Millennium Development Goals depends crucially on people having access to the goods and services they need to meet their basic food, education and health needs, together with the full exercise of their rights. As the earlier analysis of the health situation shows, there is an urgent need to reduce the great inequities in health-care access and outcomes as a condition for achieving the Goals.

In Latin America and the Caribbean, the inadequacies and limitations of health-care systems represent barriers to access that help perpetuate these inequities and limit the implementation of cost-effective measures that are available to prevent or treat the main causes of maternal and infant deaths and those due to communicable diseases such as HIV/AIDS, malaria and tuberculosis, as well as the implementation of national and global strategies to achieve the Millennium Development Goals in middle- and low-income countries.

From the point of view of system architecture, the greatest constraints are segmentation and fragmentation. Segmentation¹⁵ prevents or complicates the implementation of cost-effective interventions and makes it harder for these programmes to reach some population groups because it imposes conditions of access to health systems that can only be met by those groups that are best placed in social, occupational and financial terms (PAHO/WHO/SIDA, 2003; Behrman, Gaviria and Székely, 2003), thereby consolidating and entrenching inequity. One of this situation's most serious effects is that it also leads to the segmentation of the right to health, which, although presented in legal statutes as universal, in practice is severely constrained by conditions such as individuals' occupational situation and payment capacity. Studies conducted in a number of the region's countries show that between 20% and 77% of the population cannot make use of the health system when they need to and that an average of 78% have no health insurance of any kind (PAHO/WHO/SIDA, 2001-2004). This situation has worsened because of changes in the labour market, particularly the growth of the informal economy. When the reasons that prevent people from seeking institutional health care in any subsystem are explored, the main one proves to be financial. In highly segmented systems, access to health care is based on institutional discriminatory mechanisms, and restrictions on access affect some social groups more than others. Consequently, those who are excluded are mainly the poor who live in the countryside and work in the informal economy (PAHO/WHO/SIDA, 2003).

¹⁵ Segmentation consists in the division of health systems into subcomponents "specializing" in different population groups and generally takes the form, for both provision and insurance, of a public subsystem oriented towards the poor; a social security subsystem specializing in formal workers and their dependants; and in a profit-making private-sector subsystem used mainly by the wealthiest segments of the population. There is also, to a degree that differs from country to country, a non-profit private system designed to meet the needs of those who are unable to make use of the public subsystem, most of whom are extremely poor or suffer from some kind of discrimination.

Ethnic origin is also a factor that affects access. In at least five of the region's countries (Guatemala, Bolivia, Ecuador, Paraguay and Peru), belonging to an indigenous group or being monolingual in an indigenous language constitutes a barrier to health-system access.¹⁶

Lastly, insofar as access to health systems is linked to formal-sector employment, women experience greater exclusion than men owing to their pattern of labour market participation. Because of their domestic duties, over half of all women in the region are not gainfully employed, and when they are, they are more likely than men to work in the informal sector and in part-time occupations that are not usually covered by social security. The fact that they are often dependants means that they and their children are heavily reliant on the person who does have health coverage being employed and remaining in the household. It is important to note here that over 30% of the region's households are headed by women.

The segmentation of health systems reflects patterns of social segmentation and discrimination in the societies where they operate and severely constrains the prospects for attaining the Millennium Development Goals. In past decades, only a few¹⁷ countries in the Americas have implemented national measures to reduce or eliminate the segmentation of their health systems, and most countries in the continent still display a high degree of segmentation.

Fragmentation,¹⁸ meanwhile, hinders the implementation of cost-effective interventions because the existence of numerous agents operating without coordination makes it difficult to standardize the quality, content, cost and application of health measures, raises their cost and encourages inefficient use of resources within the system. This last aspect is manifested, for example, in the coexistence of low hospital occupation rates in social security centres with high percentages of unmet demand for these services in the public subsystems of Bolivia, the Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras and Paraguay. The fragmentation of service delivery within the public subsystem has a major territorial dimension in the cases of Bolivia, Honduras, Guatemala and Ecuador, where the supply of health services in the countryside is severely constrained by the weakness of referral and counter-referral mechanisms. Studies carried out in Bolivia, Brazil, El Salvador, Honduras and Nicaragua show that one of the main problems in implementing successful measures to reduce maternal mortality is the difficulty of applying them at the different territorial levels within the public subsystem, even though reducing maternal mortality is a priority item on the countries' political agenda (PAHO/USAID, 2004).

In respect of the way initiatives are organized and funding is assigned to them, the greatest shortcomings of the region's health systems lie in the allocation, distribution and training of human resources; in the amount and distribution of public spending; and in the territorial distribution of the service network and health infrastructure.

As in many of the world's regions, health systems in most of the Latin American and Caribbean countries face serious problems of scarcity, poor distribution, deficient training and poor working conditions for their human resources. The employment deregulation policies implemented as part of health reforms and the economic and social crises that have shaken the region's countries in the last 30 years have undermined working conditions in the health sector. The employment situation of health workers has worsened in terms not only of pay but also of stability, opportunities for growth and the satisfaction of individual and family needs.

¹⁶ Throughout the region there is a correlation between poverty and the existence of indigenous groups; this correlation is greater in scattered rural populations and especially among women and children. Generally speaking, and despite the countries' efforts in this respect, groups living in poverty have less of an opportunity to reap the benefits of development, including access to basic health services, education and nutrition.

¹⁷ Including Brazil, Canada, Chile, Costa Rica and Cuba.

¹⁸ Fragmentation occurs when the different subsystems do not operate in a coordinated, synergistic way but tend to ignore or compete with each other, and it can manifest itself in any or all of the functions performed by the system.

Few countries in the region have succeeded in implementing appropriate human resource policies, and this is reflected in the persistence of chronic imbalances in human resource distribution, urban concentration, asymmetrical growth in personnel supply and demand, greater growth in the supply of educational services than the requirements of health-sector work warrant, mismatches in human resource quality, contradictory or ill-defined requirements in terms of professional qualifications and the stagnation of public-sector employment. In some countries this has led to an exodus of health professionals and increasing emigration by skilled personnel to developed countries, which has had serious negative effects in countries such as Ecuador, Bolivia, Honduras and Peru. In the case of the Caribbean, the economic loss associated with the cost of training of health workers who then migrate is considerable.¹⁹

There have been efforts to expand health coverage and redistribute human resources through such means as social services or assignment cycles (Quiroga, 2000), but the countries have provided few incentives to retain health teams in areas where conditions are difficult or that are far from urban centres. In Honduras, Ecuador, Bolivia, Guatemala, El Salvador and the Dominican Republic, problems with scarcity and poor distribution of human resources (particularly doctors and nurses) and the poor quality of care are leading causes of health exclusion (Hobcraft, 1993) and account for the majority of maternal and perinatal deaths (PAHO/WHO/SIDA, 2003).

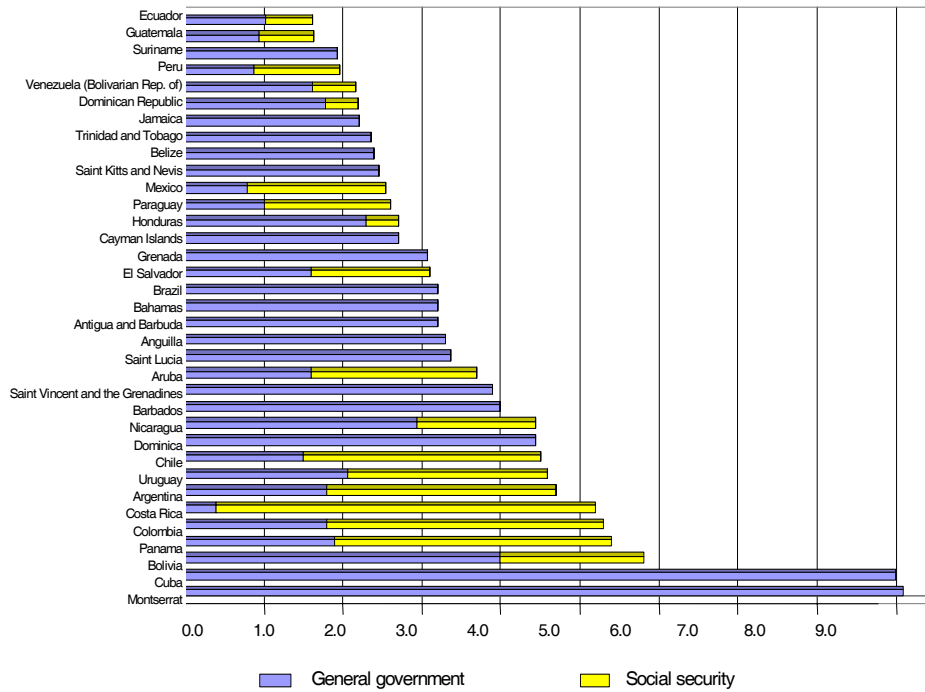
The scale and distribution of public health expenditure are powerful tools for achieving higher levels of equity within health systems. In countries with highly segmented health systems, public-sector health funding is generally low, and public-sector coverage is therefore quite limited, while private expenditure is high and corresponds almost entirely to expenditures on the part of private individuals. This is the situation of most countries in Central America (Nicaragua, El Salvador, Guatemala, Honduras) and the Andean Community (Ecuador, Peru, Bolivia, Bolivarian Republic of Venezuela). In these countries, where poverty affects a large percentage of the population, low public spending levels plus high out-of-pocket expenditure (which is proportionately greater in the poorer of these nations) add up to a serious problem of equity in health-care access, since this largely depends on the individual's ability to pay, as the possibility of having recourse to the public sector is limited (see figure V.15).

It is important to note that, because they have a greater need to use health services, women's out-of-pocket health expenditure is systematically higher (20% compared to 50%) than men's, as is demonstrated by household surveys that include individual spending information, namely those of Brazil (1996-1997), the Dominican Republic (1996), Ecuador (1998), Paraguay (1996) and Peru (2000). This inequity takes on still greater proportions given the fact that women's incomes average only about 70% of men's.

Besides the amount of public spending, its progressiveness, i.e., its distribution among the poorest groups in the population, is a vital factor in the access of these groups to health services. Out-of-pocket spending in the poorest households is lower in countries where the distribution of public spending is tilted towards low-income groups. In Ecuador and Guatemala, just over 12% of public health expenditure goes to the first income quintile (the poorest), while the fifth quintile (the richest) receives over 30%. At the other extreme, Chile, Costa Rica and Uruguay distribute about 30% of public spending among the lowest-income population. Peru distributes public spending across all income groups alike. Ecuador, Guatemala and Peru have highly segmented health systems, while Costa Rica, Uruguay and Chile have national health insurance systems. A similar pattern of public expenditure distribution favouring lower-income groups can be seen in Jamaica (see figure V.16).

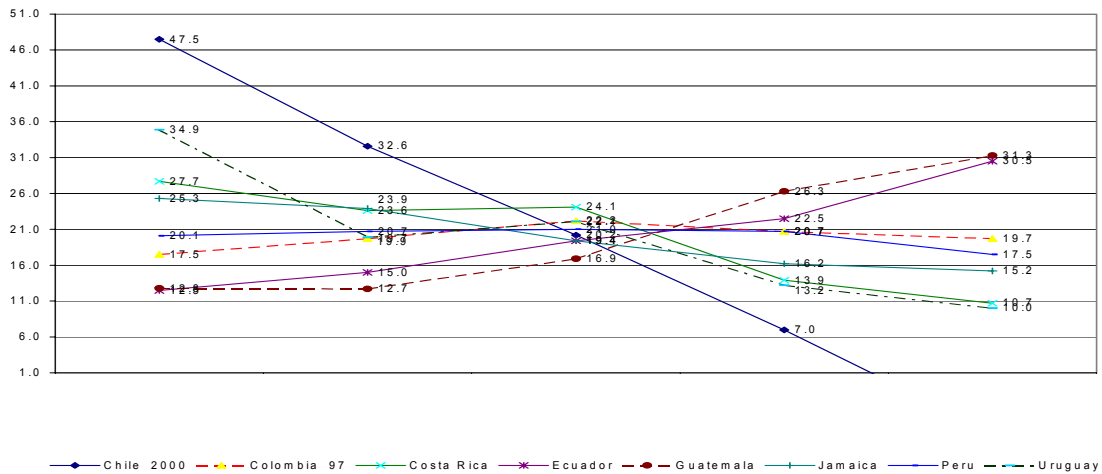
¹⁹ See PAHO, Caribbean Program Coordination, "Nurse sites", 2001, http://www.pahocpc.org/whatsnew/press_releases/nurses/migrate_nurse.htm.

Figure V.15
LATIN AMERICA AND THE CARIBBEAN: SOCIAL SECURITY AND GENERAL GOVERNMENT EXPENDITURE, 2000



Source: Pan American Health Organization (PAHO), Strategic Health Development Area (SHD/HP) database.

Figure V.16
CHILE, COLOMBIA, COSTA RICA, ECUADOR, GUATEMALA, JAMAICA, PERU AND URUGUAY: DISTRIBUTIVE IMPACT OF PUBLIC SPENDING



Source: Pan American Health Organization (PAHO), Strategic Health Development Area (SHD/HP) database.

The concentration of physical and technological health infrastructure in urban centres and the wealthiest areas means that access to this infrastructure is restricted for population groups living in poor, rural and remote geographical areas. One measure of access is use of health services, which reflects the proportion of resources that each subsystem expends on the different population groups. In turn, this is an indicator of equity in the system in general. In most countries, services are used inequitably, since greater use is made of them by the wealthier quintiles in all subsystems, including the public subsystem.

Disparities in access to health products, services and opportunities are reflected in unfair differences in health outcomes. Both maternal and infant mortality in the region are concentrated among the poorest segments of the population, as demonstrated in the previous section.

The situation with respect to the quality of health services in Latin America and the Caribbean cannot be regarded as encouraging. The comparatively poor results and low coverage of health systems in the region's countries are largely a reflection of this, as is the neglect of public health. In fact, perceived quality (in its twofold human and administrative aspect) is increasingly emerging as a factor that significantly influences technical quality in terms of both processes and results (PAHO, 2000a).

Reforms in the region's health sector have mainly concentrated on structural, financial and organizational changes to health systems and on adjustments in service delivery. Public health has been neglected as a social and institutional responsibility, just at a time when even more attention needs to be paid to this issue and when most support should be forthcoming from Governments to modernize the health care infrastructure (PAHO, 2000b). Some of the current processes have not been effective enough in tackling health inequities linked with the growth of economic inequalities.

In Argentina, Bolivia, Ecuador, Mexico and Peru, proposals for the provision of maternity insurance for mothers and newborns as part of the public health insurance system are being formulated. This strategy of targeting social programmes is designed to address alarming levels of inequality. Although insurance of this kind focuses on women's and children's health, its scope is restricted in that it centres on maternity while neglecting broader sexual and reproductive health issues such as cancer prevention, violence, fertility and differentiated treatment for adolescents (male and female). In any case, it is important to mention some elements and outcomes that can be identified from the experiences of Bolivia, Chile, Cuba and Honduras, countries which have managed to make significant inroads in reducing maternal mortality in recent decades (see box V.1).

In the region generally there has been an improvement in the quality of sexual and reproductive health policies, programmes and standards based on the concept of reproductive rights as human rights, social and gender equity, and the empowerment of women and adolescents. National adolescent health programmes have been created, with specific units being set up to cater to adolescents in medical establishments and in the provision of educational, preventive and treatment services, with an emphasis on sexual and reproductive health aspects and actions directed specifically at the prevention of unplanned pregnancies and care for adolescent mothers. Personnel have also received greater training in methods of care, improvement of health service quality and the supply of contraceptives to adolescents, and workshops have been held with groups of young people to explain their health and reproductive rights (ECLAC, 2004f). Despite all this, greater political support is required in order to place priority on adolescents' sexual and reproductive rights as part of health-sector reforms, since it will be impossible to attain the Millennium Development Goals related to maternal health unless resources are invested and effective action taken among the adolescent and youth population.

Box V.1

REDUCING MATERNAL MORTALITY IN BOLIVIA, CHILE, CUBA AND HONDURAS

The reduction of maternal mortality in Bolivia, Chile, Cuba and Honduras exemplifies the progress made towards this target. Although Bolivia and Honduras continue to face challenges related to socio-economic conditions and political instability, there have been clear signs of progress. Health ministries have collaborated with international aid agencies to carry out national case studies that have served to systematize and identify the most important factors that have contributed to the reduction of maternal mortality in these countries.

In the case of Bolivia, maternal mortality was reduced by 41% between 1993 and 2003, from 390 to 235 maternal deaths per 100,000 live births. Although much remains to be done, progress has been substantial. One of the many important factors in Bolivia's success has been the decision to give due political priority to the problem; this has yielded a wide range of actions and interventions to strengthen health systems and services, including a mechanism to finance effective interventions for mothers and infants. In 1996 a national maternal and child insurance scheme was created (*Seguro Nacional de Maternidad y Niñez*), supported by funding from the revenue-sharing scheme established by the Popular Participation Act. This mechanism has been operating continuously for about nine years under four consecutive Administrations. A universal insurance scheme for mothers and children, the *Seguro Universal Materno-Infantil* (SUMI), is now being implemented; this covers the provision of key interventions and services for maternity care, including complications during pregnancy, delivery and puerperium, care following miscarriage or abortion, and complications and diseases suffered by newborn babies and under-fives.

Chile now has the second-lowest rate of maternal mortality in Latin America and the Caribbean, with 17 maternal deaths per 100,000 live births. This represents a major decline from the 325 maternal deaths per 100,000 live births recorded in 1951. The factors identified as contributing to this improvement include the creation of the National Health Service, which included a range of key interventions to protect the health of mothers and infants, a family planning programme intended to reduce maternal deaths from complications resulting from abortion, and a national supplementary feeding programme, the *Programa Nacional de Alimentación Complementaria* (PNAC), whose aim is to improve the nutritional status of pregnant women and children up to 6 years of age. In addition, an enhanced network of public assistance based on prevention, access to and use of appropriate and effective technology, and attendance by professional, university-trained midwives who enjoy recognition in the community and are working throughout the country has helped improve access to and coverage of skilled attention and care during pregnancy, delivery and puerperium.

In the case of Cuba, the situation has been similar. Cuban health policy has been characterized by consistent backing from the political leadership of the country. Cuba has made maternal and infant health a priority, developing community-based networks of obstetric and infant care. Individual capabilities have also been enhanced, with all women being assured of access to education and health services offering effective treatment. Steady improvements in coverage and quality and the empowerment of women are central elements in the Cuban health system.

Honduras has had great success in reducing maternal mortality, with the maternal mortality ratio falling by 38% between 1990 and 1997, from 182 to 108 maternal deaths per 100,000 live births. An evaluation of the Honduran experience shows that support for social services and the broadening of access to health services have been two of the determining factors, which, in turn, stemmed from the authorities' decision to devote a significant share of GDP to health. Moreover, safe motherhood has been promoted, and priority has been given to the reduction of maternal mortality, with resources to match. Substantial efforts have been made to increase the availability of essential obstetric care services. Also important have been improvements to the system for referring high-risk cases and obstetric complications during home deliveries to skilled personnel, as well as efforts to improve care quality and community participation, as key components of other strategies.

The lessons learned from Bolivia, Cuba, Chile and Honduras reveal the essential role of leadership and the importance of having sustainable, long-term, cross-sectoral public policies. In particular, these policies should strengthen health systems and services and guarantee access to high-quality primary care services for mothers and children, the availability of human resources with obstetric skills, and the availability of essential obstetric care and family planning services in the health services network. Epidemiological surveillance and monitoring systems have also been crucial in securing favourable outcomes in these countries.

Source: Pan American Health Organization (PAHO).

Government responses in relation to the Goal of combating HIV/AIDS g have been limited, with Brazil, Chile and Uruguay being the most active. National responses have increased in recent years as the funding made available by the Global Fund to Fight AIDS, Tuberculosis and Malaria has increased, most of it being destined for therapeutic measures and access to antiretroviral drugs.

Regarding policies and the structural elements of these responses, most of the countries have specific HIV/AIDS legislation, often committing the State to prevention and response measures, including treatment. At least five countries in the region (Argentina, Bolivarian Republic of Venezuela, Brazil, Chile and Uruguay) provide universal access to antiretroviral treatment. The great majority of the countries are now in the process of applying new therapies and are drawing on Global Fund resources for this purpose. This progress has been possible thanks to joint negotiations by the countries, organized by subregions, with international pharmaceutical industries, driven by strong pressure from civil society. Nonetheless, health services have not had either the physical infrastructure or the human resources they need to respond to the challenges involved in this increase in treatment coverage.

There has been a wide variety of prevention activities and evaluations. Most of the population now has adequate knowledge about the epidemic, how HIV/AIDS is transmitted and how it can be prevented. Preventive behaviour has not yet had the looked-for effect, however, which suggests that prevention activities have also been inadequate in quantity, content and effectiveness. Rights-based perspectives and research aimed at reducing gender inequities are two areas of action that form part of structural responses to the problem of HIV/AIDS, as is integration with sexual and reproductive health services. These strategies have not yet been sufficiently incorporated into the countries' work in this area (UNFPA/CST, 2004c).

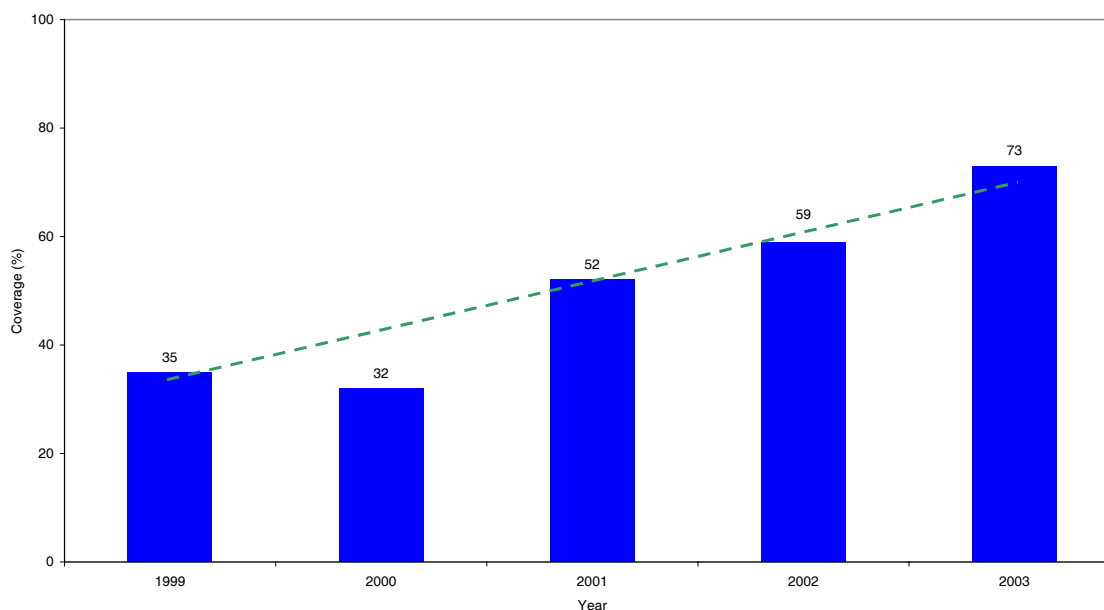
Although the HIV/AIDS epidemic is far from under control, advances in science and technology, combined with political will and intense social mobilization, are succeeding in altering its course in many countries, including the Latin America and Caribbean region. The development of education and communication strategies and the delivery of health services remain the cornerstone for containing the epidemic. Preventing HIV infection has been and will continue to be imperative in order to keep the HIV/AIDS epidemic in the Americas from reaching the catastrophic proportions that it has in other regions of the world. The development of comprehensive care models that include treatment with antiretroviral drugs and against opportunistic infections, as well as mechanisms for improving access to these drugs, requires real political and financial resolve to keep the AIDS epidemic from continuing to produce unnecessary suffering, especially among the most disenfranchised populations.²⁰ These models must be closely linked with sound primary prevention strategies (PAHO, 2001a).

In the case of tuberculosis, DOTS is the strategy recommended by WTO to control the disease. This has to begin with a sustained political commitment to increase human and financial resources and make tuberculosis control an integral part of the national health system (WTO, 2003). This strategy has gradually spread through the region since the late 1990s, and by 2003 population coverage was 73% (WHO, 2004) (see figure V.17). With over 230,000 cases in the region that same year, detection rates for infectious tuberculosis (sputum smear positive) were 44% and the cure rate, using DOTS, for these cases was 81%. These indicators show how much progress has been made towards the PAHO/WHO targets²¹ for tuberculosis control, which paves the way for efforts to attain the Millennium Development Goals.

²⁰ See PAHO, Caribbean Program Coordination, http://www.pahocpc.org/whatsnew/press_releases/nurses/migrate_nurse.htm.

²¹ The Forty-Fourth WHO World Health Assembly set tuberculosis control targets at a detection rate of 70% of sputum-positive cases and a cure rate of at least 85%, to be achieved by 2005 (see WHA44/1991/REC/1.1991).

Figure V.17
**LATIN AMERICA AND THE CARIBBEAN: EXPANSION OF DOTS POPULATION
 COVERAGE, 1999-2003**
 (Percentages)



Source: World Health Organization (WHO), *Global Tuberculosis Control: Surveillance, Planning, Financing* (WHO/HTM/TB), Geneva, 2005.

Tuberculosis control requires sustained commitment at every level in order for the necessary actions to be taken. Weak, underfunded health systems are a major constraint on these efforts. Tuberculosis control needs to be given a priority commensurate with the incidence of the disease in each country. The response of health systems in this field is still inadequate owing to shortcomings in primary care, a lack of private-sector participation and under-use of community workers and resources.

In the case of malaria, suspension of the eradication programme was followed by the region's adoption of the Global Malaria Control Strategy in 1992. The basic technical elements of this strategy include early diagnosis and prompt treatment; implementation of preventive and protective measures; development of early detection and epidemic containment capacity; and strengthening of national capacities for basic and applied research to permit and promote the regular assessment of a country's malaria situation. With the principal goal of significantly reducing the number of cases of malaria in the world, WHO launched Roll Back Malaria (RBM), a global partnership that includes United Nations organizations, other institutions, civil society and the Governments of malaria-endemic countries. The key elements of this initiative reinforce those of the Global Malaria Control Strategy. The aim of RBM is to halve malaria-associated mortality and morbidity by 2010. The 21 malaria-endemic countries in the region have joined RBM, and the incidence of malaria was reduced by 25% in 12 of the countries between 1998 and 2003.

The target set for the Millennium Development Goals is to have halted and begun to reverse the incidence of malaria by 2015. This will require sustained commitment by Governments, better collaboration between different health programmes and different sectors, adequate financing, the requisite training for health personnel and the community and their participation in prevention and control measures, integration of the malaria programme into health services and progress in strengthening information systems and setting evidence-based policies.

D. Guiding principles for health policy

Latin America and the Caribbean have started the new century with numerous achievements to their credit, including the fact that they have opted for democratic governance, responsible macroeconomic policies and major reforms to promote economic growth and social progress. Formidable challenges remain, however, such as reversing the recent rise in poverty in many countries, reducing child undernutrition, diminishing gender differences in the labour market and in opportunities for political participation, improving access to basic water and sanitation services in low-income countries and the poorer regions of middle-income countries, and improving equity in health outcomes and access to health services.

The region is not the world's poorest, but it is the most unequal. The country with the least income inequality in the region is still more unequal than any country of the Organisation for Economic Co-operation and Development (OECD) or Eastern Europe (World Bank, 2003a). Income distribution data show that, on average, the richest 10% of the population in Latin America receive 36.1% of all household income, while the poorest 40% receive just 13.6%. In the Dominican Republic in 2002, the per capita income of the wealthiest 20% of the population was 24.6 times that of the poorest 20%; in Colombia the ratio was 29.6, and in Bolivia 44.2 (Roses, 2004).

The question that has to be asked is whether current economic and social policies in Latin America and the Caribbean are enough to attain the Millennium Development Goals or whether changes are required. As was noted earlier, if the current trend holds, many of the indicators associated with the health-related Goals will not reach the levels set as targets for 2015 unless corrective measures are applied.

For the Millennium Development Goals to be meaningful in the context of national policy-making, they have to be regarded as an essential component and driver of national health development and of national intersectoral health goals and targets, particularly since the region has recently undergone a succession of reforms that in some countries have weakened public health systems and reduced access to services.

The main policy challenges to be met in order to achieve the Millennium Development Goals are therefore as follows:

1. Promoting intersectorality and interinstitutionality

Health is multidimensional and requires intersectoral strategies that form part of broader development and poverty reduction strategies. To attain health improvements, then, efforts must be directed at a wider range of social policies, transcending the idea that these are watertight compartments and recognizing how interdependent the targets are, since achieving or falling short of one will have repercussions in terms of the others. It is important to capture the synergies between public policies and interdisciplinary and intersectoral measures targeted on the most vulnerable groups and on the most disadvantaged areas and countries.

Empirical data show that it is when health and education work together that real inroads can be made into infant and maternal mortality rates. Aspects of sexual and reproductive health also require responses that are coordinated with other areas, such as the labour market or the justice system, and efforts to empower individuals and communities, particularly adolescents and women.

Again, when the percentage of the population with access to drinking water is analysed, it transpires that this is highly correlated with the reduction of infant mortality rates. This evidence suggests that intersectoral programmes can be used to transform people's living environment by targeting the most vulnerable groups and taking as their basis of measurement the family, the school, the community, organized civil society groups or the municipality. It also calls for the creation of intersectoral organizational structures. The following box describes the results of the Healthy Municipalities Initiative as an example of intersectoral good practice in health care.

Box V.2
HEALTHY MUNICIPALITIES

The Healthy and Productive Municipalities strategy has been identified by many countries as a practical way of bringing different forces together to support public health. Its goals are to improve health conditions among the most vulnerable populations and enhance programme sustainability at the municipal level. It reflects a local development approach that involves the community in decision-making and programme implementation.

One example is the municipality of Chopinzinho in the State of Paraná, Brazil, with a population of 20,740 and a mainly agricultural economy, which began a technological upgrading process to improve low productivity levels in conjunction with its healthy municipality project. A striking example from Canada is the Ontario Healthy Communities Coalition (OHCC), which has created a framework for building healthy communities by diagnosing their problems and needs and then addressing them with specific action plans. Its strategy relies heavily on community involvement and commitment at different levels of government, as well as cross-sectoral initiatives. The city of Bogotá, with a population of over 4 million, has used a strategy to maintain, strengthen, consolidate and promote safe living conditions by means of municipal efforts that bring different actors together and involve all sectors. The municipality of Cumanayagua-Cienfuegos in Cuba is divided into 13 people's councils which have begun to implement the Healthy Municipalities Initiative following an analysis of each district's particular situation. In Mexico, a notable example is the Red Mexicana de Municipios Saludables (Mexican Healthy Municipalities Network), which is part of a health promotion strategy that encourages municipalities to share their experiences and establish cooperation agreements with one another.

Source: Pan American Health Organization (PAHO).

Again, harmonization is fundamental for achieving the Millennium Development Goals. The importance of this has been expressed in meetings and agreements between Governments, international aid organizations and other social actors with a presence in the countries of the region. Examples include the November 2003 Brasilia Declaration on implementation of the Millennium Development Goals (IDB, 2003a) and the Declaration of Nuevo León in January 2004, whose purpose is to carry forward the implementation of measures to combat poverty, to promote social development, to achieve economic growth with equity and to strengthen democratic governance.²² Within this context, subregional agreements on aspects relating to migration and the portability of benefits need to be strengthened and further developed.

2. Improving equity and extending social protection in health

The rise in the absolute number of people living in poverty, like the widening gap between those who have access to the benefits of development and those who lack them, has its counterpart in social protection in health. Marked inequities in the area of health, particularly those linked to gender, race/ethnicity and age, have a heavy cost: such inequities debar people from taking up their right to development and health, reproduce poverty levels and reduce the impact of economic development, as well as eroding social cohesion and jeopardizing democratic processes in the region. To address these unwarranted inequalities, the region's countries need to make a firm commitment to the imperatives of equity and solidarity and for synergistic, convergent measures to be taken at different levels, such as:

²² See Special Summit of the Americas, *Declaration of Nuevo León*, Nuevo León, Mexico, 13 January 2004.

- Reducing inequality in access to services;
- Making institutions work better for the benefit of all;
- Strengthening the capacity of the State to distribute resources;
- Increasing social participation in the design, monitoring and implementation of public health policies.

The Millennium Development Goals cannot be met unless the starting point is respect for the cultural diversity of the different groups in society, measures are taken to support equitable and sustainable economic growth and development is centred on human beings.

Extending social protection in health is a necessary condition for achieving the Millennium Development Goals. As has already been seen, a large proportion of the population is still excluded from the social mechanisms that protect people against the risks of disease and its consequences.

Social protection strategies designed to put an end to exclusion entail public-sector interventions aimed at guaranteeing citizens' access to decent and effective health care and at reducing the negative economic and social impacts of personal difficulties, such as illness or unemployment, or of general events, such as natural disasters, on the population at large or the most vulnerable social groups.

3. Increasing the amount and progressiveness of current and investment spending on health

Given the amount and composition of national health expenditure and its distribution among the population, it is important to revisit the issues of public financing and the efficiency and distributive impact of spending. This re-examination should be undertaken in the light of the necessary balance between health services and goods and the consumption of other goods that have an impact on health (food, housing, education, sanitation) and contribute to individual and social well-being.

Based on the evidence on health financing available in the region, it can be argued that greater government investment in public health programmes and personal health services is needed. Such investments would have to be funded by raising taxes or improving tax collection mechanisms, or by increasing social security contributions.

4. Improving health systems' response capacity

It is important to stress the link between the Millennium Development Goals and the changes required in health systems. To achieve the Goals it will be necessary to work on specific programmes, such as sexual and reproductive health initiatives and infectious disease control plans, and to develop health systems and services (PAHO, 2004a) so that these programmes and interventions reach all of the region's citizens.

Where health systems are concerned, it is necessary to work simultaneously on management, financing, insurance and health-service delivery so that the actions taken in each of these areas are consistent and mutually reinforcing (PAHO, 2002c) and will promote equity. The challenges to be met in these areas are as follows:

- With regard to the management of public health policy and the exercise of authority over health matters by public authorities, the challenge is to strengthen this function and make the machinery for it more efficient.
- In the area of financing, the challenge lies in collectively organizing the various sources of financing to meet the health needs of the population within a framework of solidarity and

equity. Specifically, sustainable, distributional financing mechanisms are needed to ensure funding for both personal health services and public health measures.

- In the area of health insurance, the challenge lies in:
 - guaranteeing provision of a range of universal services for citizens by striking a reasonable balance between public insurance schemes with contributive or social financing and privately-financed schemes;
 - reducing the transaction costs and inequities stemming from the segmented, fragmented and weakly regulated schemes that prevail today in the region. The evidence seems to suggest that a public insurer that employs the criteria of solidarity, efficiency, transparency and accountability in its operations and has a strong/dominant position in its area of insurance has a powerful effect in bringing order to the insurance market and reducing the risk of exclusion.
- In the area of service delivery, the challenge lies in:
 - building up a network of services that make the universal right to health, including individuals' reproductive rights, a reality;
 - reorienting the care model around educational and preventive criteria and strengthening primary care strategies;
 - introducing appropriate incentives for intermediate and final providers to act in a way that furthers the achievement of health goals and prevents exclusion;
 - prioritizing strategies to make health services more accessible;
 - ensuring continuity of service between the different levels and subsystems of the health system;
 - backstopping the demand for services by population groups at the greatest risk of exclusion (e.g., the poor, indigenous people, Afro-descendants, etc.);
 - enhancing users' ability to familiarize themselves with and exercise their rights to health care.

It is important to establish policies for expanding the basic level of primary health care (PHC) as the fundamental strategy for the creation of a platform for extending health systems on the basis of equity. This can be done by integrating vertical approaches and strengthening intersectoral collaboration and social participation in health care (PAHO, 2003a). PHC has been shown to have great potential as a vehicle for meeting five health challenges that await the region in future:

- guaranteeing health citizenship status and universal access, while giving priority to the health of the least privileged groups;
- reducing inequalities in health and in health-care systems, including gender, race/ethnicity and generational inequalities;
- improving the health of the population at large, with significant reductions in the risk of infant and maternal death, increases in life expectancy and quality-of-life improvements;
- providing health care through an integrated network of effective, high-quality services which meet the needs of individuals, families and communities and in which they all participate;

- coordinating the different health-care providers and strengthening the infrastructure and institutional capabilities necessary for the performance of essential public health functions.

Where human resources in the health sector are concerned, it is important:

- provide advocacy services that reinforce the centrality of human resource policies in the region;
- enhance the countries' capacity to organize concerted, sustainable political consensus-building processes for the implementation of human resource policies (Observatory of Human Resources in Health) that take account of the large proportion of women in the workforce;
- strengthen and develop the public-sector health workforce based on a long-term perspective involving the introduction of concrete incentives to reorient professional training;
- orient the labour market towards needed areas, with emphasis on primary health care;
- upgrade professional performance through regulation and ongoing education;
- expedite the development of institutional capabilities that can help improve the performance of health services.

Health systems will clearly have to be strengthened if access to health care is to be guaranteed and the Millennium Development Goals are to be met.²³ For this to be possible, policies for reinforcing these systems need to focus on reducing segmentation and fragmentation within them and introducing powerful mechanisms to promote equity. The key question (World Bank, 2003b; Gacitúa, Sojo, Davis, 2000; Bhalla and Lapeyre, 1999; Jordan, 1996) seems to be how health policies can be designed to include the groups that are currently excluded from the system. The portability of guaranteed access to health services is crucial in this regard, since informal employment, migratory movements and poverty will remain facts of life in the medium and long terms. In this context, it is also necessary to clearly define who will be entitled to this guarantee, with access to health being understood not as an employment-linked right but as a citizenship-linked one.

To sum up, making good on the commitments accepted by the region's Governments in the form of the Millennium Development Goals remains a challenge. Few countries have fully incorporated these Goals into their policy-making. Furthermore, a number of factors have to be taken into account when policies are being designed and implemented. Governments have different ways of perceiving the problems that face them and deciding upon and prioritizing solutions in the light of their political agendas. Yet if all the countries apply different criteria when ranking problems and do not combine their efforts and outlooks to work in unison, the Millennium Development Goals are unlikely to be met in the region.

Given current socio-economic conditions, stronger political will is needed, not just nationally but at the subregional and regional levels as well, so that the public health agenda for meeting the Goals is given central priority.

²³ Among the key issues they identify in relation to the Millennium Development Goals, the recommendations put forward in the reports of the Task Force on Child Health and Maternal Health of the United Nations Millennium Project include access to sexual and reproductive health to improve women's and children's health and create the conditions for gender equality. Among the possible solutions, again, they recommend expanding access to sexual and reproductive health services, with the supply of information and contraceptives to narrow current divides in the system of contraceptive provision. In programmatic terms, they recognize that health systems should provide universal access to these services.

At the forty-fifth annual meeting of the Directing Council of the Pan American Health Organization, held in Washington, D.C., in September 2004, the health ministers of the Americas passed resolution CD 45.R3 concerning the health-related Millennium Development Goals and targets, in which they urged member States to:

- prepare and execute national plans of action for the attainment of the Millennium Development Goals;
- strengthen political commitment to the Goals at all levels of governance and consider their achievement a priority in regional, subregional, national and local economic and social development plans;
- increase awareness and ownership of the health priorities set by the Goals at the country level through a wide range of policy dialogues, partnerships and intersectoral action;
- foster partnerships in subregional forums in order to strengthen member States' commitment to health and social development with shared responsibility;
- intensify action on national health development and social protection in health;
- better integrate national efforts to attain the Goals with initiatives on health goals and targets and results-oriented health policies;
- engage and increase cooperation with other partners to advance the agenda of the Goals;
- support strong civil society involvement at all levels to attain the Goals, especially with a view to including adolescents, women, persons with disabilities, disadvantaged ethnic and racial groups and indigenous populations;
- improve measurement and routine monitoring of progress of the attainment of the Goals through high-quality, disaggregated health data, and
- initiate, facilitate, and support research to strengthen the evidence base for the attainment of the Goals and generate new knowledge, in particular relating to synergies for health.

A major challenge is to secure recognition for the right to health as a priority on public agendas and in government efforts. Consequently, political leadership of the health sector is critical, as is the capacity to facilitate dialogue between all those involved in identifying problems and strategies.

Lastly, it should be stressed that, in order to uphold the right to health, democratic governance has to be strengthened within a framework of social cohesion and human rights based on the understanding that genuine democracy cannot be attained without ensuring that no inhabitant of the region is excluded from the benefits of development or deprived of the right to health. This is the path towards the realization of the universal aspiration reflected in the health-related Millennium Development Goals for our region.

Chapter VI

Ensuring environmental sustainability

Goal	Target	Indicators ^a
7. Ensure environmental sustainability	9. Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources	25. Proportion of land area covered by forest 26. Area protected to maintain biological diversity 27. Energy use per US\$1 gross domestic product (GDP) (purchasing power parity (PPP)) 28. Carbon dioxide emissions and consumption of ozone-depleting chlorofluorocarbons (CFCs) 29. Proportion of population using solid fuels
	10. Halve, by 2015, the proportion of people without sustainable access to safe drinking water and basic sanitation	30. Proportion of population with sustainable access to an improved water source, urban and rural 31. Proportion of population with access to improved sanitation, urban and rural
	11. By 2020, to have achieved a significant improvement in the lives of at least 100 million slum-dwellers	32. Proportion of households with access to secure tenure

^a The United Nations Human Settlements Programme decided to include four more dimensions: (i) Access to safe water in slums; (ii) Access to basic sanitation in slums; (iii) Durability of housing; (iv) Sufficient living area.

A. Environmental sustainability in the framework of the Millennium Development Goals

The global scale of mounting pressures on the environment, epitomized by problems such as global warming and the thinning of the ozone layer, underscores the fact that countries are becoming increasingly interdependent and vulnerable. Sustainable development is grounded in the recognition of the role played by the environment and natural resources in providing the material and environmental basis, the ecosystems and the energy on which economic processes depend (ECLAC, 2000a).

The Rio Declaration on Environment and Development (1992), which sets out the principles of sustainable development, laid the foundations for a new environmental governance framework based on the right to a form of development that equitably meets the needs of both present and future generations. Subsequently, the adoption of the Millennium Declaration (2000) led to the definition of the Millennium Development Goals and, in particular, of Goal 7 and a set of basic targets and indicators on some of the key environmental sustainability issues. These targets and indicators, however, do not reflect the magnitude of the changes needed or the time required to achieve them. At the World Summit on Sustainable Development, held in Johannesburg in 2002, targets and commitments were adopted in other spheres (such as fisheries and chemicals) to complement the ones agreed upon two years earlier at the Millennium Summit. Poverty eradication, changing unsustainable production and consumption patterns and protecting and managing the natural resource base were established as overarching objectives. These international agreements have been supplemented by initiatives at the regional level.¹ Nevertheless, 13 years after they wholeheartedly espoused the commitments of the Earth Summit, five years after the Millennium Summit and three years after the Johannesburg Summit, the Latin American and Caribbean countries still face the challenge of promoting innovative solutions and integrated policies that simultaneously generate economic and social well-being, foster productive development and guarantee environmental sustainability. Shortcomings with respect to environmental governance, however (particularly as regards mechanisms for measurement, financing, technology transfer and coordination between the global, national and local levels), have resulted in the inequitable distribution of the costs and responsibilities involved, to the detriment of the most disadvantaged countries and sectors, which also have to contend with local environmental challenges in their own development processes.

Progress towards environmentally sustainable development is only partially reflected in the targets and indicators established for Goal 7, since several of the indicators refer not so much to the region's environmental sustainability as to its impact on the global environment (as in the case of the indicators relating to energy consumption, greenhouse gas emissions and ozone-depleting substances). The indicators chosen for this goal reflect the approaches taken in some of the main international agreements, such as the Convention on Biological Diversity (forest cover and protected areas for the maintenance of biodiversity), the United Nations Framework Convention on Climate Change (greenhouse gas emissions and energy consumption), the Montreal Protocol on Substances that Deplete the Ozone Layer and the Global Campaign for Secure Tenure. No indicators have yet been defined on the integration of the environmental dimension into policies and programmes.

The indicators for measuring progress in reversing environmental degradation (indicators 25 to 29) have an important feature in common: they all refer to some form of human stress on natural environments or resources. Improvement is understood to mean a slowdown, stabilization and,

¹ The Forum of Ministers of the Environment of Latin America and the Caribbean adopted the Latin American and Caribbean Initiative for Sustainable Development, which is part of the Johannesburg Plan of Implementation. To enhance the sustainability of human settlements, the Forum of Ministers and High-level Authorities of the Housing and Urban Development Sector in Latin America and the Caribbean, gathered at the second United Nations Conference on Human Settlements (Habitat II), held in Istanbul in 1996, adopted the Latin American and Caribbean Regional Plan of Action on Human Settlements, which was updated in 2001. At the subregional level, the Programme of Action for the Sustainable Development of Small Island Developing States, adopted in Barbados and recently reviewed in Mauritius (Barbados + 10), reflects the need to accord differential treatment to States with special features that heighten their economic, social and environmental vulnerability.

ultimately, reversal of the rate of increase of the stress. This approach, though useful for monitoring changes in production and consumption patterns, does not yield information on ecosystems' capacity for regeneration or assimilation or on the actual sustainability of resource use. In addition, linear progress towards meeting the targets should be viewed with caution, considering that the sustainability of the advances made depends on investments and actions not only in production sectors, but also in the economic and social infrastructure. In any scenario, the possibility of backsliding cannot be ruled out.

Moreover, Goal 7 does not include targets or indicators in a number of areas that are important for the region's environmental sustainability, such as the degradation of river basins and freshwater sources, overexploitation of coastal and marine resources and soil erosion and contamination.

The approach reflected by the indicators relating to the built environment (targets 10 and 11) is more fragmentary and is not clearly aimed at ensuring urban sustainability. The concept of access to improved basic services needs to go beyond the issue of coverage; it should also consider the effects of these services on the population's health, environment and quality of life. Improving the quality of life of slum-dwellers requires not just the physical improvement of housing, but also improved access to better economic, social and environmental conditions.

In fact, it is clear that, for the region, the fulfilment of the stipulated targets would in no way "ensure environmental sustainability". In general, there is a lack of proportion between the broad formulation of Goal 7 and the specificity of the targets and indicators proposed. This underscores the need to pursue efforts to measure the sustainability of development. In seeking to define and harmonize official national environmental statistics, institutes of statistics and other national agencies in the region need to agree on common criteria for measuring the sustainability of development. This will enable them to monitor environmental conditions systematically and to address the heterogeneity observed between and within countries.

B. Regional overview of the natural environment

The environmental sustainability of Latin American and Caribbean development is increasingly under threat. The region's most serious environmental problems (land and forest degradation; deforestation; loss of habitat and biodiversity; and pollution of freshwater, coastlands and the atmosphere) are generally getting worse and are only partially and imperfectly addressed by the targets and indicators set forth under Goal 7.

Freshwater is a case in point. The region receives a significant share of world rainfall and also contains a large proportion of the freshwater available on the planet, but the distribution of freshwater in the region is very uneven and the population is not always concentrated in areas where this resource is accessible and abundant. Agriculture is highly dependent on irrigation in a number of areas, and livestock-raising has expanded significantly. Thus, some parts of the region have high levels of water stress. Water demand in the region has increased at an alarming rate as a result of the expansion of agriculture, population growth, urbanization, industrial growth, the reduction in water availability because of the impermeabilization of catchment areas by urban infrastructure and deforestation. Despite the increased pressure on this resource, regulatory frameworks for water management are inadequate, non-existent or obsolete in much of the region. For the first time in 30 years, water shortages have become a constraint on socio-economic development in some areas, especially the Caribbean. Often, water for household and industrial use is contaminated because wastewater is dumped untreated into bodies of water. According to the Pan American Health Organization (PAHO, 2001b), only 14% of the wastewater collected in the region's sewerage systems is treated to any extent. In addition, agriculture results in the pollution of surface water and groundwater owing to the use of fertilizers, herbicides, pesticides and organic waste and to soil erosion.

Another example is the land situation. There has been a marked increase in livestock production and crop farming. Livestock-raising continues to exert strong pressure on the region's forest cover, even though the expansion of pastureland has slowed down. The soil continues to be degraded and contaminated by the intensive use of agrochemicals, fertilizers and pesticides, irrigation and salinization, nutrient loss and deforestation. In arid, semi-arid and dry sub-humid zones, improper land use has also led to soil degradation. The effects of pressures on the land spread to surface water and coastal areas through chemical contamination, and to the atmosphere through nitrogen (greenhouse) gas emissions.

The region provides important global public services, such as the maintenance of biodiversity, the operation of vast ecosystems and carbon dioxide sequestration. This fact should be taken into account in global climate negotiations. Biodiversity provides environmental services such as regulating the composition of the atmosphere, regulating hydrological and climatological cycles, regenerating soil fertility, decomposing waste, absorbing pollutants and pollinating crops. It is also the basis for the evolution of life on the planet. Furthermore, it provides resources of direct economic value, such as wood, non-wood products, the raw materials for traditional and modern medicine, germ plasm (the source of agricultural varieties) and resources of cultural, scenic and tourism value. The world's tropical forests, 49% of which are concentrated in Latin America and the Caribbean (WRI, 2000), are the land ecosystems that are richest in species. The region contains 7 of the world's 25 most species-rich land eco-regions and 4 of the world's 11 centres of genetic diversity for cultivated plants (UNEP, 2004).

It is estimated that the Latin American and Caribbean region stores 18% to 26% of the world's total carbon contained in forest ecosystems, 11% of total carbon contained in grasslands and 17% of total carbon contained in agro-ecosystems. Thus, the loss of these ecosystems would seriously worsen global climate change.

Box VI.1

THE SIGNIFICANCE OF THE TARGETS IN THE CARIBBEAN

Environmental sustainability is particularly important for the Caribbean subregion. Deforestation, river-basin degradation, waste disposal, overfishing, air pollution, biodiversity conservation and energy efficiency are important issues. The subregion's most critical concerns, however, are related to the effects of climate change and the protection of coral reefs, as they are considered to be crucial for the continued viability of the countries of this subregion (Benn, 2004). Goal 7, along with some of its targets, should therefore be revised to better reflect the circumstances of the Caribbean.

For example, forest cover is not necessarily the most urgent issue for small island developing States in the Caribbean. Deforestation is a problem in only a few countries of the subregion, including Haiti, Jamaica and Saint Lucia.

Source: Denis Benn, "The Millennium Development Goals in the Caribbean: conceptual issues and methodological challenges", paper presented at the conference Framework for Caribbean Investigation and Analysis, Port of Spain, 24 and 25 May 2004, and United Nations Development Programme (UNDP), *Regional Report on the Achievement of the Millennium Development Goals in the Caribbean Community*, Mona, University of the West Indies, 2004.

Progress as measured by indicators

Target 9 under Goal 7 is to integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources. There is, however, no indicator relating to such integration. This process involves incorporating environmental criteria into sectoral policies and into planning, tax, economic, credit, investment, institution-building and legal instruments, among others, in order to steer production and consumption practices in the desired direction. Although insufficient information is available in this regard, indicators have been analysed for certain countries with respect to policy integration in three areas: the building of legal and institutional frameworks, environmental expenditure and its financing and the use of economic instruments for environmental management.

In the 1990s, the region made significant strides in building environmental management institutions, in drawing up legal frameworks and specific laws on natural resources and the limitation of polluting emissions and in implementing instruments such as environmental impact assessments. Two types of environmental authorities are found in the region: ministries (Bolivarian Republic of Venezuela, Bolivia, Brazil, Costa Rica, Cuba, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay and Uruguay) and collegial institutions (Chile and Peru). In some of the English-speaking Caribbean countries, environmental matters and other sectoral issues are still clustered together and dealt with by a single institution. Argentina and Colombia recently reformed their administrative structures, assigning environmental issues to the Ministry of Health (Argentina) and the Ministry of Infrastructure and Housing (Colombia).

Although expenditure levels differ from one country to another, over the past decade total environmental expenditure (public and private) in the region has rarely exceeded 1% of GDP and national public environmental expenditure has seldom exceeded 3% of total public expenditure. This latter figure, however, is largely dependent on each country's approach to environmental policy (ECLAC/UNDP, 2001).

Table VI.1 gives an idea of the wide variety of economic instruments applied in different countries of the region.

Table VI.1
**LATIN AMERICA AND THE CARIBBEAN: EXAMPLES OF ECONOMIC INSTRUMENTS
USED IN ENVIRONMENTAL MANAGEMENT, 1999-2000**

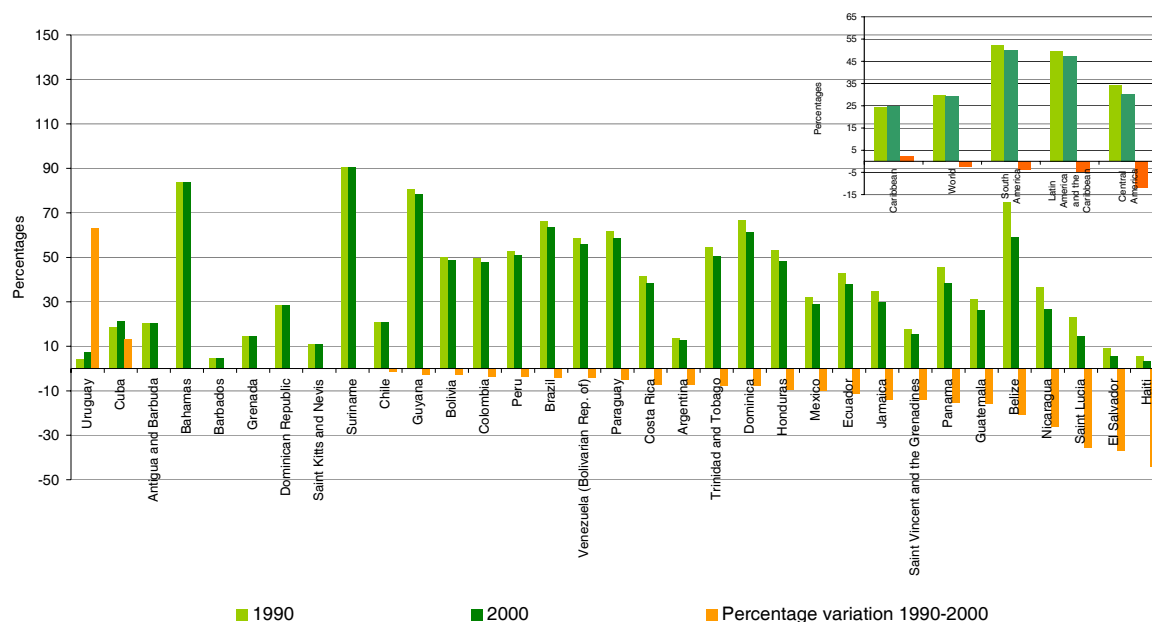
Country	Instrument
Caribbean countries	Bottle deposit/refund system (Barbados) Environmental levy on durable goods imports (Barbados) Differential charges for solid waste collection (Barbados) Tax exemption for solar water heaters (Barbados) Volume-based water use charges (Jamaica) Tax incentives for construction of rainwater storage tanks and equipment imports to save water in hotels (Barbados)
Brazil	Royalties for petroleum extraction Fees for water use rights Industrial effluent charges Inclusion of environmental criteria in calculating municipalities' share of receipts from the tax on the circulation of goods and services (ICMS) Awards and prizes for firms that improve their environmental performance (non-governmental initiative)
Colombia	Water pollution charges levied by autonomous regional corporations in respect of river basins under their jurisdiction
Chile	Offsets trading programme for particulate emissions in the Metropolitan Region Differential charges for household solid waste collection Individual transferable fishing quotas Eco-labelling for organic agricultural and ozone-friendly products
Guatemala	Tradable water use permits Certification schemes (organic agricultural products, eco-tourism) Reforestation incentives (subsidies) Preferential financing for clean production projects National environmental project fund Flat-rate charges for municipal water, energy, beautification and solid waste collection services
Mexico	Zero tariff and accelerated depreciation for pollution control and prevention equipment Gasoline surcharge Fees for the use or exploitation of public goods: flora, fauna, hunting for sport Industrial effluent charges Deposit/refund system for used batteries, tyres and lubricants Concessional financing and subsidies for reforestation and forest management projects in deforested areas
Venezuela (Bolivarian Republic of)	Bottle deposit/refund system Corporate tax exemption for investments in pollution control and prevention Deforestation tax Volume-based industrial waste charges in the Caracas metropolitan area

Source: Economic Commission for Latin America and the Caribbean (ECLAC)/United Nations Development Programme (UNDP), *Financing for sustainable development in Latin America and the Caribbean* (LC/G.2146(CONF.90/4)), Santiago, Chile, October 2001.

A number of indicators were defined for target 9 in relation to the reversal of the loss of environmental resources.

Indicator 25 refers to the proportion of land area covered by forest, which diminished in the region between 1990 and 2000 (the two years for which the Food and Agriculture Organization of the United Nations (FAO) produced detailed estimates). Over that period, the proportion decreased from 50.4% to 48% in Latin America, but increased slightly (from 24.4% to 25%) in the Caribbean. These figures point to a total deforested area of 46.7 million hectares, or an average annual deforestation rate of 0.5%, more than double the world average (UNEP, 2004). Figure VI.1 shows how widely this indicator varies among the countries of the region.

Figure VI.1
LATIN AMERICA AND THE CARIBBEAN: FOREST COVER, 1990-2000
(Percentages of territory and percentage variations)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), Network of Institutions and Experts on Social and Environmental Statistics (REDESA), on the basis of information from the Food and Agriculture Organization of the United Nations (FAO).

Note: The above information coincides with that found in the United Nations Millennium Indicators Database for all the countries except Brazil, in respect of which the data for both 1990 and 2000 differ by seven tenths of a percentage point.

According to the United Nations Environment Programme (UNEP), as of 2000 some 25% of the world's forests, or 964 million hectares, were situated in the region, which accounts for just one seventh of the world's territory. The proportion of land area covered by forest in Latin America and the Caribbean, at 47%, is much higher than the proportion in the world as a whole (30%) (UNEP, 2004). The region also has the world's highest proportion of land area covered by closed forest (defined as forest with a canopy cover of at least 40%). This proportion stands at 32% in the region, as against 21% in Europe and Asia, 16.8% in Australia and the Pacific, 9.25% in Africa and 30% in the United States and Canada (UNEP, 2003).

At the same time, the rate of deforestation in the region is very high, mainly because of the conversion of forested areas to other uses (expansion of agricultural land, pastureland and urban areas; construction of roads and infrastructure; mining) and, to a lesser extent (albeit to a considerable degree in specific areas), logging activity (wood for fuel, wood for industrial use and intensive exploitation of

certain species). Forest fires, many of which are caused by people, are another major cause of deforestation. Forest exploitation in the region primarily reflects conventional attitudes that fail to take into account the complexity of these ecosystems, the multiple environmental services they perform and the ways in which they can benefit the local communities that inhabit them. Deforestation has already had significant indirect repercussions on the region, including a decline in the quantity and quality of water resources, an increase in soil erosion and serious consequences for biodiversity and other services such as biomass carbon sequestration. This indicator shows that the pattern in the region runs counter to the target of reversing the pressure on the forest cover, and suggests that biodiversity loss, soil erosion and water-cycle destabilization are on the rise. Thus, the region is unlikely to meet the target by 2015, since deforestation is continuing in all the countries except Uruguay and some Caribbean countries, which have already shown an improvement.

Notwithstanding this situation, most countries of the region are taking positive steps to draw up national forest plans that incorporate the concept of sustainable development.

Indicator 26 refers to the ratio between the land area protected to maintain biological diversity and the countries' total land area. The conservation of the habitats of biological communities and species is essential for mitigating the loss of biodiversity and of the cultural values associated with it. The region is home to about 40% of the world's animal and plant species, many of which are endemic, and is witnessing a high rate of extinction of species and varieties, with a consequent loss of genetic diversity.

Eight countries of the region belong to the group of megadiverse countries: Bolivarian Republic of Venezuela, Bolivia, Brazil, Colombia, Costa Rica, Ecuador, Mexico and Peru. According to UNEP and the Millennium Ecosystem Assessment, the leading causes of species extinction are the loss or irreversible alteration of habitats, climate change, the introduction of exotic species that have harmful effects on native species, the fragmentation of ecosystems and trafficking in endangered species. Latin America and the Caribbean has 178 eco-regions (regions with distinctive climatic features, flora and fauna), 77% of which are endangered to some degree. The countries with the greatest diversity are also the ones in which the number of endangered species is growing the fastest, not only because of the destruction of their habitats but also because of trafficking in these species. Of all the animals captured illegally worldwide, 47% come from South America. The region is also seriously affected by genetic impoverishment.

Coastal and marine ecosystems are also under threat; they are rich in biodiversity, but are coming under increasing pressure from pollution and degradation. Pollution comes mainly from human settlements, agricultural or tourism activities, marine transport and the extraction, processing or transport of oil and gas. Degradation is the result of the overexploitation of marine and coastal resources and the transformation of natural habitats. Transport is another factor: with the expansion of international trade, the amount of cargo transported by sea increased from 315.8 million tons in 1970 to 704.9 million tons in 2000. In addition, overfishing has led to productivity fluctuations in fisheries, while the discharge of ballast water by commercial vessels has resulted in the introduction of exotic species.

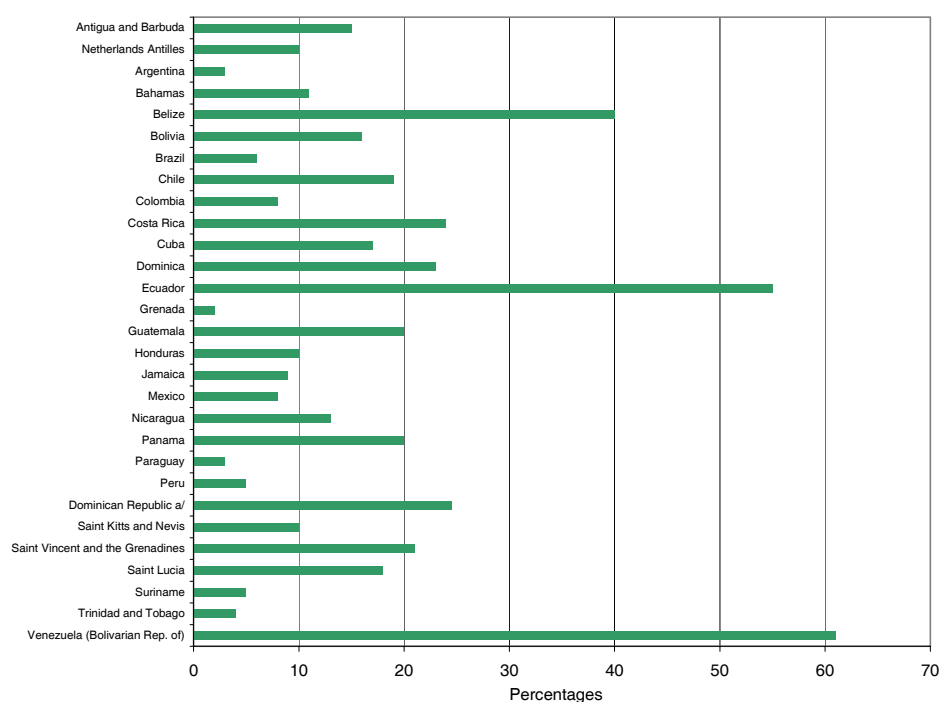
The conservation of biodiversity is also crucial for agriculture and food security. The region's agricultural base consists of a wide variety of plants and animals, yet 90% of the animal-based food products consumed by the population come from just 14 mammal and bird species. Half of the dietary energy obtained from plants comes from only four species (wheat, corn, rice and potatoes), yet many important food crops, including corn, beans, potatoes, sweet potatoes, tomatoes, cocoa, cassava, peanuts and pineapples, originated in Latin America.

Agriculture and food production in the region are jeopardized by the fact that agricultural crops have lost three fourths of their genetic diversity over the past 100 years (UNEP, 2004).

To reverse this process, the countries adopted, in the framework of FAO, the International Treaty on Plant Genetic Resources for Food and Agriculture, which entered into force in 2004. This treaty recognizes the contribution of farmers and their communities to the conservation and development of plant genetic resources. It lays the foundations for protecting farmers' rights, including the protection of traditional knowledge and the right to equitably participate in sharing benefits arising from these genetic resources and in taking decisions, at the national level, on matters related to such resources.

Figure VI.2 shows the ratio of protected areas to total land area in the different countries. This indicator refers to government-designated protected areas and does not include conservation areas established by the private sector. Although the information refers to 1997, available data for nine countries show that the total amount of protected land area has grown slowly but steadily over the past decade (see figure VI.3). At the same time, despite this increase in the total amount of protected land area, these protected areas are not always very representative of a country's ecosystems or species. Moreover, the indicator on protected areas reflects the legal status of these areas, but not their degree of effective protection. For example, a comparison between maps of protected areas and the location of human settlements² in various countries of the region shows considerable overlaps, which are a clear sign of human pressure. The almost 2.3 million square kilometres of protected areas and their slow increase may prove to be of little use for protecting the region's biodiversity.³

Figure VI.2
LATIN AMERICA AND THE CARIBBEAN: PROTECTED NATURAL AREAS, 1997
(Percentages of total land area)



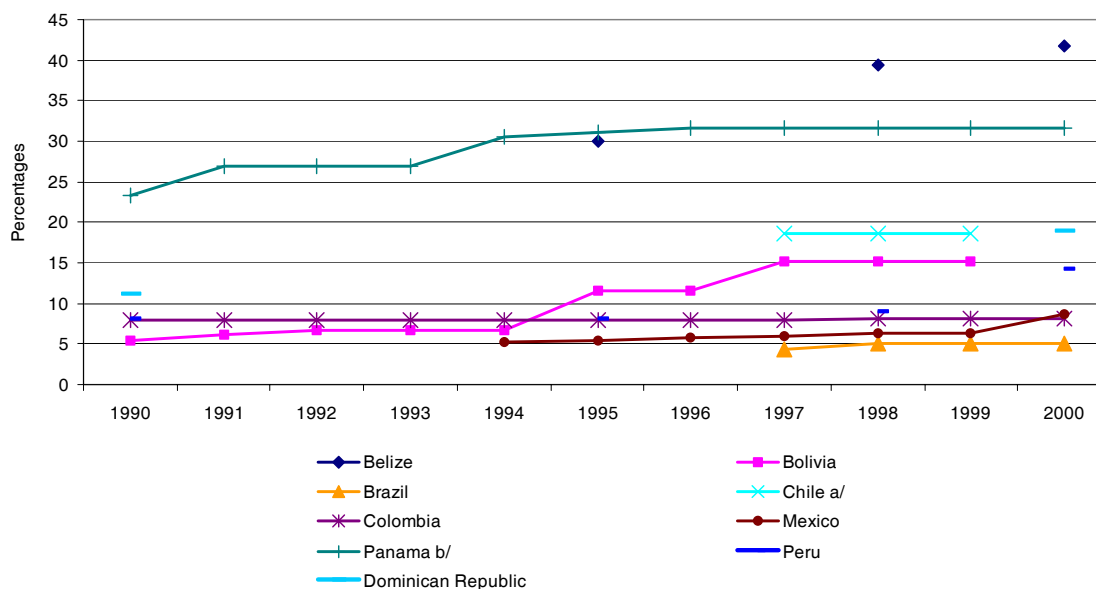
Source: United Nations, Millennium Indicators Database [online], http://millenniumindicators.un.org/unsd/mi/mi_goals.asp.

^a For this country, 2003 data from the World Resources Institute were used, as the information in the Millennium Indicators Database differs significantly from that found in other sources.

² According to an ECLAC study, human settlements were identified with satellite images showing night-time illumination (Sustainability Assessment in Latin America and the Caribbean project, 2005).

³ United Nations, Millennium Indicators Database [online], http://unstats.un.org/unsd/mi/mi_goals.asp.

Figure VI.3
LATIN AMERICA AND THE CARIBBEAN (9 COUNTRIES): PROTECTED AREAS, 1990-2000
(Percentages of total land area)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of figures from the Database of Environmental Statistics and Indicators for Latin America and the Caribbean (BADEIMA).

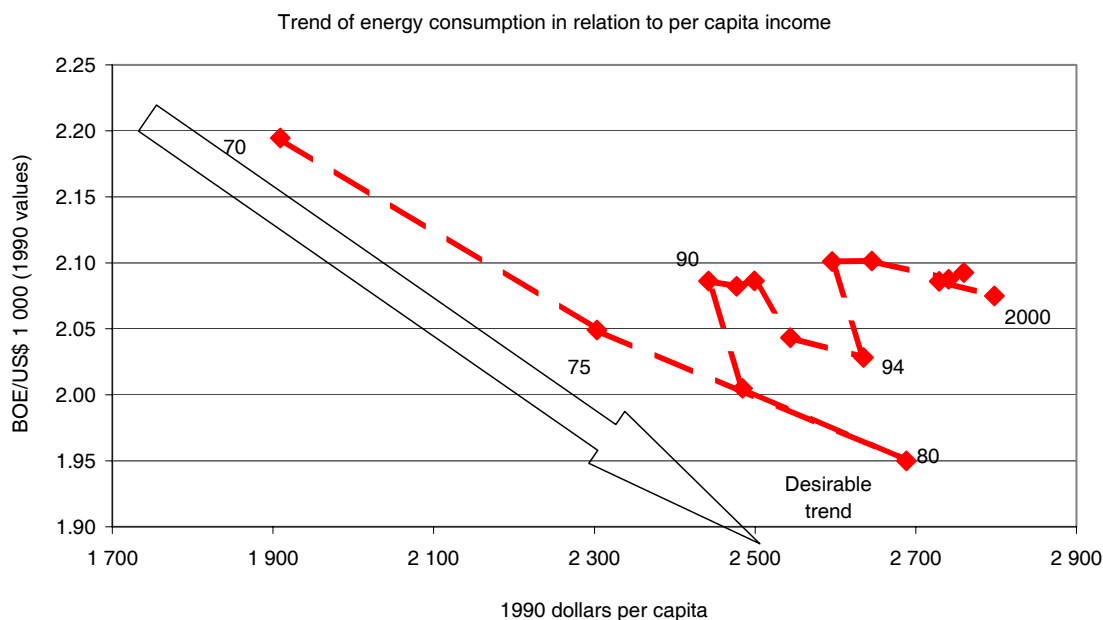
^a The data include only land areas covered by the National System of State-Protected Wildlife Areas (SNASPE).

^b For 1990, based on preliminary data.

Indicator 27 refers to energy use (expressed in kilograms of oil equivalent) per dollar of gross domestic product (GDP), converted using purchasing power parities. In other words, it provides a measure of a country's energy intensity, or ratio of energy consumption to GDP. Differences in this ratio over time and between different areas reveal structural changes in the economy, changes in the energy efficiency of particular sectors and differences in the energy mix. The lower the ratio, the higher the country's energy efficiency.

This is an interesting indicator, but it represents an aggregate value that cannot be accurately interpreted unless it is broken down by consumer sector (industrial, residential) (Altomonte, Coviello and Lutz, 2003). The indicator shows that there is considerable room for improvement in Latin America and the Caribbean. Figure VI.4 depicts the region-wide trend in the energy intensity indicator.

Figure VI.4
LATIN AMERICA AND THE CARIBBEAN: ENERGY INTENSITY AND PER CAPITA INCOME, 1970-2000



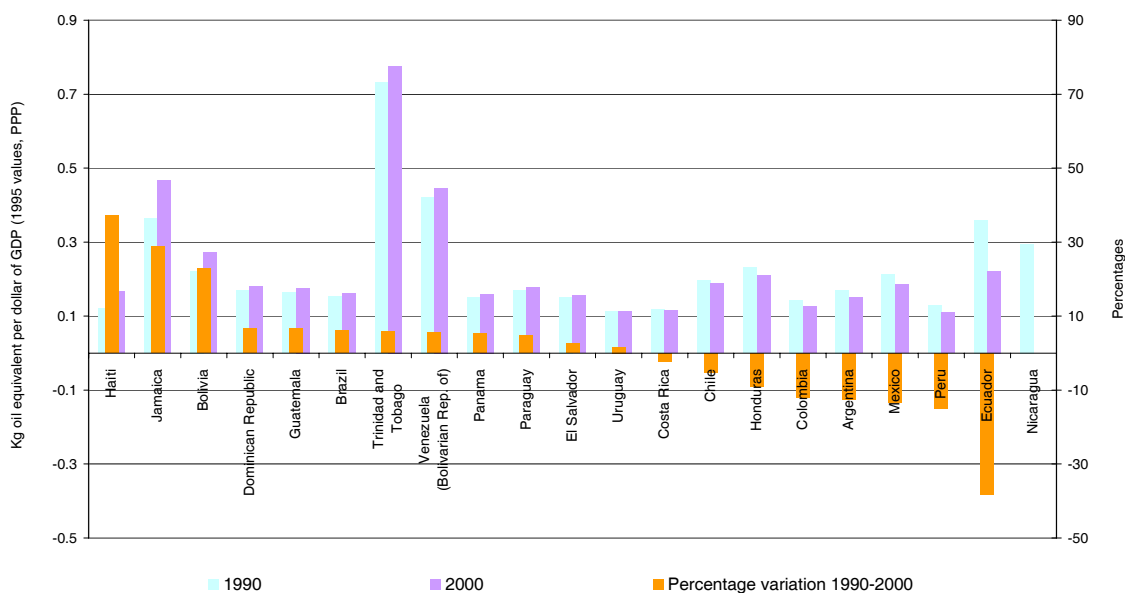
Source: Economic Commission for Latin America and the Caribbean (ECLAC)/United Nations Environment Programme (UNEP), “The sustainability of development in Latin America and the Caribbean: challenges and opportunities”, *Libros de la CEPAL series*, No. 68 (LC/G.2145/Rev.1-P), Santiago, Chile, July 2002. United Nations publication, Sales No. E.02.II.G.48.

Between 1970 and 1980, this indicator followed a desirable trend: economic growth was accompanied by lower energy use per unit of output (lower energy intensity), pointing to efficiency gains and better use of energy resources. The trend was reversed, however, between 1980 and 1985 (per capita income contracted and energy intensity increased), and the same unfavourable pattern continued between 1987 and 1990. This suggests that there was no improvement in energy efficiency during the economic recession of the 1980s. In the first three years of the 1990s, income recovered but energy intensity remained high. There was scarcely any improvement in energy intensity between 1990 and 2000.

The energy intensity indicator has followed fairly similar trends in the different subregions, but its absolute value varies considerably. Energy intensity is highest in the Caribbean countries, mainly because of the more frequent use of energy-intensive, low-efficiency equipment (air conditioners and refrigerators). The Southern Cone countries have the lowest absolute values, owing to the use of more advanced equipment and energy technologies in their production processes. The Andean countries showed no significant changes in the period considered (see figure VI.6).

The Latin American and Caribbean countries have made only modest advances in reducing energy intensity; in some periods, they have even experienced setbacks. After dropping significantly (by 9%) between 1970 and 1980, energy intensity trended upward in the 1980s. The region’s energy use per unit of output was 7% higher in 1999 than it had been in 1980. The countries of the Organisation for Economic Co-operation and Development (OECD), on the other hand, have reduced their energy intensity by 20% over the past 20 years, through energy policies geared to diversifying the energy supply and enhancing energy efficiency by cutting down on waste and using energy more efficiently. Latin America and the Caribbean has significant potential to undertake efforts in this same vein.

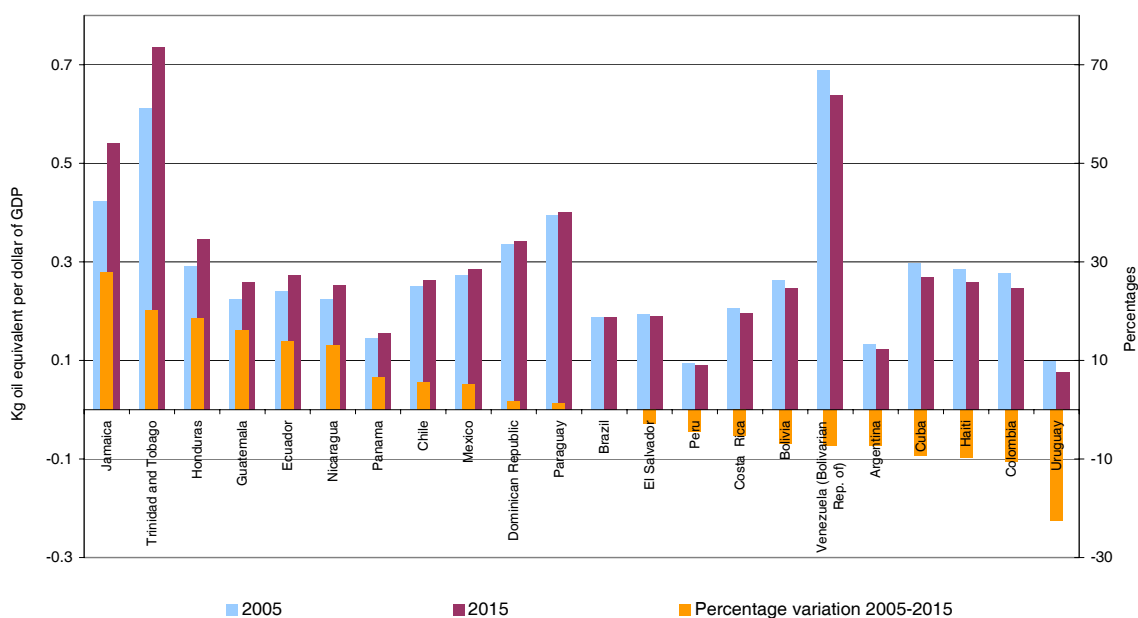
Figure VI.5
LATIN AMERICA AND THE CARIBBEAN: ENERGY INTENSITY, 1990-2000,
ENERGY USE AND GROSS DOMESTIC PRODUCT
(Kilograms oil equivalent (KgOE) per dollar of GDP (1995 values) and percentages)



Source: World Bank, World Development Indicators (WDI) database [online].

Note: The data provided by the World Bank in its WDI database are similar to those provided by the United Nations in its Millennium Indicators Database. Differences are due to the fact that the Millennium Indicators Database expresses this indicator in terms of KgOE per US\$ 1,000 of GDP.

Figure VI.6
LATIN AMERICA AND THE CARIBBEAN: ENERGY INTENSITY PROJECTIONS FOR
2005 AND 2015, ENERGY USE AND GROSS DOMESTIC PRODUCT
(Kilograms oil equivalent (KgOE) per dollar of GDP (1995 values) and percentages)



Source: Latin American Energy Organization (OLADE), Energy-Economic Information System (SIEE).

Notwithstanding the region's potential for progress, energy intensity projections up to 2015 are less than promising. According to data from the Latin American Energy Organization (OLADE), and barring any major structural changes such as the incorporation of more efficient technologies, the region is unlikely to show any appreciable improvement in its energy intensity (see figure VI.6). Some countries may achieve gains in this respect, but others are showing a tendency to increase their energy intensity, thus moving in a direction that runs counter to the spirit of the Millennium Development Goals.

Indicator 28 actually comprises two indicators: per capita carbon dioxide emissions and the consumption of ozone-depleting chlorofluorocarbons (measured in tons of ozone-depleting potential (ODP)). These two phenomena are the subject of international commitments to reduce emissions of greenhouse gases and gases that deplete the stratospheric ozone layer.

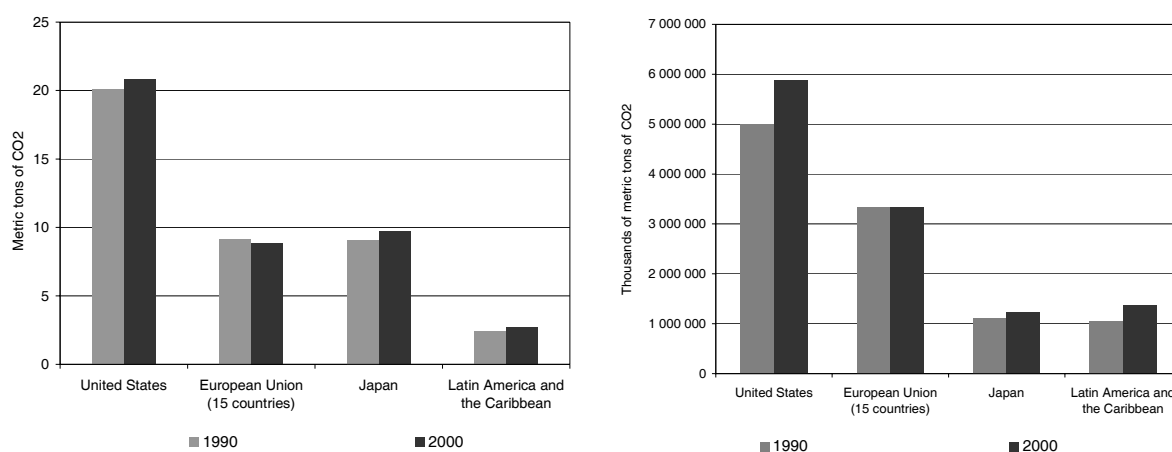
In the mid-1990s, the region accounted for an estimated 11% of the world's total carbon dioxide emissions⁴ and 4.3% of total carbon dioxide emissions from fossil fuels. The rest of the region's share of total emissions was attributable to deforestation and forest burning; the extent of this phenomenon is reflected by the trend observed in the indicator on forest cover (UNEP, 2004). The significance of biomass loss as a source of emissions indicates that, in this context, the sustainable use and conservation of forests are quantitatively more important for Latin America and the Caribbean than energy efficiency measures, although such measures yield more results in the short term.

The developed countries are responsible for about 70% of total emissions from fossil fuels. Winning recognition, in global climate-change negotiations, of the importance of expanding natural carbon sinks would clearly be in the region's interest. Per capita carbon dioxide emissions are continuing to increase in the region, although they have fluctuated in response to changes in economic growth rates; under the global climate-change regime, this pattern is considered normal for the developing countries. Nevertheless, as of 2000, these emissions were still much lower (at 2.69 tons per person) than those of the developed countries (at 11.27 tons per person) (see figure VI.7).

Between 1990 and 2000, the share of per capita emissions from fossil fuels grew more slowly in the region than in the United States and Japan. The United States generates 33.7% of worldwide carbon dioxide emissions, even though it accounts for only 4.5% of the world's population and 25% of its gross geographic product (GGP). The European Union generates 21% of these emissions, with 6% of the world population and 25% of world GGP. Latin America generates 6% of total carbon dioxide emissions, with 8% of the global population and 6% of GGP (ECLAC/OLADE/GTZ, 2003).

⁴ Carbon dioxide, released primarily through deforestation, changes in land use and the burning of fossil fuels for electricity generation, transport and cement production, is the main cause of global warming. Both the United Nations Framework Convention on Climate Change and the Kyoto Protocol thereto focus mainly on measures to reduce the burning of fossil fuels.

Figure VI.7
PER CAPITA AND TOTAL CARBON DIOXIDE EMISSIONS
(Per capita emissions in tons of CO₂ and total emissions in thousands of tons of CO₂)

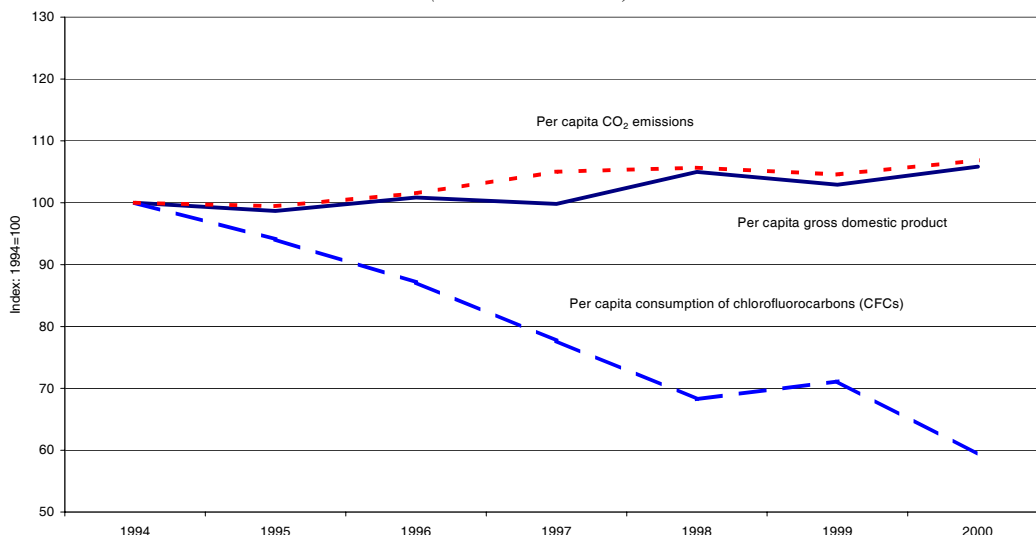


Source: United Nations, Millennium Indicators Database (CO₂ emissions) and World Bank, World Development Indicators (WDI) database (population).

Chlorofluorocarbons (CFCs) not only act as greenhouse gases; they also deplete the ozone layer, which serves as a shield against harmful ultraviolet radiation. The Montreal Protocol on Substances that Deplete the Ozone Layer is an international agreement aimed at reducing and eventually eliminating anthropogenic emissions of ozone-depleting substances through their replacement with less harmful compounds. In accordance with the principle of common but differentiated responsibilities, the countries of the region undertook to eliminate the consumption of ozone-depleting substances, but were entitled to delay compliance with their commitments for 10 years in relation to the OECD countries. Figure VI.8 illustrates the gradual decline in the region's consumption of chlorofluorocarbons, while figure VI.9 presents consumption trends in the individual countries, almost all of which have reduced the use of these substances.

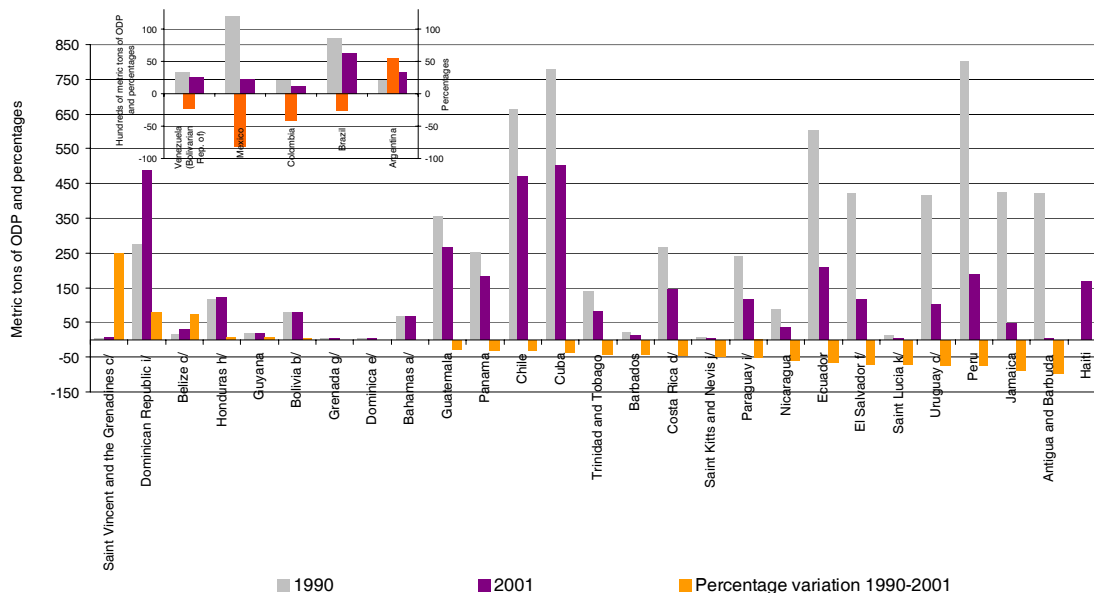
Indicator 29 refers to the proportion of the population using solid biomass fuels (wood, charcoal, crop residues and animal manure) and coal as their primary source of energy for cooking and heating. It reflects a health concern, as household use of solid fuels increases the risk of contracting respiratory diseases, particularly among women and children in rural areas. Although no data are available in relation to this indicator, figure VI.10 shows the per capita consumption of biomass (excluding mineral coal, which is used for industrial purposes), as a proxy for the original indicator. Between 1990 and 2000, per capita residential consumption of solid biomass fuels diminished in the region as a whole. The sharpest declines were observed in the Andean and Central American subregions, while consumption levels remained virtually the same in the Caribbean and the Southern Cone.

Figure VI.8
LATIN AMERICA AND THE CARIBBEAN: CARBON DIOXIDE EMISSIONS AND CONSUMPTION OF CHLOROFLUOROCARBONS IN RELATION TO GDP, 1994-2000
(Index: 1994=100)



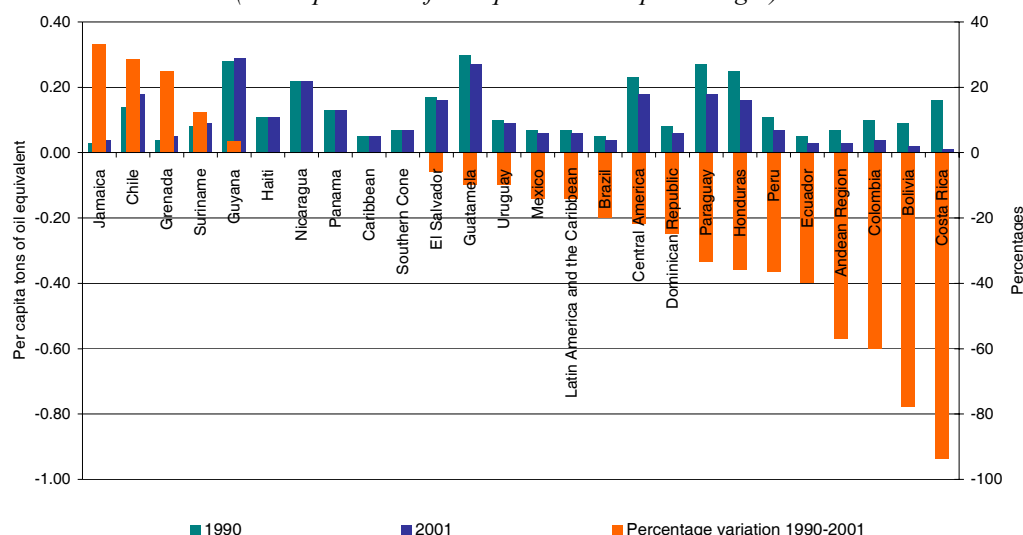
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations, Millennium Indicators Database (CO₂ emissions in metric tons); World Bank, World Development Indicators (WDI) database (population); and Economic Commission for Latin America and the Caribbean (ECLAC), *Statistical Yearbook of Latin America and the Caribbean*, Santiago, Chile, various issues (GDP in dollars at constant 1994 prices).

Figure VI.9
LATIN AMERICA AND THE CARIBBEAN: CONSUMPTION OF OZONE-DEPLETING CHLOROFLUOROCARBONS (CFCs)
(Metric tons of ozone-depleting potential (ODP) and percentages)



Source: United Nations, Millennium Indicators Database [online], http://millenniumindicators.un.org/unsd/mi/mi_goals.asp.
^a Values for 1993 and 2000. ^b Values for 1994 and 2001. ^c Values for 1995 and 2001.
^d Values for 1991 and 2001. ^e Values for 1993 and 1999. ^f Values for 1991 and 2001.
^g Values for 1993 and 1998. ^h Values for 1994 and 2001. ⁱ Values for 1992 and 2001.
^j Values for 1992 and 1999. ^k Values for 1993 and 2001.

Figure VI.10
LATIN AMERICA AND THE CARIBBEAN: PER CAPITA HOUSEHOLD CONSUMPTION OF BIOMASS (INCLUDING WOOD, SUGAR CANE PRODUCTS AND OTHER PRIMARY FUELS)
(Per capita tons of oil equivalent and percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of calculations made for the Sustainability Assessment in Latin America and the Caribbean project, and Latin American Energy Organization (OLADE), Energy-Economic Information System (SIEE).

C. Regional overview of the built environment

With respect to international parameters, the urbanization process has been particularly rapid in the region: between 1970 and 2000 the region's urban population grew by 240%, while its rural population increased by only 6.5%.

The region's total population increased from 167 million in 1950 to 520 million in 2000, and is expected to reach 628 million by 2015 (United Nations, 2003b). As the population has grown, it has become increasingly concentrated in urban areas: the proportion of urban residents rose from 42% in 1950 to 75% in 2000, and is projected to reach 81% by 2015. Some of the region's cities are already among the largest in the world. Latin America and the Caribbean is the most urbanized region in the developing world, yet the scarcity of affordable land and housing in the region's urban areas has led to high rates of informal and irregular tenure among poor families (ECLAC, 2001).

According to 2001 data from the United Nations Human Settlements Programme (UN-Habitat), of the approximately 940 million slum-dwellers worldwide, 128 million, or 13%, lived in the Latin American region.⁵ The term "slums" encompasses a broad spectrum of low-income settlements, ranging from dilapidated inner-city dwellings to informal settlements, frequently in peripheral, high-risk areas. They are characterized by substandard housing, infrastructure and services; overcrowding; and irregular forms of tenure, but in many cities they are the only form of shelter available to the urban poor.

Since there is a clear correlation between substandard living conditions and poverty, targets 10 and 11 are closely linked to the first Millennium Development Goal ("Eradicate extreme poverty and hunger"). The fact that these targets are classified under the goal of sustainable development is an acknowledgement of the interrelationship and interdependence between urban development and the environment. However, the targets refer only to slum-dwellers, even though cities as a whole are

⁵ United Nations Human Settlements Programme (UN-Habitat), *Human Settlements Statistical Database*, version 4 (HSDB4-99).

consumers of natural resources such as energy, water and food and generate environmental impacts such as water, air and soil pollution.

(a) Urban environmental problems

Over the past 30 years, the amount of solid waste generated in the region has doubled and the proportion consisting of inorganic and toxic materials has increased. While the collection of solid waste generally meets minimum standards, its disposal and treatment are, for the most part, deficient.

Air pollution poses a serious health risk to more than 80 million people in the region. Every year, it results in the loss of approximately 65 million working days and causes some 2.3 million cases of chronic respiratory insufficiency in children and more than 100,000 cases of chronic bronchitis in adults. Air pollution is caused by emissions from stationary sources (industries) and mobile sources (motor vehicles and other means of transport). While some of the region's major cities have made progress in monitoring air quality, not all of them have appropriate systems for this purpose.

Operating the region's urban transport systems consumes about 3.5% of Latin America's GDP; the cost in terms of the time spent using these systems is equivalent to another 3% (Bull, 2003). Since the early 1990s, the increase in the demand for transport and road use has led to a rise in congestion and traffic accidents and has made motor vehicles the main cause of air pollution in cities. Public transport is still the urban population's primary means of getting around. The widespread use of private cars by high- and middle-income sectors, however, has increased the frequency of traffic jams, thereby affecting the quality of public transport services. Urban sprawl also poses special challenges for road and transport systems, especially with respect to their economic viability and their regressive effects (in terms of time, cost and access) on poor sectors.

(b) Vulnerability and natural disasters

The Latin American and Caribbean region is highly exposed to a variety of natural phenomena —hydrometeorological, seismic and volcanic, among others— that are potentially destructive. This exposure, combined with other factors that heighten the countries' vulnerability, has resulted in a high and increasing incidence of natural disasters in the region (see figure VI.12). The frequency of some weather-related natural disasters (floods, droughts, hurricanes and storms) seems to have risen, possibly because of higher concentrations of greenhouse gases. The region's cities are extremely vulnerable not only to natural disasters, but also to technological ones (arising from the dangers inherent in high-risk activities). This situation has adverse microeconomic and macroeconomic implications at the local, regional and national levels.

The main cause of vulnerability is the pattern of development observed in most of the countries, which is marked by high levels of poverty, socio-economic exclusion and environmental degradation (ECLAC, 2000c). This is compounded by runaway urban expansion, which, in poor sectors, is worsened by the occupation of high-risk land and the use of substandard materials (Simioni, 2003).

Box VI.2

THE IMPACT OF HURRICANES IN THE BAHAMAS, GRENADA, JAMAICA AND THE DOMINICAN REPUBLIC

According to ECLAC estimates, in the last three decades more than 150 million people in Latin America and the Caribbean have been affected by disasters, whose economic impact has been concentrated in smaller, less developed countries. The Caribbean countries included in the Commission's assessment suffered estimated losses and damage totalling US\$ 5.7 billion. Of this amount, approximately 79% consisted of direct damage to infrastructure and capital assets, while 48% consisted of damage to the social and production sectors (including tourism).

The Bahamas, an ecologically fragile archipelago whose territory includes more sea than land, was struck by hurricanes Frances and Jeanne, which caused direct damage and indirect economic losses equivalent to over 7% of the country's GDP for 2003. Although the economy was expected to grow by about 3% in 2004 as a result of the expansion of tourism and free-trade zones through new investments in those sectors, the projection has been revised downward by two percentage points. Housing and road infrastructure were severely damaged, but the sectors hardest hit were in the area of production. The country will therefore need assistance in the coming months from international cooperation and emergency disaster relief initiatives.

The passage of hurricane Ivan through Grenada will continue to affect that country's economy for years to come. Economic growth is expected to drop by six percentage points in 2004, resulting in a 1.4% contraction of GDP. This growth slump is likely to continue for a number of years. Tourism and the production of traditional crops are the activities that have suffered the most. The total damage borders on US\$ 889 million, which is more than twice the amount of Grenada's 2003 GDP figure. Of this amount, 89% consists of direct damage and the remaining 11%, of indirect damage related to the domestic production of goods and services. In Jamaica, hurricane Ivan caused approximately US\$ 575 million in damage, which is equivalent to 8% of the country's GDP. Some 62% of this amount consists of direct destruction of physical assets, while the remaining 38% consists of the indirect losses likely to result from lower levels of economic activity in 2004 and for three years thereafter. This will curtail the recovery that Jamaica had been experiencing since 2002, as the growth rate for 2004 is estimated at only 1.9%, instead of the 2.6% that was predicted prior to the hurricane.

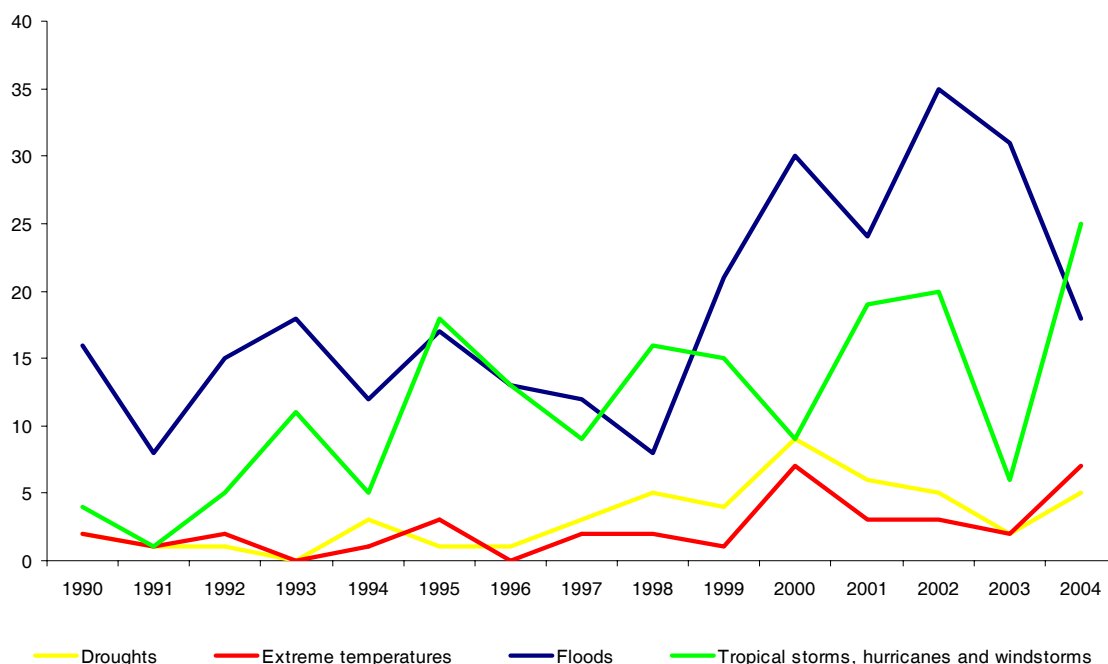
Preliminary estimates indicate that hurricane Jeanne left the Dominican Republic with US\$ 270 million in damage, equivalent to 1.7% of the country's 2003 level of GDP. Of this total, 55% consists of direct losses, especially of agricultural assets and production, and the remaining 45% consists of indirect damage in various sectors, increases in operating costs and reduced earnings from services such as water, electricity, transport and tourism, among others. Most of the total damage (60%) was sustained by production sectors, while damage to national infrastructure accounts for 33% and damage to the social sector, for 6%. Taking into account other disasters that have struck the Dominican Republic in the last 12 months, such as the landslides and torrential rains of November 2003 and May 2004, the total damage in that country exceeds US\$ 320 million (US\$ 125 million in the agricultural sector).

Source: Economic Commission for Latin America and the Caribbean (ECLAC), "The 2004 Caribbean hurricane season: facts, figures, preliminary conclusions and lessons learned", *Preliminary Overview of the Economies of Latin America and the Caribbean, 2004* (LC/G.2265-P), Santiago, Chile, December 2004. United Nations publication, Sales No. E.04.II.G.147.

According to ECLAC estimates, since 1972 Central America, one of the most natural-disaster-prone subregions, has sustained an annual average amount of economic damage equivalent to 2% of subregional GDP. In the Caribbean, natural disasters are one of the main reasons for the volatility of these economies' GDP (Commonwealth Secretariat, 1997). Because the Caribbean countries are small island States exposed to extreme natural phenomena (hurricanes, earthquakes, volcanic eruptions and floods), they have high levels of economic and environmental vulnerability. Added to this is the emergence of new threats linked to global warming, such as the rise in temperature and sea level.

Policies in this area should go beyond disaster response and should give priority to preventing and mitigating vulnerability by means of early warning systems, disaster-resistant construction and measures to prevent human settlements from being located in high-risk areas.

Figure VI.11
LATIN AMERICA AND THE CARIBBEAN: HYDROMETEOROLOGICAL DISASTERS,^a
BY TYPE, 1990-2004
(Number of disasters)



Source: Center for Research on the Epidemiology of Disasters (CRED), Emergency Disasters Data Base (EM-DAT) [online], www.em-dat.net.

^a The figures refer to the number of disasters experienced by countries rather than the number of events. A single event (such as a hurricane) may generate several disasters if it affects more than one country.

(c) The current situation of water and sanitation services

The countries of the region have made strenuous efforts to broaden the coverage of drinking water and sanitation services. Although significant strides have evidently been made, the situation in this regard is still a serious cause of concern in many countries. Problems in this area, which are linked to rapid urban growth, can be analysed on the basis of two essential parameters:

- (i) **Water extraction.** About 20% of the total amount of water extracted in Latin America and the Caribbean is used to supply drinking water (WRI, 2003). Domestic consumption thus accounts for a relatively limited proportion of the total, whereas irrigation absorbs some 70%. This suggests that the shortfall in service coverage is related not to a shortage of water (except in certain special cases) but to a lack of investment in infrastructure, since, in general, the region has abundant water resources.

- (ii) Coverage levels. The coverage of drinking water and sewerage systems in Latin America and the Caribbean is fairly adequate in comparison to the levels of coverage seen in other parts of the world, except in the case of wastewater treatment. Even so, almost 80 million people in the region still lack access to safe water, and more than 100 million do not have access to sanitation services; in both cases, the rural poor are the group most seriously affected (PAHO, 2001b). Populations that lack these services are obliged to seek alternative solutions, many of which result in unreliable water quality, as well as high costs for consumers and negative environmental impacts. Wastewater from some 210 million people is dumped untreated into bodies of water, causing acute pollution problems. What is more, the quality and maintenance of services are mediocre, and the infrastructure is in poor condition. An outbreak of cholera in several parts of the region in 1991, together with the impact of water pollution on certain primary-sector exports which have been at the centre of controversy over non-tariff barriers, has prompted Governments to give high priority to the water and sanitation sector.

Many countries in the region have reformed the institutional structure of water and sanitation services in order to ensure more efficient service delivery, allowing private-sector participation and seeking to improve social equity. This has led to the separation of institutional functions into: (i) sectoral policymaking and strategic planning; (ii) economic regulation governing private participation and subsidies targeting low-income groups; (iii) systems management and service delivery; and (iv) restructuring of services for industrial consumers, with an emphasis on decentralization achieved by promoting greater private-sector involvement or by strengthening autonomous commercially-oriented public agencies at the local level.

The reforms implemented in the region have yielded mixed results. A comparative analysis shows that significant headway has been made in the formulation and approval of new legal and regulatory frameworks and standards. The outcomes of institutional restructuring have also been varied. Most of the countries have taken steps to make drinking water services more autonomous by separating them from the departments responsible for agricultural, industrial or urban policy. Some capacity-building is still needed, however, especially in resolving jurisdictional conflicts between the central authority and local governments and in setting rates that allow operators to function in a viable manner (Jouralev, 2004).

Much remains to be done, however, in terms of reforming rate-adjustment mechanisms in order to ensure the economic and financial sustainability of service providers, as well as agencies mandated with developing effective subsidy systems for low-income groups (ECLAC, 2000a).

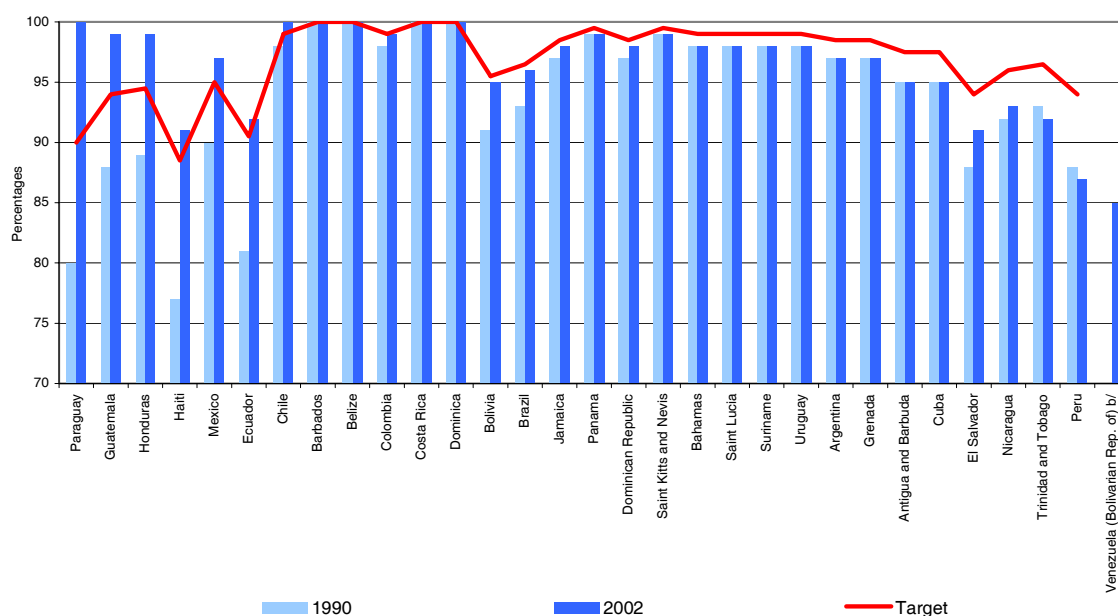
The provision of water services began to be decentralized to local governments in the 1980s. Here, again, the results were mixed. There are examples of successful cases in which regional firms have been able to provide efficient service in communities of up to 200,000 inhabitants (Yepes, 1990). Other cases have resulted in excessive fragmentation, especially in the industrial structure, which has hindered regulation and resulted in losses of economies of scale. Incentives to protect water sources and control pollution have also been lacking.

(d) Progress as measured by indicators

Target 10 is to halve, by 2015, the proportion of people without sustainable access to safe water and basic sanitation.

Indicator 30 refers to the proportion of the population with sustainable access to an improved water source in urban and rural areas. In Latin America and the Caribbean, access to improved water sources increased from 83% in 1990 to 89% in 2002. Thus, coverage has already risen by 6 out of the 8.5 percentage points required in order to meet the target. In urban areas, coverage has increased by 2 percentage points (from 93% in 1990 to 95% in 2002), compared to a total required increase of 3.5 points by 2015 (see figure VI.12). In rural areas, coverage rose by 11 points between 1990 and 2002 (from 58% to 69%), out of a total required increase of 21 points by 2015 (see figure VI.13). This clearly attests to the countries' efforts to expand coverage in rural areas, but it should nonetheless be borne in mind that 60 million people in the region still lack access to improved water sources.

Figure VI.12
**LATIN AMERICA AND THE CARIBBEAN: URBAN POPULATION
 WITH ACCESS TO SAFE DRINKING WATER^a**
(Percentages)

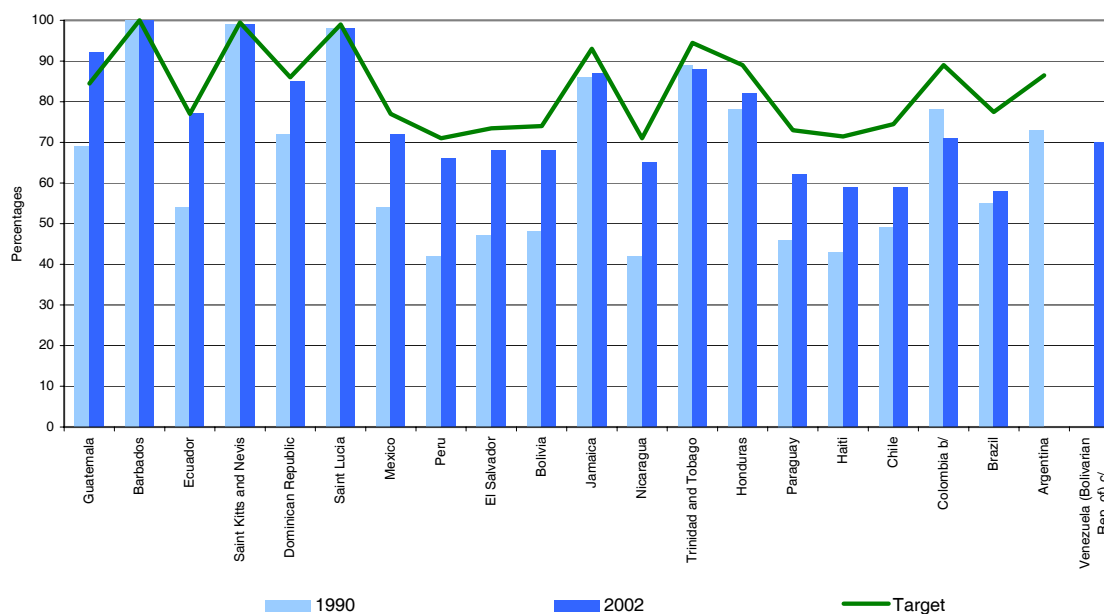


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations, Millennium Indicators Database [on line], http://millenniumindicators.un.org/unsd/mi/mi_goals.asp. The countries are ordered according to their progress towards the target.

^a Comparison with other sources (WHO, UNICEF) shows variations of a few percentage points, depending on the sources and the methodology used.

^b The data for 2002 in the country report on progress towards the Millennium Development Goals show a figure of 91%, whereas the Millennium Indicators database of the United Nations gives a figure of 85%. For 1990-1997 the Central Statistics and Information Office of the Bolivarian Republic of Venezuela did not distinguish between information from urban and rural areas. Therefore, the country report does not furnish data for this period. For 1998-2002, coverage climbed from 88% to 91%.

Figure VI.13
**LATIN AMERICA AND THE CARIBBEAN: RURAL POPULATION
 WITH ACCESS TO SAFE DRINKING WATER^a**
 (Percentages)

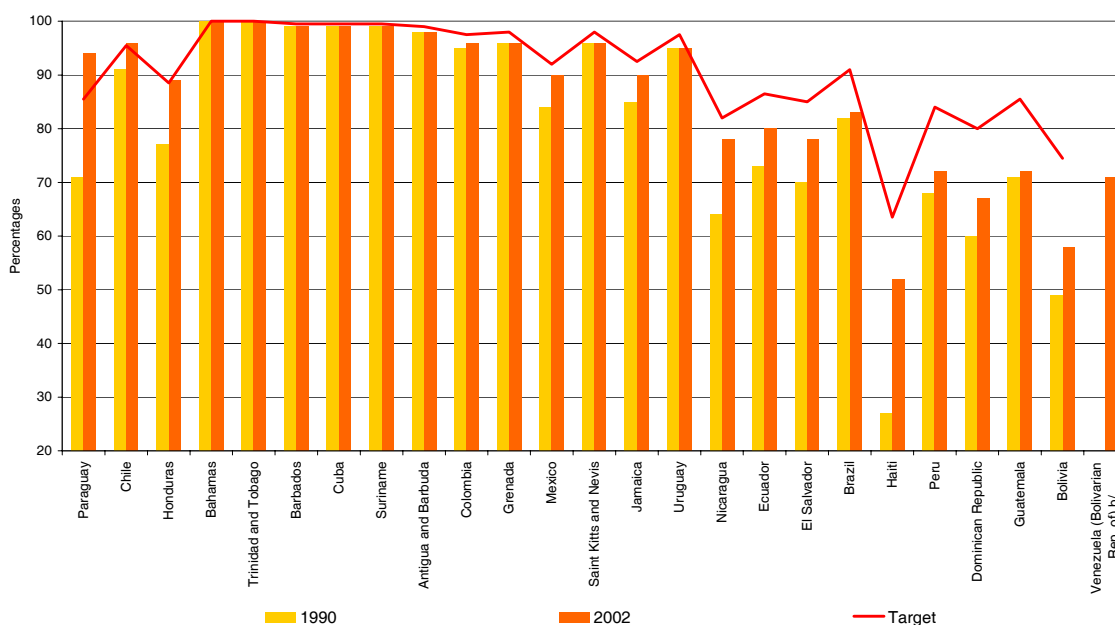


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations, Millennium Indicators database [online], http://millenniumindicators.un.org/unsd/mi/mi_goals.asp. The countries are ordered according to their progress towards the target.

- ^a Comparison with other sources (WHO, UNICEF) shows variations of a few percentage points, depending on the sources and the methodology used.
- ^b Data from the Colombian National Administrative Department of Statistics (DANE) on the rural population with access to safe water indicate coverage of 41% in 1993 and 66% in 2003. The United Nations source indicates that coverage was 78% in 1990 and 71% in 2002, however, as shown in the figure. The DANE measurement corresponds to households, while the United Nations figure refers to individuals in the same period.
- ^c The data for 2002 in the country report on progress towards the Millennium Development Goals show a figure of 64%, whereas the Millennium Indicators database of the United Nations gives a figure of 70%. For 1990-1997 the Central Statistics and Information Office of the Bolivarian Republic of Venezuela did not distinguish between information from urban and rural areas. Therefore, the country report does not furnish data for this period. For 1998-2002, coverage climbed from 55% to 64%.

Indicator 31 refers to the proportion of the population with access to improved sanitation services in urban and rural areas. Nearly all the countries of the region have expanded coverage in this regard. In the region as a whole, between 1990 and 2002 coverage increased from 69% overall, 82% in urban areas and 35% in rural areas to 75% overall, 84% in urban areas and 44% in rural areas (see figures VI.14 and VI.15). Thus, coverage at these three levels has risen by 6, 2 and 9 percentage points, respectively, out of the total required increases of 15.5, 9 and 32.5 points. Fortunately, however, very few countries have experienced setbacks, and the Caribbean countries stand out for their high levels of coverage.

Figure VI.14
**LATIN AMERICA AND THE CARIBBEAN: URBAN POPULATION
 WITH ACCESS TO SANITATION^a**
(Percentages of the total urban population)



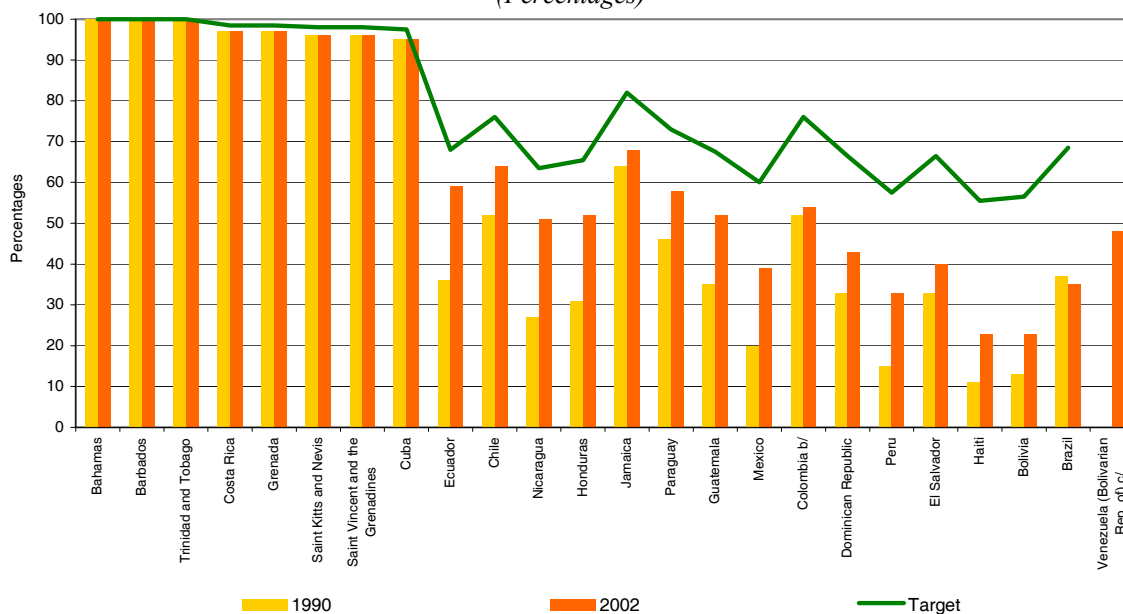
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations, Millennium Indicators Database [online], http://millenniumindicators.un.org/unsd/mi/mi_goals.asp. The countries are ordered according to their progress towards the target.

^a Comparison with other sources (WHO, UNICEF) shows variations of a few percentage points, depending on the sources and the methodology used.

^b The data for 2002 in the country report on progress towards the Millennium Development Goals show a figure of 75%, whereas the Millennium Indicators database of the United Nations gives a figure of 71%. For 1990-1997 the Central Statistics and Information Office of the Bolivarian Republic of Venezuela did not distinguish between information from urban and rural areas. Therefore, the country report does not furnish data for this period. For 1998-2002, coverage climbed from 70% to 75%.

Given the progress made in expanding the coverage of drinking water services between 1990 and 2002, many countries in the region are well positioned to meet this dimension of the target. For most of these countries, the maintenance, between 2000 and 2015, of annual rates of expansion of coverage similar to or even lower than the ones seen in the 1990s will suffice. With respect to sanitation services, however, the outlook is less promising and varies more widely from one country to another. In the case of both water and sanitation services, outstanding investment needs are largely in the area of expanding access for the poorest segments of the population. The countries that will have to work the hardest in order to meet the target for sanitation are Nicaragua, Haiti, Saint Lucia, Bolivia and Guatemala (IDB, 2003b).

Figure VI.15
**LATIN AMERICA AND THE CARIBBEAN: RURAL POPULATION
 WITH ACCESS TO SANITATION^a**
 (Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations, Millennium Indicators Database [online], http://millenniumindicators.un.org/unsd/mi/mi_goals.asp. The countries are ordered according to their progress towards the target.

- ^a Comparison with other sources (WHO, UNICEF) shows variations of a few percentage points, depending on the sources and the methodology used.
- ^b Data from the Colombian National Administrative Department of Statistics (DANE) on the rural population with access to basic sanitation indicate coverage of 51% in 1993 and 58% in 2003. The United Nations source indicates that coverage was 52% in 1990 and 54% in 2002, as shown in the figure. The DANE measurement corresponds to households, whereas the United Nations data refer to individuals in the same period.
- ^c The data for 2002 in the country report on progress towards the Millennium Development Goals show a figure of 38%, whereas the Millennium Indicators database of the United Nations gives a figure of 48%. For 1990-1997 the Central Statistics and Information Office of the Bolivarian Republic of Venezuela did not distinguish between information from urban and rural areas. The country report therefore does not furnish data for this period. For 1998-2002, coverage climbed from 28% to 38%.

Target 11 is to achieve, by 2020, a significant improvement in the lives of at least 100 million slum-dwellers.

Since slums in different parts of the world differ widely from one another, it was necessary to devise a generic definition applicable to all contexts. According to the agreed definition, a slum “is a contiguous settlement where the inhabitants are characterized as having inadequate housing and basic services. A slum is often not recognized and addressed by the public authorities as an integral or equal part of the city” (UN-Habitat, 2003).⁶

The target is to improve the lives of 100 million slum-dwellers. Since this refers to the number of slum-dwellers to be benefited worldwide between 1990 and 2020, the implicit “regional target” is to achieve a significant improvement in the lives of a proportional number of slum-

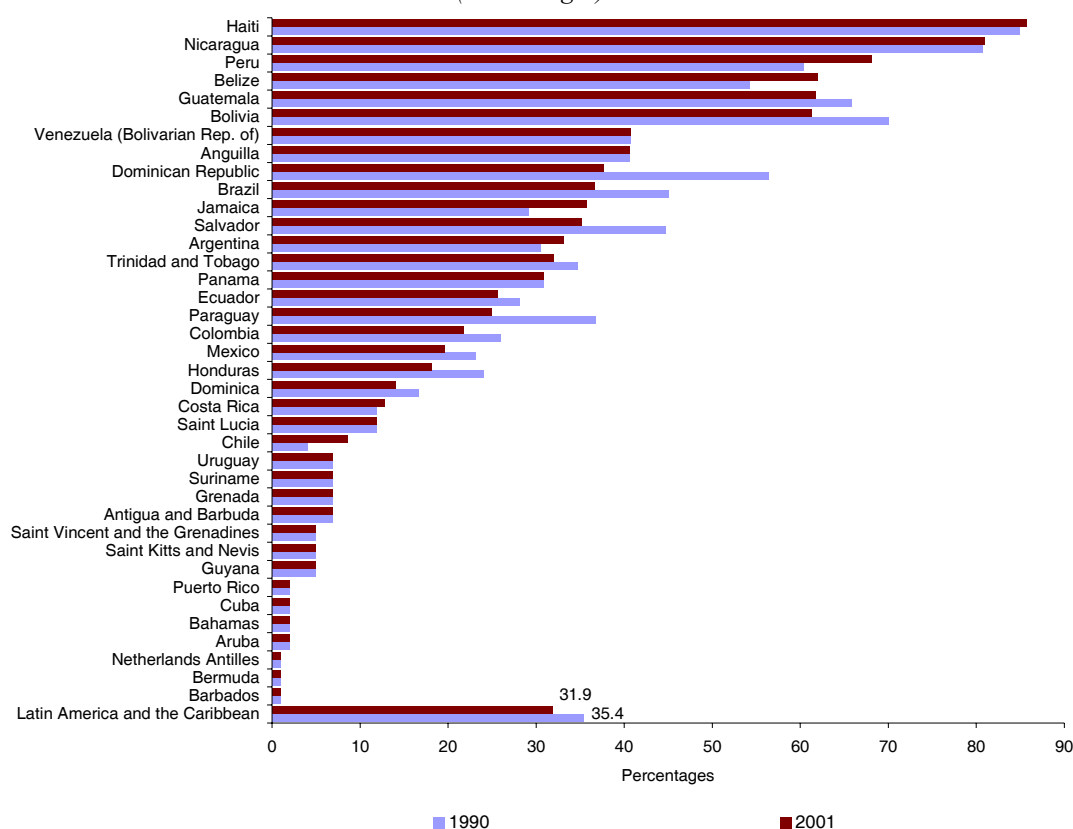
⁶ In order to develop a more complete profile of slums, it is necessary to identify indicators on the location of dwellings or settlements in hazardous areas. In 2004, the United Nations Environment Programme (UNEP) selected complementary environmental indicators and statistics under target 11, such as areas affected by soil degradation, atmospheric concentration of polluting emissions, solid waste, vulnerability and risk, water quality and wastewater treatment (UNEP, 2004).

dwellers in the region, or “only” 13.8 million people. This figure accounts for less than 11% of the people who were living in slums in the region in 1990.

It was agreed that improvements in this regard should be measured according to the change in the proportion of households with secure tenure. Subsequently, four more dimensions were added: durability of housing, sufficient living area, access to safe drinking water and access to basic sanitation.⁷

The target (defined in absolute terms) and the indicators pertaining to it (defined as percentage variations) suggest two possible ways of monitoring progress. The percentage of slum-dwellers out of the total urban population declined from 35.4% to 31.9% between 1990 and 2001 (see figure VI.16). Over the same period, the urban population increased by about 79 million. This reveals that the number of slum-dwellers rose from about 111 million to about 127 million. In other words, the decrease in terms of percentages coincided with an increase in absolute terms, indicating that the rate at which slums are being improved is too slow to reduce the total number of slum-dwellers.

Figure VI.16
LATIN AMERICA AND THE CARIBBEAN: PROPORTION OF SLUM-DWELLERS,
1990 AND 2001
(Percentages)



Source: United Nations Human Settlements Programme (UN-Habitat), Human Settlements Statistical Database, version 4 (HSDB4-99).

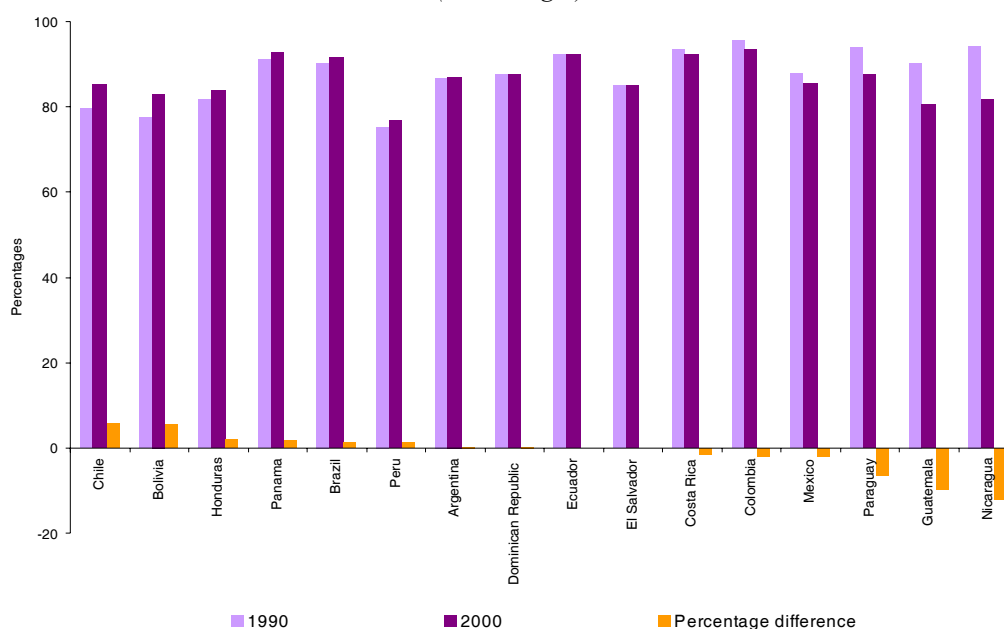
⁷ Water and sanitation indicators in urban areas were analysed above. In view of the difficulties inherent in the calculation of statistics on sufficient living area, access to secure tenure and durability of housing will be analysed here. It should be borne in mind that these dimensions refer to households or dwellings, not to the total population, and that they cover all households, not just the ones defined as slum households. This means that progress towards the target can only be monitored by inference.

This target is particularly important for countries (such as Belize, Bolivia, Guatemala, Haiti, Nicaragua and Peru) where more than 50% of the urban population lives in slums. Further efforts are also needed in countries (such as Argentina, Bolivarian Republic of Venezuela and Brazil) with large populations and high urbanization and urban poverty rates, since more than 25% of these countries' urban populations live in slums.

Indicator 32 measures the proportion of households with access to secure tenure. Available data indicate that the proportion of owners and tenants in urban areas is approximately 80% and, in some countries, close to 100%.⁸ These data should be viewed with caution, since they are based on answers to survey and census questions and may thus reflect the occupants' perceptions rather than evidence of a legally enforceable right to live in the dwelling.

The region as a whole has experienced a three-percentage-point improvement in this regard. In some countries, however, the percentage of households with secure tenure has declined as a result of an increase in the urban population.

Figure VI.17
LATIN AMERICA AND THE CARIBBEAN: HOUSEHOLDS WITH SECURE TENURE, 1990 AND 2000
(Percentages)

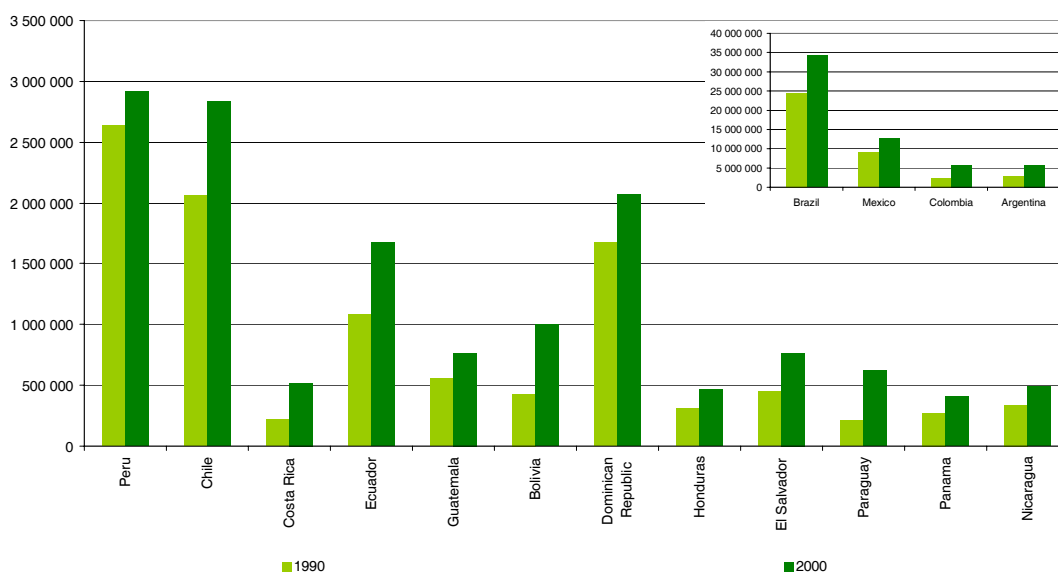


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of special tabulations of data from household surveys conducted in the respective countries.

Figure VI.18 shows that all the countries have experienced improvements in absolute terms. It is estimated that the number of households with secure tenure rose from 49 million to 73 million between 1990 and 2000, while the total urban population increased from 314 million to 393 million. Meanwhile, the number of households without secure tenure rose from 6 million to 9 million.

⁸ In measuring this indicator, title to property, payments towards the purchase of dwellings and rental contracts were deemed to constitute evidence of secure tenure (UN-Habitat, Human Settlements Statistical Database, version 4 (HSDB4-99)).

Figure VI.18
**LATIN AMERICA AND THE CARIBBEAN: IMPROVEMENTS IN SECURITY OF TENURE,
 URBAN AREAS**
(Number of households)



Source: Household survey data from Argentina (1990-1999), Bolivia (1989-1999), Chile (1990-2000), Colombia (1991-1999), Dominican Republic (1997), El Salvador (1995-1999), Guatemala (1989-1998), Honduras (1990-1999), Mexico (1992-1996-2000), Nicaragua (1993-1998), Paraguay (1990-1999) and Peru (1999), and census data from Brazil, Costa Rica (1984-2000), Ecuador (1990-2001) and Panama (1990-2000).

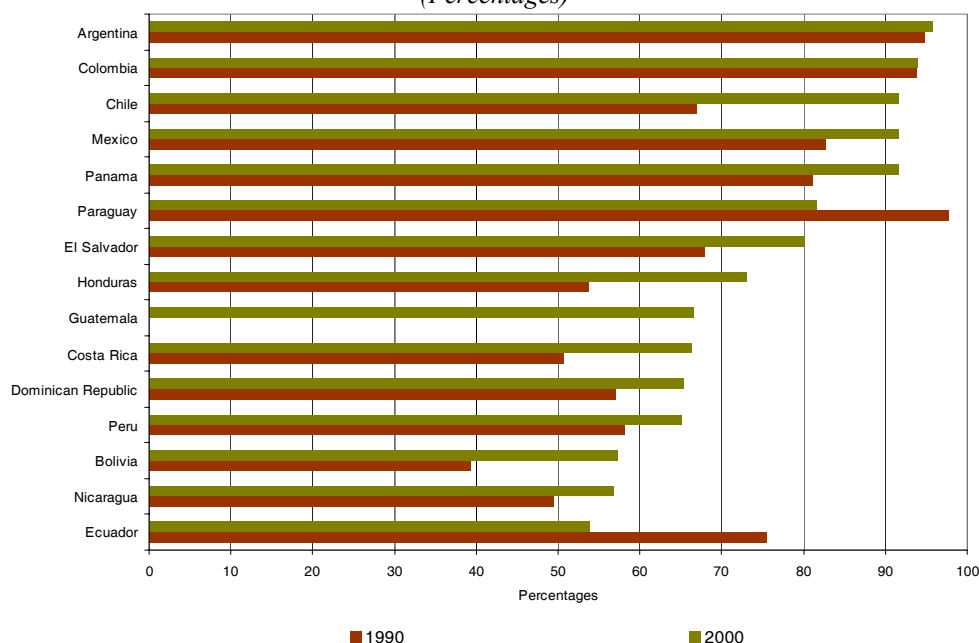
Most countries in the region do not have policies for effectively expediting the urban poor's access to the formal land market. Instead, Governments have focused on regularizing informal occupancy through "a posteriori" legalization, with the result that many newcomers to the city have informal housing arrangements. Progress in this area has been limited because resources are scarce and programmes are not designed to address the urban-planning, political and legal obstacles that prevent people from gaining access to land and regularizing situations of irregular tenure.

With respect to the durability of housing construction materials, data for 15 countries⁹ show that this variable improved from 70% in 1990 to 76% in 2000. In absolute terms, this means that over 17 million households in the countries considered experienced improvements in this regard (see figure VI.19).

In the past decade, some progress has been made in addressing substandard living conditions in urban areas. The indicators show improvements in terms of access to safe water and sanitation, essentially because the Latin American and Caribbean Governments have given high priority to these sectors. The improvement in housing quality is due both to official slum-upgrading programmes and to the efforts of slum-dwellers themselves to improve their living conditions.

⁹ Based on the household survey and census data referred to in figure VI.19, except that Brazil was not included. For this study, quality housing materials were defined more rigorously: unlike the UN-Habitat definition, the regional definition regards wood and adobe as unacceptable building materials.

Figure VI.19
LATIN AMERICA AND THE CARIBBEAN: QUALITY OF HOUSING CONSTRUCTION MATERIALS, 1990 AND 2000
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data from household surveys and censuses conducted in the respective countries.

Despite this favourable trend, the improvements are not universal; there are wide disparities between and within countries. In some cases, percentage reductions mask increases in absolute terms. This indicates that, while living conditions have improved for part of the population, other people continue to flock to the city, increasing the number of slum-dwellers.

Box VI.3 **OBSTACLES TO MONITORING PROGRESS TOWARDS THE TARGETS IN THE CARIBBEAN**

One significant obstacle to monitoring progress towards the targets is the inadequacy of available statistics. In general, environmental data in the Caribbean subregion are of low quality, and in many cases do not include basic information. Attention has already been drawn to the absence of satellite measurements and geographic information system (GIS) mapping of the terrain and to the need to build capacity for the timely, accurate and appropriate collection of disaggregated information.

Data on global trends are not a reliable guide for measuring progress towards the targets in individual regions and countries, as an indicator may show an improvement at the global level but a deterioration in specific cases.

Inadequate technical, financial and organizational support is another significant obstacle.

In the Caribbean, the measurement of progress in terms of environmental sustainability (and also of poverty and HIV/AIDS) is still particularly challenging. For example, some countries of the subregion have very few or virtually no protected areas, while others have substantial ones.

The subregion faces significant hurdles in meeting the target on water and sanitation services. One point at issue is the extent to which water services should be provided by private or public entities. This, in turn, relates to a number of factors connected with poverty, such as access to water resources, health, the quality and efficiency of management, the investment required to upgrade and build infrastructure and the issue of water as a public good.

According to the information presented above, the secure tenure target may already have been met, if it is assumed that most of the households that have moved from non-secure to secure tenure are living in substandard housing, including slums. This assumption is hard to confirm, however, in the absence of specific information.

From this standpoint, for Latin America and the Caribbean, the region with the highest inequity indices in the developing world, this target is a modest one in absolute terms. Reducing the proportion of slum households out of total households, however, is a more formidable challenge that will require the countries to redouble the efforts they have made thus far.

D. Public policies for environmental sustainability: integration and better management

Although the countries of the region have adopted different approaches for achieving environmental sustainability targets, these approaches have a number of features in common. First, they no longer give Governments sole responsibility in this area; instead, they seek to involve new actors, such as national and international corporations, civil society and legislative bodies. Their common challenge is to find ways not only to mobilize scarce resources, but also to prioritize and coordinate actions in a context of shared responsibility and institutional transparency. Second, these endeavours also seek new ways of directing investment and financing and creating markets in order to address national, subregional and regional sustainable development priorities more effectively. Third, further progress must be made in designing and implementing technology transfer mechanisms in order to support sustainable development and environmental protection initiatives. Fourth, countries should make changes in their environmental regulations and production practices in order to change consumption patterns and preserve their natural capital. Fifth, it is necessary to increase current levels of expenditure and develop internal mechanisms for financing environmental management, such as the application of fiscal instruments for environmental management and charges for the use of natural resources and environmental services. Sixth, in order to move forward towards the fulfilment of the Millennium Development Goals, steps must be taken to formulate and implement cross-sectoral policies and actions.

Between 1991 and 2002, development assistance agencies provided the region with increasing volumes of resources for environmental protection, which emerged as a cross-cutting and sectoral concern. However, these resources represented a small percentage of worldwide development assistance and were sometimes concentrated in sectors such as transport and energy, instead of being used for clearly environmental aims such as mitigating the impact of climate change. The Global Environment Facility also boosted financing to the region; 20% of its portfolio is committed to Latin America and the Caribbean. Nonetheless, it is difficult to determine whether resource flows have actually increased, since funds allocated for non-environmental purposes have been reduced.

The transition to environmentally sustainable development in the countries of Latin America and the Caribbean is fraught with difficulties (see box VI.4). The fragmentation of laws and institutional mandates, the low level of compliance with environmental standards, the lack of coordination between economic, social and environmental policies and considerable financial constraints are hampering progress towards the fulfilment of target 9. Sustainability is also undermined by technological and environmental processes that take place at various levels (global, national, regional and local) and over different time periods, affecting both present and future generations.

Box VI.4

REGIONAL COOPERATION AND ENVIRONMENTAL SUSTAINABILITY IN CENTRAL AMERICA

In the last two decades, Latin American countries have entered into regional environmental cooperation agreements, multilateral environmental protection agreements and free trade agreements that include sustainability provisions aimed at taking better care of the region's environment. The countries should act on these commitments by allocating more resources for this purpose, amending national environmental laws and enforcing laws on the conservation of biodiversity and the protection of natural areas, forest ecosystems and marine and coastal areas, in order to mitigate the effects of climate change and curb transboundary movements of hazardous wastes, among other objectives.

The Central American Commission on Environment and Development (CCAD), founded in 1989, is an executive body that links the Governments of its member countries, cooperates in building their capacities and serves as a liaison between the Central American countries and other countries and international agencies in relation to issues of environmental protection and the sustainable use of natural resources. CCAD (whose member countries are Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Panama and Belize) has supported projects such as the Programme for the Consolidation of the Meso-American Biological Corridor (MBC) and the Meso-American Initiative for Sustainable Development (IMDS) under the Puebla-Panama Plan (PPP),^a a project on forests and climate change in Central America, an initiative to strengthen the Central American System of Protected Areas, the Central American Programme for the Modernization of Environmental Management Systems (PROSIGA), the Meso-American Barrier Reef System project (Guatemala, Honduras, Belize and Mexico) and the Central American Protocol on Access to Genetic and Biochemical Resources and to the Associated Traditional Knowledge.

In 2004, Central America and the Dominican Republic signed a free trade agreement with the United States (Central American Free Trade Agreement, or CAFTA) that includes environmental provisions based on the North American Agreement on Environmental Cooperation (NAAEC) concluded in the framework of the North American Free Trade Agreement (NAFTA). CAFTA bears a closer resemblance to the free trade agreement between Chile and the United States than it does to NAAEC, as it contains no funding provisions for environmental cooperation, has an incomplete institutional framework and provides for more limited private access to remedies than NAAEC. Despite these limitations, Mexico's experience under NAFTA shows that environmental cooperation can lead to significant progress with respect to national capacity-building, technical assistance, access to and construction of databases with information on pollutants,^b the participation of government officials and representatives of non-governmental organizations in workshops, courses and seminars and the promotion of ad hoc pollution prevention initiatives.

Source: Economic Commission for Latin America and the Caribbean (ECLAC), "Cooperación ambiental en el NAFTA y perspectivas para el CAFTA", Mexico City, ECLAC subregional headquarters in Mexico, 2004, unpublished.

^a The Programme for the Consolidation of the Meso-American Biological Corridor is a seven-year initiative that was signed on 30 November 2000 and put into practice starting on 30 January 2002. It involves Governments, non-governmental organizations, social organizations, private initiatives and academic institutions. Belize, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Panama and five states in south-eastern Mexico (Campeche, Chiapas, Quintana Roo, Tabasco and Yucatán) participate in the programme in order to ensure the conservation and sustainable use of biological resources. Financing has not yet been obtained for the projects included in the Meso-American Initiative for Sustainable Development. The Puebla-Panama Plan is a cooperation instrument aimed at promoting integrated development in Meso-America by coordinating the actions of the seven Central American countries and the nine states of south-south-eastern Mexico.

^b In 1995 the Council of the Commission for Environmental Cooperation (CEC) helped to set up the Pollutant Release and Transfer Register (PRTR) in Mexico. In June 2004 Mexico issued the relevant regulations, under which industries are required, as from 2005, to submit emissions reports for subsequent dissemination through the Register's database.

One outstanding challenge is to strengthen mechanisms for guaranteeing appropriate integration, coherence and coordination between public policies and between the different levels of government and economic agents involved in achieving sustainable development targets. Often, sectoral objectives are inconsistent with each other or reflect opposing political commitments or a lack of communication, dialogue and coordination of activities between those responsible for implementing the relevant public policies. This can generate unexpected side effects and conflicting incentives. It is essential to identify coordination failures and their costs in terms of reducing the effectiveness and efficiency of efforts to achieve long-term cross-sectoral goals. The consolidation of environmentally sustainable development calls for complementarity between the different approaches taken by environmental management policies and instruments (regulation, economic instruments, voluntary approaches) and for active participation by all stakeholders (business associations, trade unions, non-governmental organizations, civil-society organizations and State institutions).

The success of sustainable development policies depends to a large extent on the development and quality of the institutional and organizational infrastructure, as well as on mechanisms through which the State apparatus and society act as a harmonious whole in pursuing medium- and long-term objectives. The unfavourable economic climate that has pervaded the region since the late 1990s has dampened the initial positive impetus and eroded the status and budgets of environmental agencies. Institutional changes have lowered these agencies' rank in the hierarchy and reduced coordination opportunities.

Despite these obstacles, there has also been progress. The problem of deforestation and the importance of the services provided by forests are more widely recognized. Consequently, countries have implemented programmes to combat forest fires, promote reforestation and improve regulatory frameworks and policies geared to the sustainable use of forests (including national forest development plans). In the area of combating desertification, nine priority projects and six subregional programmes of action are being carried out. Major initiatives to protect biodiversity have been made at the international, regional and subregional levels. At the national level, there are weaknesses in the areas of environmental surveillance, planning and management; nevertheless, despite budgetary constraints, efforts have been made to improve management. To a lesser extent, initiatives have been launched to promote energy saving, energy efficiency and the use of renewable energies. New eco-friendly activities such as organic food production and national clean production centres have been developed in many countries. Meanwhile, private-sector entities (especially leading corporations) have made major investments in eco-efficient technologies and in the development of environmental management systems.

1. Integrated land-use and ecosystem management

One of the main challenges facing the region is the integration of environmental concerns into public policies and into national land-use planning. Integrated natural resource management should be based on geographical units such as river basins, ecosystems and other physical areas, which rarely correspond to existing administrative units. The countries should seize opportunities for innovation and development in the environmental sphere by establishing suitable regulations and institutions for policy coordination that will enable them to implement integrated strategies for managing resources in biophysical areas defined according to their ecological or geographical features.

The region's extreme vulnerability to hurricanes, landslides, floods, volcanic eruptions and earthquakes, among other natural and social phenomena, underscores the need to apply approaches of this kind to the built environment as well. Reducing vulnerability calls for the use of both preventive instruments (such as land-use management, early warning systems, the maintenance of plant cover and the construction of appropriate infrastructure) and mitigation instruments (such as insurance to cover housing, agricultural production, infrastructure and other assets and response mechanisms such as civil defence, shelters, mitigation investment, disaster-preparedness education and preparedness measures in the production and service sectors).

2. Water and sanitation

The service providers themselves (most of which are public entities) need to be reformed in order to correct serious inefficiencies, improve their precarious financial situation and make the most of economies of scale (Peña and Solanes, 2003). Their administrative independence needs to be reinforced and their regulatory and financial capacity should be built up through rate-setting practices. Both the decentralization begun in the 1980s and the privatization of services need to be refocused in the light of various countries' experiences, which indicate that it is indeed possible for public enterprises to provide highly efficient services (ECLAC 1998c). A number of the strategies used to attract private foreign investment in the drinking water and sanitation sector have generated a high risk of contingent liabilities for the State. Some of the more conflict-prone provisions include the indexing of rates to foreign currencies, binding purchase contracts and stabilization clauses

which prohibit the amendment of national laws or regulations. In extreme cases, where strategies of this sort have been combined with foreign investment protection agreements, the system can result in the filing of multiple and complex external suits over which the country in question exerts very little control (Solanes, 2003).

The assumption that regulation should be based on price caps and contract provisions, the practice of awarding contracts to the lowest bidder and the scant attention paid to the need to create and consolidate a regulatory agency prior to privatization, among other factors, have influenced the design of regulatory frameworks and have led to continual renegotiations and disputes with service providers, thus undermining the stability of investment sources. It is therefore important to adjust regulatory frameworks or contracts and to strengthen oversight mechanisms in the region. Since rate adjustments are often not feasible because large segments of the population have a limited capacity to pay, the countries should correct the problem of chronic underfinancing in this sector by applying direct or targeted subsidies and avoiding cross-subsidies.

All of this shows how important it is to build balanced systems that are suited to local conditions and in which legal and political powers are assigned to the appropriate government levels based on technical considerations, availability of resources and productive and economic criteria that make the most of economies of scale (Peña and Solanes, 2003). The horizontal structure of the sector must therefore be consolidated in order to respond to the needs of the industrial apparatus and to focus attention on low-income groups. Most of the countries have yet to adjust rates to ensure the economic and financial sustainability of service providers, create effective subsidy systems for low-income groups, fully enforce the regulatory frameworks and modify the practices of public providers.

In summary, initiatives to address the problems of the water and sanitation sector should not be dissociated from the more general need to improve water management capacity. This is because the expansion of service coverage brings about an increase in the use of water, for which there is already intense competition in many river basins. Similarly, the expansion of sanitation services leads to an increase in the discharge of wastewater, which is one of the main sources of pollution. The components of a sound water management system include: (i) improved regulatory frameworks based on legislation that clearly defines public and private responsibilities and facilitates environmentally sustainable water use; (ii) an authority that is independent of sectoral users and has a level of authority and resources commensurate with its responsibility and that is thus able to improve the decision-making process; (iii) an efficient dispute settlement mechanism; (iv) a water allocation system that promotes investment in the development and conservation of this resource and, at the same time, guarantees efficient and orderly water use, prevents monopolization and facilitates water management based on the public interest and the protection of ecosystems; and (v) a water pollution control system under which economic resources can be mobilized to finance investment in wastewater treatment systems (Peña and Solanes, 2003). These initiatives should be aimed at achieving a more holistic approach to water management in which, for example, river basins are managed in such a way as to preserve the relationship between land and sea ecosystems, maintain environmental services and keep water cycles stable.

3. Integration between environmental, urban and land-use policies

In general, the concept of sustainable natural resource use and conservation has only just begun to be incorporated into production and service sectors (including urban development and housing) and into the idea of urban sustainability. The size and spatial distribution of the urban and rural populations are of crucial importance, since cities cannot be analysed as closed systems. The impact of urban growth is increasingly felt beyond city limits, and cities' economic, social and environmental interdependence with rural areas can either enhance or hold back the development of these areas as centres of infrastructure and services, and can offer economic opportunities.

Subnational governments, particularly municipalities, have increased their responsibilities in key areas for the sustainable development of human settlements and have therefore strengthened their potential to take actions that incorporate the achievement of targets 10 and 11 of the Millennium Development Goals.

One of the major challenges for urban governance is to reconcile cities' economic role with social tensions relating to employment, housing and equity, environmental management, the city's relationship with the rest of the territory and global pressures. The decisions taken in response to short-term demands, fluctuations and crises in the areas of infrastructure and urban organization have consequences in the medium term. In other words, they may lead to further lags, social problems and precarious urban and social conditions in the future, among other externalities. It is therefore indispensable to have a forward-looking urban sustainable development policy and to analyse options, construct scenarios and assess the future implications of present actions.

4. Slum-upgrading policies

The problem of substandard living conditions in cities is a cause for concern. Unless suitable action is taken on a massive scale, the accumulation of shortcomings could become unmanageable in many countries of the region. Despite the difficulties and constraints they have faced in terms of financial and institutional resources, in the past decade the countries of the region have made significant efforts to expand the coverage of water and sanitation services and have corrected their mistakes and built on their achievements under slum-upgrading policies and isolated initiatives that proved to be effective.

The different types of substandard living conditions in urban areas call for more flexible policies differentiated by area and social group in order to reduce informality and improve the material quality of housing. This requires that programmes for new housing be appropriately targeted, that housing be fully subsidized for the poorest sectors and that existing programmes to upgrade slums and housing be expanded. With respect to tenure, appropriate legal and urban development frameworks should be created as a matter of urgency to regularize tenure, recognize intermediate forms of tenure and introduce more flexible technical standards. The expansion of access to urban land calls for measures such as the densification of land use, land banks and economic instruments, among others, to increase the supply, and for micro- and mid-level financing and subsidy schemes to increase formal demand.

Since slum-upgrading programmes should be comprehensive, they should be supported by complex institutional coordination arrangements for sectoral policies such as those in the areas of employment, education, health, transport, public spaces, water and sanitation. They should also encompass local institutions and the community. Support is increasingly being provided by the private sector (including civil-society organizations and the business sector), in line with the concept of social responsibility. A registry of existing institutional arrangements and their linkage with national institutions would be one way to identify the most suitable solutions for effectively expanding slum-upgrading programmes in cities.

The main obstacles to the spread of such initiatives are rooted in human settlements themselves and stem from the institutional, political, financial and technological constraints that hamper the housing sector's efforts to address urbanization processes marked by high levels of poverty and mounting quantitative and qualitative housing needs, which have been increased by the frequent natural disasters to which the region is exposed.

5. Integration between fiscal policy and environmental policy

Another way to improve integration and consistency between environmental policy and economic and sectoral policies is to build on the synergies between fiscal and environmental policies and to coordinate them more closely.

The wave of institution-building that took place in Latin America and the Caribbean in the early 1990s included the creation of new environmental ministries and national commissions of ministerial rank with ambitious mandates. For the rest of the decade, however, the financial and technical resource transfers necessary for building national environmental management systems capable of fulfilling the assigned mandates did not materialize. Except in a few cases, the new institutions were not given the financial wherewithal to establish appropriate national environmental management systems, and total expenditure on the environment usually did not exceed 1% of GDP, which is the lowest level of environmental expenditure found among the OECD countries. Moreover, public spending on the environment not only tended to remain flat or decrease in the countries of the region; it was also disproportionately affected by the volatility of public finances in these countries.

Most of the Latin American and Caribbean countries have yet to build an appropriate legal and institutional platform for cooperation between fiscal and environmental authorities with a view to generating adequate incentives for the internalization of environmental externalities and allocating sufficient financing for national environmental management systems.

More developed countries are making increasing use of environmental taxes based on the “polluter pays” principle as an integral part of their fiscal reform plans. In the OECD countries, environmental tax receipts average 2.5% of GDP and nearly 7% of total receipts. Most of these levies apply to a specific tax base related to the transport and energy sectors, but they also include taxes on waste management and effluents. Several countries have made environmental taxes more acceptable to taxpayers by earmarking these revenues for local environmental services or programmes. Although such earmarking of fiscal revenues is rare in the management of public finances, it is warranted in the case of environmental taxes because of the close link between environmental problems and particular geographical areas and communities (river basins, cities, polluted industrial zones and wilderness areas, among others), as a means of mitigating, preventing and addressing the environmental harm that gave rise to the imposition of these taxes.

Most of the Latin American and Caribbean countries have yet to carry out a detailed review of the distortions and other policy failures that stem from subsidies, tax waivers and exemptions, contingent liabilities in the form of public guarantees and other measures that generate incentives contrary to national sustainable development goals. Another obvious policy problem in Latin America and the Caribbean is tax competition between countries or provinces to attract investment by offering tax exemptions for projects in the primary sector (mining and forestry, among others) and for activities known to affect the environment. The identification and analysis of the social cost of these distortions can reveal numerous opportunities for improvement in both the environmental and fiscal spheres.

6. Integration between productive development policies and environmental policies

Several countries in the region, notably Brazil, Colombia, Chile and Mexico, have made headway in implementing clean production policies as a strategy for integrating the environmental dimension into corporate management. However, further efforts are needed to consolidate production solutions that prevent environmental pollution while strengthening the competitiveness of production sectors.

The Latin American and Caribbean region represents a growing market for the environmental goods and services industry. This market is associated with shortfalls in its environmental infrastructure (drinking water, sanitation and wastewater treatment, sanitary landfills and housing conditions, among others) linked to its population growth profile (particularly the increase in its urban population). Similarly, ecosystem services have great potential for development within the formal economy.

All the countries of the region are clearly lagging far behind in terms of environmental standards, as is becoming increasingly evident in the light of the environmental demands being made in international markets, country-level pressures for more effective environmental regulations, civil society's heightened awareness of the issue and environmentally unfriendly patterns of production and consumption.

The countries need a strategy to promote the emergence and development of a new sector in the economy that can meet the growing need for environmental goods and services. This would not only contribute to sustainable development and the population's well-being, but would also boost economic growth by generating added value and increasing income and employment, thereby reinforcing the positive interrelationship between environmental policy and economic performance.

7. Policies for increasing energy efficiency

The use of renewable energies is another principle that should be included in the public agenda. However, energy policies in the region have tended to emphasize conventional sources. The development of renewable energies and the promotion of eco-efficient products and processes were discussed in the negotiations on the United Nations Framework Convention on Climate Change. This process led to an agreement that the costs of mitigating greenhouse gas emissions should be shared more equitably between developing and developed countries, given the latter countries' acknowledged historical responsibility for most of the existing concentrations of such gases in the atmosphere (principle of common but differentiated responsibilities). The Kyoto Protocol (see box VI.5) set national targets for the reduction of carbon dioxide emissions and introduced flexibility mechanisms for minimizing the cost of meeting them.

Box VI.5 THE KYOTO PROTOCOL

The adoption, in December 1997, of the Kyoto Protocol to the United Nations Framework Convention on Climate Change represented a significant step forward. The Protocol includes the following provisions:

- The industrialized countries adopted quantified emission limitation and reduction commitments, averaging 5.2% below 1990 levels, for the period 2008-2012;
- The developing countries did not undertake any emission limitation or reduction commitments, by virtue of the principle of common but differentiated responsibilities;
- To help the industrialized countries meet their commitments, the Protocol established three flexibility mechanisms: emissions trading, joint implementation and the clean development mechanism. Under these provisions, greenhouse gas emissions can be offset or reduced outside the countries that produce them. The clean development mechanism promotes developing-country participation through an innovative cooperation arrangement.

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of the Kyoto Protocol to the United Nations Framework Convention on Climate Change.

The recent European Parliament and Council directive on emissions trading (known as “Euro-Kyoto”) and the entry into force of the Kyoto Protocol have opened up important economic opportunities for developing countries by creating a global market for emission reduction certificates, in which the Latin American and Caribbean countries have been especially active (see table VI.2).

Table VI.2
**LATIN AMERICA AND THE CARIBBEAN: PROJECTS IN THE FRAMEWORK OF
THE CLEAN DEVELOPMENT MECHANISM**

Country	Number of projects	Amount (millions of dollars)	Emissions (tons of CO ₂ equivalent)
Nicaragua	1	0.5	141 600
El Salvador	2	1.4	347 400
Ecuador	7	11.2	3 239 320
Bolivia	1	1.8	713 990
Jamaica	1	2.5	457 200
Costa Rica	7	21.0	4 765 201
Guatemala	2	8.1	2 168 231
Chile	5	27.3	7 423 973
Mexico	3	17.7	5 083 400
Peru	3	20.2	6 026 191
Brazil	8	54.9	11 319 026
Panama	3	21.4	3 952 735
Colombia	3	22.7	9 653 000
Total	46	210.6	55 291 267

Source: Lorenzo Eguren, “El mercado de carbono en América Latina y el Caribe: balance y perspectivas”, *Medio ambiente y desarrollo series*, No. 83 (LC/L.2085-P), Santiago, Chile, 2004. Economic Commission for Latin America and the Caribbean (ECLAC), March 2004.

The countries of the region have not been particularly successful in reducing their energy intensity, and this performance is unlikely to change over the next decade unless Governments, the private sector and civil society take action through ad hoc instruments and policies such as the following:

- Creating a permanent political will among the region’s Governments to enhance energy efficiency as an ongoing objective that is unrelated to crisis situations and is fully integrated into energy policy. It may be said, without exaggeration, that this approach does not exist in the vast majority of Latin American countries, yet the industrialized countries’ experience has shown that it yields positive results;
- Strengthening long-term energy efficiency planning, since investments in energy efficiency plans and programmes (and in renewable energies) take time to produce tangible effects;
- Creating an ad hoc regulatory framework for promoting a domestic energy efficiency market that has a positive impact on national energy consumption, along the lines of the ones found in some European countries and the United States. Significantly, the countries that have promoted the creation of energy service companies and of a specific national energy efficiency market are the ones that have been most successful in reducing sectoral energy intensity, especially in industry;
- Incorporating the sectoral and social dimensions into the assessment and orientation of long-term energy performance, taking cultural factors and national circumstances into account.

Box VI.6

POSSIBLE SCENARIOS FOR 2015

The well-planned and responsible use of natural resources can be of great benefit for the region's long-term development. Conversely, a failure to consider environmental issues in taking development decisions can undermine efforts to enhance the quality of life. The United Nations Environment Programme's Global Scenario Group conducted an evaluation of certain development parameters (such as demographic and economic patterns, the state of the environment and the status of political institutions), as well as significant trends. On that basis, it developed three possible scenarios in relation to the targets of Goal 7: (i) a continued emphasis on development through globalization-driven economic growth, with little attention to other aspects of development; (ii) the emergence of the political will to constrain and guide growth through sustainability policies, in accordance with the targets for Goal 7, and the pursuit of this aim as a proactive strategic priority of Governments; and (iii) a transition to a completely new development paradigm on the part of societies and Governments, whereby civil society, all institutions and individuals and the State decide to actively seek new forms of sustainable development (UNEP, 2003).

In the first scenario, the proportion of resources allocated to the environment would continue to be small and would fluctuate constantly in accordance with the economic conditions dictated by the market. Any increases would be insufficient to reverse existing patterns of production and consumption. In general, environmental degradation in the region could not be halted, much less reversed, and would include moderate to rapid deterioration of seas and coastal areas, land degradation and desertification, deforestation, loss of biodiversity, aggravation of water stress and rampant urban sprawl, with swift increases in air pollution and in vulnerability to extreme natural phenomena.

In the second scenario, emphasis would continue to be placed on economic growth, but with the possibility of linking this growth to policies for alleviating poverty, inequity and environmental degradation, among other sustainability issues. Environmental management would be an overarching concern addressed through cross-sectoral policies. Governments would encourage environmental responsibility through incentives such as programmes to pay for environmental services. The loss of forest cover would persist to some degree, but there would be stronger pressure for the eco-certification of enterprises in the forestry sector and for the protection of indigenous communities' culture and knowledge in relation to forest ecosystems. The region's rich biodiversity would be preserved in protected areas, which would include the most critical ecosystems. Some of the housing conditions of urban slum populations (such as drinking water and sanitation services) would improve, but not enough to eradicate poverty or provide for the environmentally sustainable integration of these populations.

Only in the last scenario, of "great transitions" towards sustainable development, would it be possible to solve the problems referred to in the targets for Goal 7. The panorama would be totally different, as reforms for integrating a sustainable development perspective into public policies would be more radical and tangible. They would lead to more profound changes that would make sustainable development attainable at the local, national, regional and global levels. National and international laws and institutions would be designed to enhance intergenerational social justice, increase equity in all areas and produce economic and social transformations that would keep all unsustainable lifestyles or forms of production in check and would reverse the damage already done to the environment. Such a transformation would require a sharp and continuous increase in resources and rapid improvements in economic, financial and fiscal instruments for promoting these practices, as well as the further development of institutions for guiding and encouraging these changes in increasingly democratic, participatory and communal ways.

Source: United Nations Environment Programme (UNEP), *GEO América Latina y el Caribe: perspectivas del medio ambiente 2003*, Mexico City, Regional Office for Latin America and the Caribbean, 2003, and *Global Environment Outlook Scenario Framework: Background Paper for UNEP's Third Global Environment Outlook Report (GEO-3)*, Nairobi, 2004.

Chapter VII

Financing for the Millennium Development Goals and international development assistance

Goal	Targets	Indicators
8. Develop a global partnership for development	<p>12. Develop further an open, rule-based, predictable, non-discriminatory trading and financial system (includes a commitment to good governance, development and poverty reduction —both nationally and internationally)</p> <p>13. Address the special needs of the least developed countries (includes: tariff and quota free access for the least developed countries' exports; enhanced programme of debt relief for heavily indebted poor countries (HIPC) and cancellation of official bilateral debt; and more generous ODA for countries committed to poverty reduction)</p>	<p>Official development assistance (ODA)</p> <p>33. Net ODA, total and to the least developed countries, as percentage of OECD/DAC donors' gross national income</p> <p>34. Proportion of total bilateral, sector-allocable ODA of OECD/DAC donors to basic social services (basic education, primary health care, nutrition, safe water and sanitation)</p> <p>35. Proportion of bilateral official development assistance of OECD/DAC donors that is untied</p> <p>36. ODA received in landlocked developing countries as a proportion of their gross national incomes</p> <p>37. ODA received in small island developing States as a proportion of their gross national incomes</p>

	<p>14. Address the special needs of landlocked developing countries and small island developing States (through the Programme of Action for the Sustainable Development of Small Island Developing States and the outcome of the twenty-second special session of the General Assembly)</p> <p>15. Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term</p>	<p>Market access</p> <p>38. Proportion of total developed country imports (by value and excluding arms) from developing countries and least developed countries, admitted free of duty</p> <p>39. Average tariffs imposed by developed countries on agricultural products and textiles and clothing from developing countries</p> <p>40. Agricultural support estimate for OECD countries as a percentage of their gross domestic product</p> <p>41. Proportion of ODA provided to help build trade capacity</p> <p>Debt sustainability</p> <p>42. Total number of countries that have reached their HIPC decision points and number that have reached their HIPC completion points (cumulative)</p> <p>43. Debt relief committed under HIPC Initiative</p> <p>44. Debt service as a percentage of exports of goods and services</p>
	<p>16. In cooperation with developing countries, develop and implement strategies for decent and productive work for youth</p>	<p>45. Unemployment rate of young people aged 15-24 years, each sex and total</p>
	<p>17. In cooperation with pharmaceutical companies, provide access to affordable essential drugs in developing countries</p>	<p>46. Proportion of population with access to affordable essential drugs on a sustainable basis</p>
	<p>18. In cooperation with the private sector, make available the benefits of new technologies, especially information and communications</p>	<p>47. Telephone lines and cellular subscribers per 100 population</p> <p>48. Personal computers in use per 100 population Internet users per 100 population</p>

A. Introduction

The globalization process is opening up new development opportunities, but countries cannot take advantage of them without national strategies designed to seize these opportunities and meet the demands associated with greater integration into the world economy. This process entails risks, as well: new sources of instability in trade and, above all, in finance; the risk of exclusion for countries that are ill-prepared for the stringent competitiveness demands of today's world; and the risk that structural heterogeneity between different social sectors and geographical areas will increase in countries whose integration into the world economy is segmented and precarious.

Developing countries' disenchantment with the results of globalization stems largely from the fact that these results reflect an incomplete and unbalanced agenda that has given much higher priority to liberalizing markets than to guaranteeing more equitable distribution of the fruits of development. The upshot is that globalization has engendered not only growing interdependence, but also sharp inequalities between countries.

The asymmetries in the global order that are at the root of the world's profoundly unequal pattern of income distribution are of three basic types. The first is the extreme concentration of technical progress in the developed countries. This concentration is observed in terms of both expenditure on research and development and the geographical location of the production sectors most closely linked to technological change, which are among the fastest-growing components of world trade and production and enjoy the benefit of high innovation rents. In this connection, the need to level the playing field to keep world development from becoming further polarized is reflected, *inter alia*, in the commitment to close the digital divide; progress in this direction is to be monitored in terms of indicators 47 and 48 of the Millennium Development Goals (see section B below).

The second type of asymmetry concerns the developing countries' greater macroeconomic vulnerability to external shocks, whose effects are exacerbated by the fact that these countries have limited means of coping with them. The greater financial integration that has characterized the third phase of globalization has tended to increase this vulnerability and to perpetuate or intensify the trade vulnerabilities resulting from fluctuations in demand levels and the terms of trade. This situation is reflected by the developing countries' increasingly unstable economic growth rates, which have made employment more precarious and have heightened social tensions, giving rise to a widespread feeling of social vulnerability in the region. High rates of youth unemployment (indicator 45) are symptomatic of the region's current economic and social situation and point to the urgency of finding ways to address this systemic vulnerability (see box VII.1).

Financial asymmetries stem from four characteristics of developing countries: (i) the currencies in which their external debt is denominated; (ii) the maturity structures offered on financial markets; (iii) the scope of secondary markets; and (iv) the highly disadvantageous relationship between the size of developing-country financial markets and the speculative pressures they face. As a result of the first three of these features, agents that have access to international markets (Governments and large firms) must contend with currency mismatches, while those that do not have access to international markets (small and medium-sized firms) are affected by maturity mismatches, and it is generally almost impossible to maintain a financial structure that avoids both risks at the same time. Macroeconomic asymmetries, meanwhile, are attributable to the procyclical nature of capital flows to developing countries. This pattern is linked to the perception that, with few exceptions, developing countries are high-risk markets that are subject to sharp financial cycles in which phases marked by a greater appetite for risk alternate with droughts triggered by a "flight to quality assets" (ECLAC, 2002a). The effect of all these factors is acute macroeconomic asymmetry. Whereas the industrialized countries have greater degrees of freedom to adopt

countercyclical policies that help stabilize financial markets, the developing economies have virtually no breathing space, since their financial markets tend to intensify cyclical fluctuations.

Box VII.1

YOUTH UNEMPLOYMENT IN LATIN AMERICA AND THE CARIBBEAN

Since the early 1990s, one of the most pressing challenges faced by the region's countries has been that of reducing their growing rates of youth unemployment. An overview of the situation of young people in the region shows that they are still the age group with the highest unemployment rates. An analysis of household surveys reveals that the region-wide unemployment rate among 15- to 29-year-olds rose from 12.8% in the early 1990s to 16.1% 10 years later.^a This is more than double the average unemployment rate for adults (between the ages of 30 and 64).

Youth unemployment continues to be highest among poor sectors, women and young people at the lower end of this age range (15-19). At the beginning of the current decade, young people living in households belonging to the poorest income quintile had an unemployment rate of 28.1%, which was much higher than the rate of 8.7% among young people whose households were in the richest quintile. The rates for young women and for 15- to 19-year-olds were 20.0% and 22.4%, respectively. Young people's higher unemployment rates reflect the difficulties they face in joining the workforce, especially when they are seeking work for the first time, and also their tendency to change jobs frequently, in part because many of them do not have stable employment contracts. Although the above-mentioned rise in youth unemployment is due to a general worsening of the labour market situation in many of the region's countries and is not proportionally higher than the increase observed in the adult unemployment rate, what is striking is that it occurred in the context of a downturn in the youth labour supply attributable to young people's tendency to undertake more years of education. This indicates that the region's economic problems in the late 1990s and in the early years of the current decade have significantly hindered young people's entry into productive employment.

In addition, young people are particularly vulnerable in terms of employment, as shown by the fact that the quality of the jobs they hold has declined, even among young people with higher levels of education. The vast majority of the new jobs available to young people have been generated in the informal sector, and nearly all of them are part-time jobs. In addition, rates of social insurance coverage among young people have decreased.

These trends in the youth labour market highlight the need to identify solutions aimed at creating quality employment in order to prevent increases in social dissatisfaction, crime and international migration.

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from the International Labour Organization (ILO).

^a Simple average based on information from 17 countries: Argentina, Bolivarian Republic of Venezuela, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Peru and Uruguay.

There is also a third type of asymmetry associated with the contrast between the high degree of capital mobility and the much more limited degree of international labour mobility, especially among low-skilled workers. This asymmetry skews the distribution of income, placing less mobile factors of production at a disadvantage. In addition, these asymmetries have a disproportionate effect on developing countries owing to the relative abundance of low-skilled labour in those countries. The limited international mobility of this factor also contributes to an oversupply on international markets of goods that are produced mainly by developing countries.

Some of the issues relating to such asymmetries have begun to gain ground in international discussions and negotiations. These issues include the unbalanced results of the Uruguay Round and the difficulties encountered in implementing the World Trade Organization (WTO) agreements; the priority attached to development issues in the Doha Round (see section C below); concern about developing countries' access to financing, particularly the commitment undertaken by some industrialized countries to curb the downward trend in official development assistance (ODA) (see section D); and the need to adopt more lasting and balanced solutions to developing countries' external debt problems. Discussions on this last point have included criticism of the excessive increase in conditionality, given the effects of the structural adjustment programmes adopted during the debt crisis, and the implementation of the Heavily Indebted Poor Countries (HIPC) Initiative, which began to function in the late 1990s (see section E).

Box VII.2

“DEVELOP A GLOBAL PARTNERSHIP FOR DEVELOPMENT”: INDICATORS**Official development assistance (ODA)**

- Indicator 33: Net ODA to all developing and least developed countries, as a percentage of OECD/Development Assistance Committee (DAC) donors' gross national income
- Indicator 34: Proportion of bilateral, sector-allocable ODA of OECD/DAC donors allocated to basic social services (basic education, primary health care, nutrition, safe water and sanitation)
- Indicator 35: Proportion of bilateral ODA of OECD/DAC donors that is untied
- Indicator 36: ODA received in landlocked developing countries as a proportion of their gross national incomes
- Indicator 37: ODA received in small island developing States as a proportion of their gross national incomes

Market access

- Indicator 38: Proportion of total developed-country imports (by value and excluding arms) from developing countries and least developed countries admitted free of duty
- Indicator 39: Average tariffs imposed by developed countries on agricultural products and textiles and clothing from developing countries
- Indicator 40: Agricultural support estimate for OECD countries as a percentage of their GDP
- Indicator 41: Proportion of ODA provided to help build trade capacity

Debt sustainability

- Indicator 42: Total number of countries that have reached their HIPC decision points and number that have reached their HIPC completion points (cumulative)
- Indicator 43: Debt relief committed under HIPC Initiative
- Indicator 44: Debt service as a percentage of exports of goods and services

Other development indicators

- Indicator 45: Unemployment rate of young people aged 15-24 years, total and by sex
- Indicator 46: Population with access to affordable essential drugs on a sustainable basis
- Indicator 47: Telephone lines and cellular subscribers per 100 population
- Indicator 48: Personal computers per 100 population and Internet users per 100 population

B. Technologies for development

The sustainability of development and the achievement of the Millennium Development Goals in Latin America and the Caribbean are dependent on the region's capacity to position itself in the global economy. Building this capacity will make it easier for the countries to obtain the resources with which to finance sustainable development and generate the kinds of high-quality, well-paid jobs to which their people aspire.

Although the improvement of market access is vitally important, the countries also need to increase their competitiveness in order to take full advantage of that access. This, in turn, depends on the accumulation of factors of production (physical capital and human resources) and the incorporation of knowledge into production. The rate of innovation determines whether a country's level of well-being draws closer to or falls behind that obtaining in more highly developed areas of the world (ECLAC, 2004b). Innovation and learning represent efforts to apply new technologies, including those linked to the “digital revolution”.

1. Digital access and inclusion

Increasing competitiveness and enhancing social development involve bridging the gap between reality and aspiration, as in the case of the other Millennium Development Goals. Efforts in pursuit of Goal 8 should be aimed at moving closer to the technological frontier represented by

the industrialized countries and at reducing disparities in access to information and communication technologies (ICTs). Both the digital divide and the need to address it are explicitly mentioned among the objectives of the Plan of Action adopted during the first phase of the World Summit on the Information Society, held in Geneva in December 2003.

The application of ICTs can generate both economic benefits (in the form of increased competitiveness) and social advantages, given that it provides low-income groups with easier access to productive credit and to public utilities, enhances market access opportunities for microenterprises and small businesses and helps to improve education, the delivery of medical services and democratic participation. In particular, ICTs help to reduce the transaction costs that limit small economies' access to international markets. This is especially crucial for small island developing States and landlocked countries.

In addition to improving productivity and the value added of jobs, ICTs generate teleworking opportunities, such as the outsourcing of data-processing services. These opportunities, linked to the creation of a "global village", are especially important for small countries whose domestic markets alone are not big enough to enable them to realize economies of scale in implementing high-technology activities (Escaith, 2001).

Although the region lags behind developed countries in terms of ICTs, access to telephone and Internet services has grown exponentially over the last decade (see table VII.1), to the point where it now far exceeds the levels observed in sub-Saharan Africa and rivals those seen in East Asia.

Table VII.1
INFORMATION AND COMMUNICATION TECHNOLOGIES WORLDWIDE
(Per 100 population)

	Telephone lines and cellular subscribers		Personal computers		Internet users	
	1990	2002	1990	2002	1990	2002
Developed regions	45.4	120.8	11.1	44.1	0.3	42.9
Latin America and the Caribbean	6.4	36.2	0.6	6.8	0.0	8.2
Sub-Saharan Africa	1.0	5.3	0.3	1.2	0.0	1.0
East Asia	2.4	37.8	0.3	5.2	0.0	7.0

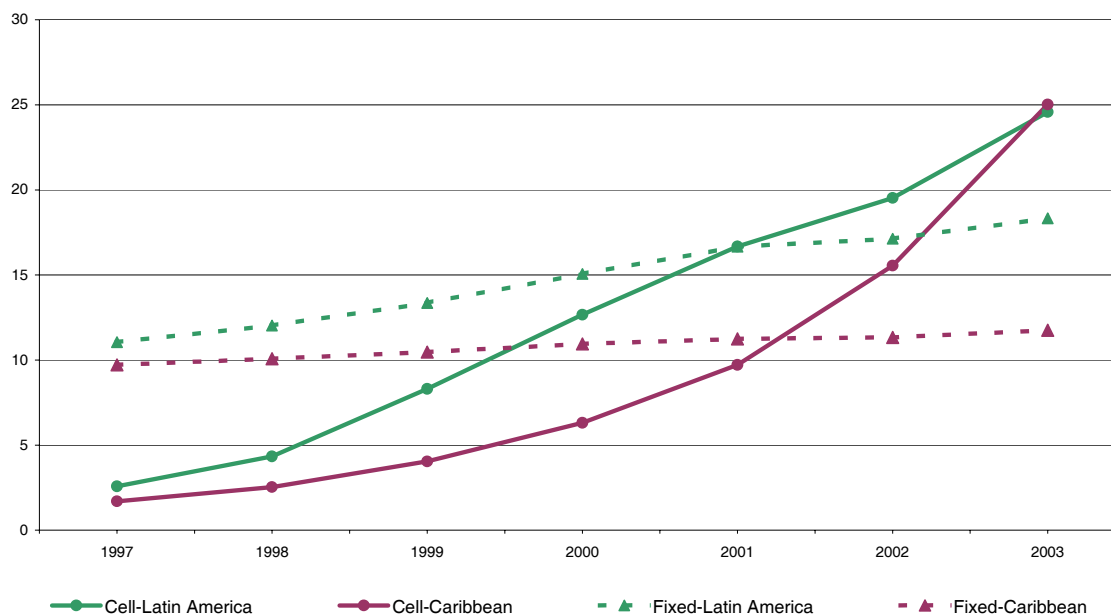
Source: United Nations, Millennium Indicators Database [online], February 2005.

Since 2001, the number of cellular telephones in the region has exceeded the number of fixed-line telephones (see figure VII.1). However, mobile telephones do not necessarily improve access levels, given that fixed-line telephones have a higher average number of users per unit.

Almost all of the region's inhabitants now have access to radio and television services, as proposed at the World Summit on the Information Society, and the use of mobile telephones has climbed considerably. On the other hand, many people in the region have no Internet access: only 8% of the population has a private Internet connection, compared to 43% in developed regions. Furthermore, Latin America and the Caribbean accounted for only 7% of the world's Internet users in 2002, even though it is home to 8.6% of the global population.

In recent years, the countries of the region have invested heavily in telecommunications infrastructure and have even overtaken developed countries in terms of investment as a proportion of GDP. This is due to the unmet demand that existed in the early 1990s and the privatizations that took place in the course of that decade. The region's ICT expenditure as a proportion of GDP is comparable to or higher than the global average, and in some cases exceeds the percentages seen in developed countries. For example, the figures of 8.4% in Brazil and 7.8% in Chile and the Dominican Republic are similar to the proportions recorded in Canada, Germany, Japan and the United States and higher than the ones in Italy and Spain.

Figure VII.1
LATIN AMERICA AND THE CARIBBEAN: FIXED-LINE AND MOBILE TELEPHONES
(Telephones per 100 population)



Source: International Telecommunication Union (ITU), World Telecommunications Indicators Database, 2004.

Despite these efforts, the region's situation is considerably different from that of the developed countries in absolute terms, given that spending as a percentage of GDP is not an adequate indicator of efforts to narrow the digital divide. Unlike spending on education (and, to a lesser extent, on health care), where wages make up a significant share of the total, ICT expenditure goes largely towards internationally tradable goods such as computers and peripherals. Accordingly, the absolute amount of ICT expenditure is a more appropriate basis for comparison than expenditure in terms of GDP. The gap remains wide in terms of the quantity (stock of ICT-related capital) and use of technology. In 2001, Latin America and the Caribbean spent US\$ 400 per capita on ICTs, compared to figures of US\$ 2,000 to US\$ 3,000 in the developed countries (ECLAC, 2005b).

Although the cost of Internet service has fallen considerably in recent years, it remains extremely high in comparison to the Latin American and Caribbean countries' income levels, meaning that most of the population still cannot afford it. Monthly Internet access through digital subscriber line (DSL) technology costs the equivalent of 40% of per capita monthly disposable income in Peru, 36% in Colombia, 27% in the Bolivarian Republic of Venezuela and Uruguay, 20% in Panama and about 14% in Argentina, Brazil and Mexico. In contrast, the percentage is less than 4% in Spain and less than 1.5% in the United States (ECLAC, 2005b). This clearly places middle- and low-income groups at a disadvantage.

Because ICT inputs are internationally tradable goods, the countries of the region should not only strive to boost competitiveness and improve regulation, but should also use strategies other than the ones applied in developed countries to expand the use of such technologies. One viable strategy is to develop cheaper technology solutions. For example, countries can adopt policies to promote the development of free software or alternative equipment, set standards and encourage research on new wireless applications. To complement these efforts, they can also reduce the cost of connectivity by providing shared access facilities in community centres and, especially, in schools,

libraries and other public places. This would considerably reduce per-user costs and create externalities.

The wide disparities observed both between and within Latin American and Caribbean countries are also apparent in terms of access to and adoption of new technologies. These differences are determined by user characteristics such as income, education, geographical location, gender, ethnic group and age.

From a social standpoint, further efforts are needed in the area of education for the information society, with particular focus on women and indigenous people. The lingua franca of the Internet is English, in which nearly 50% of all web pages are written, even though the proportion of the world population that speaks this language is just over 12%. Nevertheless, significant progress has been made in reducing language barriers: by 2002, the proportion of websites in Spanish and Portuguese had risen to 5.7% and 2.8%, respectively, thereby approaching the proportion of Spanish and Portuguese speakers in the world population (6.1% and 3.6%).¹

Partly as a result of these technologies' characteristics and infrastructure requirements, urban areas have much higher connectivity levels than rural areas, in which many of the region's socially, economically or culturally disadvantaged groups are concentrated.

This situation highlights the vast potential of projects aimed at helping these groups to overcome information asymmetries and participate in new markets. Some of these projects promote the use of electronic commerce in cooperatives and microenterprises, many of which are run by women (Cecchini, 2005). ICTs have also been a vehicle for incorporating the use of indigenous languages into bank transactions, microcredit and access to local and national government services. Yet these remain isolated examples that need to become more widespread.

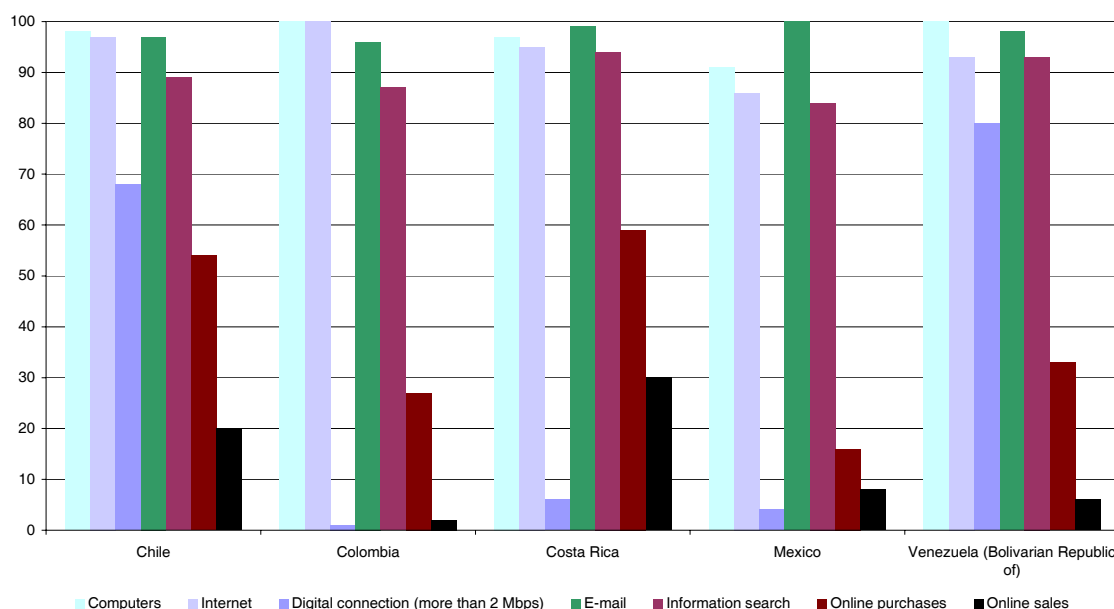
The pattern of digital technology use is biased against the older population, as the vast majority of the region's Internet users are under the age of 30. Moreover, among the region's economically active population as a whole, the digital divide is still considerable, given that, in nearly all the countries (Chile is one of the few exceptions), the proportion of workers with computer training is much lower than in the developed countries. In some countries of the region, over 65% of the population currently of working age (between 15 and 64) will still be economically active in 2015. This suggests that the development and diffusion of digital technologies largely depends on the generations that are part of today's labour force.

2. Use of ICTs in the production system and public policies

Over 90% of the region's small and medium-sized enterprises (SMEs) have access to computers and the Internet and use electronic mail and free search engines to find information. Only a small percentage, however, make use of digital networks for business transactions (see figure VII.2). So-called "soft" uses of this technology predominate, while "hard" (productive) uses are still at an early stage. This situation has an effect known as the "productivity paradox": the achievement of minimal or no productivity gains despite high investment in ICTs. Hence, any strategy of promoting innovation and investment in science and technology infrastructure must be accompanied by a coherent strategy of investment in human capital, with education as its strategic focus. To this end, national learning systems should be created or strengthened, with a view to making realistic progress in reducing the digital and technological divide vis-à-vis more advanced economies.

¹ FUNREDES, "Languages & Cultures: Observatory" [online], <http://funredes.org/LC/>.

Figure VII.2
LATIN AMERICA (5 COUNTRIES): USE OF ICTs IN SMALL AND MEDIUM-SIZED ENTERPRISES
 (Percentages)



Source: United Nations Conference on Trade and Development (UNCTAD), *E-commerce and Development Report 2004* (UNCTAD/SDTE/ECB/2004/1), Geneva, December 2004.

The digital revolution has had a profound impact on the public sector, which consumes, stores, processes and distributes information on a scale that no enterprise or other private entity can match. “Government Internet presence can be a showcase of the potential and benefits of connectivity, providing an inspiration to others.”² Many countries of the region have made e-government applications the centrepiece of their national strategy and have used them as a catalyst to encourage the large-scale adoption of ICTs in the economy and society. Experience has shown that when Governments switch to online buying and selling, private firms, including SMEs, intensify their efforts to attain a similar level of technological development. Likewise, individuals often make their first digital transaction by paying taxes or a permit or licence fee online. These new capacities then foster the development of e-business and of more sophisticated applications, thereby initiating a virtuous circle of digital development.

Most of the countries in the region have already enunciated their national ICT strategies through statements of principles and plans of action, while the rest are in the process of doing so. What is more, digital development initiatives and efforts have already begun to bear fruit. Indeed, many countries have established government focal points and forums for dialogue among public, private, academic and non-governmental sectors. While there are various institutional arrangements in the region, they all have one feature in common: where an authority for strategic orientation has been set up, it is always of a cross-cutting nature and has a relatively high rank in the hierarchy (in many cases it is an inter-ministerial committee or a high-level council that reports directly to the President).

Many countries of the region, however, have yet to design integrated public policies and effective operational instruments. The main policy problems are a lack of coordination within

² Agenda for Connectivity in the Americas and Plan of Action of Quito, March 2003, http://www.citel.oas.org/Connectivity/Final%20English%20ACAPAQ-march-5-2003-v3_i.pdf, p. 21.

the public sector, institutional rigidity, problems in transferring budgetary resources to local governments, the fact that sectoral ministries and the judicial branch have been slow to adopt digital advances, the limited availability of human resources training and the existence of few common standards between the public and private sectors.

3. Conclusion

The diffusion and productive use of ICTs is a significant component of strategies for boosting innovation and competitiveness. The countries of the region face the challenge of increasing and improving the incorporation of these new technologies into production. To do so, they require an adequate digital platform and human resources trained to use it. The potential benefits are greatest for the smaller and more geographically isolated economies, which usually have to contend with high transaction costs and incur more expenses in gaining access to regional or international markets.

ICT applications also afford many benefits to the population as a whole. ICT investment can help to strengthen the economic and social integration of traditionally marginalized sectors, such as rural populations and indigenous communities, and can offer them more business opportunities. The provision of public access through community centres is a priority for these social groups.

Making progress on these fronts and reducing the digital and technological divide with respect to the more advanced economies and between different countries of the region, regardless of size or income level, requires a constant effort to innovate and invest in new technologies. This process of acquiring, adapting and developing technology should go hand in hand with a drive to increase capital investment and create an enabling environment in terms of legal security. Otherwise, the digital divide separating the region from the rest of the world may widen and the structural heterogeneity and inequity within the region may worsen. Given the limited availability of financial resources for this purpose, this task is one of the region's principal challenges.

The agreements adopted at the World Summit on the Information Society and related regional commitments, particularly the Bávaro Declaration, reveal three priority areas for Latin America and the Caribbean: access to technology, capacity-building and public-sector transparency and efficiency.

Given that access to ICTs is essential for enabling a society to take full advantage of information and knowledge, the discriminatory, unequal access patterns prevailing in the region have created new forms of inequality. While universal access is a precondition for the development of the information society, it is not sufficient in itself, as this process also calls for the development of the skills required in order to make full use of ICTs and to progress from merely accessing information to creating knowledge. The public sector should play a key role by transforming its own processes and services. It should lead the development of the information society not only by example, but also by encouraging the rest of society to adopt the new forms of interaction, while at the same time striving to enhance the efficiency and transparency of its operations.

The continued progress of ICT-based digitization and the development of the skills to use these technologies are contingent on the existence of an enabling environment in related policy areas. Otherwise, the transition to the information society will be obstructed by bottlenecks. Some of the most important requirements in this regard are financing instruments for the deployment of ICTs and the provision of skills training for all, regulatory frameworks for enhancing market efficiency and legal provisions aimed at building trust and security. As these policy areas are interdependent, it is necessary to develop mechanisms for coordination, synergy-building and follow-up and evaluation.

The way forward is clear: the countries should intensify their current strategies, policies and programmes and combine them at the regional level in order to cut costs, widen their scope of

action, draw lessons and extend common benefits. Because the Latin American and Caribbean countries face similar challenges and opportunities in terms of ICTs, they have a historic opportunity to promote regional initiatives and to pursue a development model that strengthens social inclusion and cohesion. Coordinated region-wide initiatives are a promising means of reinforcing national strategies and making the most of the digital revolution. This process calls for participation and consensus-building through close cooperation between the public and private sectors and civil society.

C. Towards a more open, balanced, fair and transparent trading system

1. The region's strategy for integration into the world economy

In the 1980s, the Latin American and Caribbean countries undertook an intensive export drive to generate the foreign exchange they needed to meet their external debt obligations (see ECLAC, 2004b, chapter 5). In the 1990s, in the context of economic reform processes based primarily on openness to international goods and capital markets, exports continued to expand significantly and became the fastest-growing component of demand. Thus, exports as a share of output almost doubled, from an average of 11.7% in the period 1991-1993 to an average of 20.8% in the period 2001-2003. At the same time, the region's weighted average openness ratio rose from approximately 10% of GDP to more than 20% of GDP.

As part of this overall trade boom, in the early 1990s there was a steady increase in the share accounted for by intraregional trade, particularly trade generated within the framework of subregional agreements. Between 1991 and 1997, total exports increased by 81% as a result of a 213% jump in intraregional exports and a 60% rise in other exports. During that period, trade within all the subregional integration schemes behaved procyclically, albeit with differences in the degree of expansion and contraction.

Broadly speaking, three stylized patterns of export specialization have emerged in the region. These patterns influence both the diversification (by destination and by product) and the growth of exports. The first pattern is based on integration into vertical flows of manufactures trade, with the maquila industry playing an important role. This is the case of Mexico, nearly all the Central American countries and some of the Caribbean countries. These countries' exports are fairly concentrated in terms of target markets, since they go mainly to the North American market, but are fairly diversified as regards the products that make up the export basket.

Conversely, the South American countries have, for the most part, been involved in horizontal trade networks consisting largely of natural-resource-based products, although their target markets are more diversified, as intraregional trade among these countries has been intense. A distinction should be made between the Andean countries and the MERCOSUR bloc, since the former have a much more concentrated export basket in terms of both destinations and products.

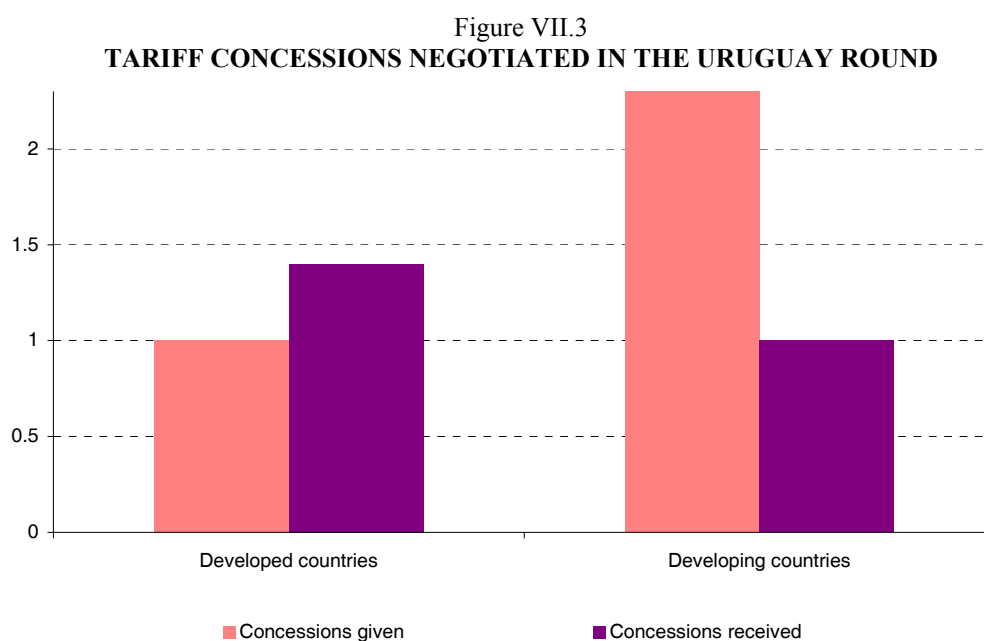
The third trade pattern, predominant in some Caribbean countries and Panama, consists of the export of services, mainly those connected with tourism, finance and transport. In Cuba, the Dominican Republic and some small island States, tourism-related services account for the bulk of service exports. In Panama, transport services linked to the canal represent the majority of such exports; this is complemented by trade connected with the Colón Free Zone.

If any integration pattern is to yield the expected results, countries must invest in material and human resources and implement public policies to support productive development, as pointed out in chapter I. Given the importance of these issues, the following section contains an analysis of the problems associated with access to foreign markets, particularly those of developed countries. Evidently, neither the Uruguay Round of multilateral trade negotiations nor the Cancún and Miami

meetings held after the launching of the Doha Round have helped to advance the liberalization of markets in which the region has comparative advantages or could develop them, such as markets for agricultural products. Furthermore, world trade is tending to become more segmented as a result of the proliferation of subregional and bilateral agreements that discriminate against non-member countries and impose new restrictions which, in some cases, go beyond the ones laid down in multilateral agreements.³

2. The Uruguay Round and Doha Round negotiations

It was in the Uruguay Round that the Latin American and Caribbean countries, for the first time in their history, made an active and coordinated effort to obtain market access concessions. This represented a fundamental departure from the first seven rounds of negotiations under the General Agreement on Tariffs and Trade (GATT), in which these countries had primarily sought special and differential treatment for their exports. In addition, the Uruguay Round was made possible by the developing countries' agreement to negotiate on new issues proposed by the developed countries, in exchange for which the developed countries agreed to include the issues of agricultural products and textiles, which had been excluded from GATT trade rules. Unfortunately, the concessions given and received as a result of these negotiations, which were completed three years behind schedule, show a significant imbalance that favours the developed countries over the developing ones (including those in Latin America and the Caribbean), as shown in figure VII.3.



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of J. Michael Finger and Ludger Schuknecht, "Market access advances and retreats: the Uruguay Round and beyond", *World Bank Policy Research Working Paper*, No. 2232, Washington, D.C., November 1999.

Note: The measure used to quantify concessions is "depth of cut", which the authors define as $dT/(1+T)$, where T is the ad valorem tariff rate. The estimates correspond to a weighted average of all products, including those on which no cuts were made.

³ There are three types of agreements in the region: the intraregional multilateral agreements inherited from the 1960s, newer multilateral agreements and the more recent bilateral agreements (especially with the United States) that have emerged in response to the lack of progress under the other two types of agreements. This multiplicity of different arrangements has generated positive results in terms of increasing market access and the potential for export diversification. However, it has also led to high administrative costs, a lack of uniform rules of origin, reduced bargaining power for small economies in the absence of a common external trade policy and the inclusion of non-trade issues whose impact on well-being is debatable.

While the Latin American and Caribbean countries granted significant concessions on manufactures and on the new issues introduced by the developed countries (mainly services and intellectual property), they received in return only a few facilities in relation to textiles and clothing, and practically none in terms of agricultural products. Furthermore, the liberalization of trade in textiles and clothing did not come into effect until January 2005, 10 years after the negotiations had been completed. For these and other labour-intensive goods, such as footwear, there remain high tariff barriers that are under discussion in the current Doha Round of WTO multilateral trade negotiations.

For Latin America and the Caribbean, the most disappointing outcome of the Uruguay Round was the lack of significant progress in opening up trade in agricultural products, as direct and indirect subsidies and other measures applied to the agricultural sector were kept in place, as were a variety of sanitary and phytosanitary measures that restrict international trade in such goods. In addition, there was no appreciable reduction in the non-tariff barriers applied to most of the products for which the region has comparative advantages. In this connection, one of the obligations that emerged from the Uruguay Round was the “tariffication” of non-tariff barriers. However, the tariffs that were imposed as a result of this obligation and reported to WTO were higher than the tariff equivalents of the non-tariff barriers they replaced. Table VII.2 gives some examples of such “dirty tariffs”, which are clearly much higher, in many cases, than the corresponding tariff equivalents.

Table VII.2
TARIFFICATION OF NON-TARIFF BARRIERS IN THE EUROPEAN UNION AND THE UNITED STATES, URUGUAY ROUND

European Union	Tariff equivalent (1)	Tariff reported in 2000 (2)	(2)/(1)
Wheat	68	109	1.60
Rice	103	231	2.24
Beef	97	87	0.90
Other types of meat	27	34	1.26
Dairy products	147	205	1.39
Sugar	144	279	1.94
European Union average	45	73	1.62
United States average	13	23	1.77

Source: M. Ingco, “Agricultural trade liberalization in the Uruguay Round: one step forward, one step back?”, *Policy Research Working Paper*, No. 1500, Washington, D.C., World Bank, 1995.

Following the failed Ministerial Conference held in Cancún in 2003, negotiations under the Doha Round were reopened in August 2004, thanks to an agreement that basically involved the developed countries and the Group of 20 (a group of developing countries that includes several in Latin America and the Caribbean). However, this agreement did not precisely define the concrete objectives being sought for the vast majority of the issues to be discussed, and the current state of the negotiations makes it impossible to predict their potential outcome, including, of course, the extent to which the Latin American and Caribbean countries will have to further liberalize their goods and services markets in the coming years.

3. Protectionist tendencies and market access

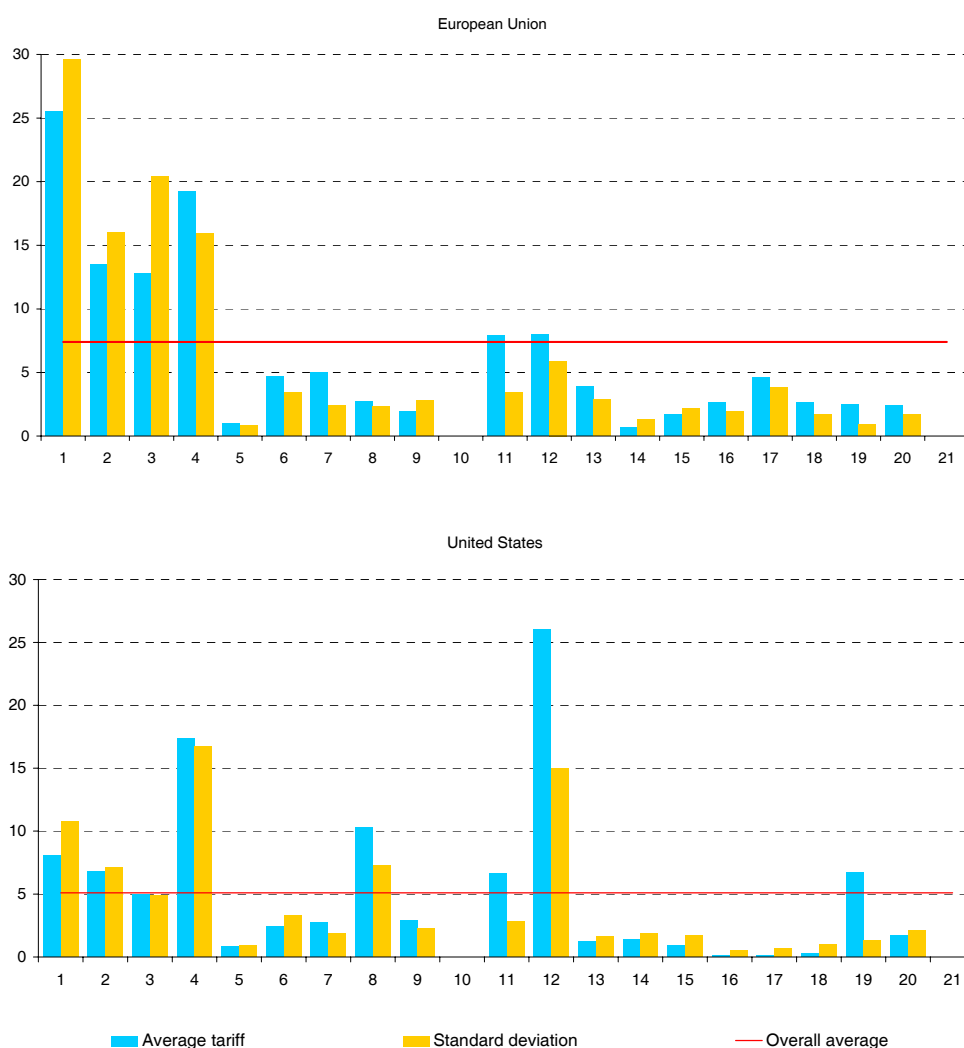
Although the second half of the twentieth century saw a significant lowering of trade barriers in both developing and developed countries, this process has slowed down dramatically and has even been reversed in some areas. At the same time, tariff reductions are increasingly being accompanied by the imposition of other import barriers, such as the quotas, anti-dumping measures, countervailing duties, safeguards and special regimes applied to many of the products in the region’s export basket. Added to these are the restrictions imposed by increasingly ubiquitous labour, environmental and phytosanitary regulations.

A review of the indicators proposed under the Millennium Development Goals to monitor progress with regard to market access issues gives the impression that these indicators are limited and incomplete. This section will therefore use these indicators in combination with supplementary ones to provide a medium-term overview of international trade dynamics, with special emphasis on the barriers affecting Latin America and the Caribbean.

(a) Main barriers to market access for exports

The developed countries' low average tariffs are primarily related to exports of non-agricultural products, and reasonably approximate the tariffs applied to such goods. However, these averages conceal tariff peaks that affect other products, most notably agricultural goods, in addition to a high standard deviation from the average tariff, as shown in figure VII.4.

Figure VII.4
AVERAGE TARIFF AND STANDARD DEVIATION, BY CHAPTER OF THE HARMONIZED SYSTEM



1: Live animals and products thereof 2: Vegetable products 3: Fats and oils 4: Prepared food
11: Textiles 12: Footwear 19: Arms and ammunition

Source: Organisation for Economic Co-operation and Development (OECD).

The United States and the European Union not only impose ad valorem duties on certain products, but also have complex tariff structures that include compound and seasonal tariffs, quotas, special regimes and specific duties calculated on the basis of volume, weight or item count.

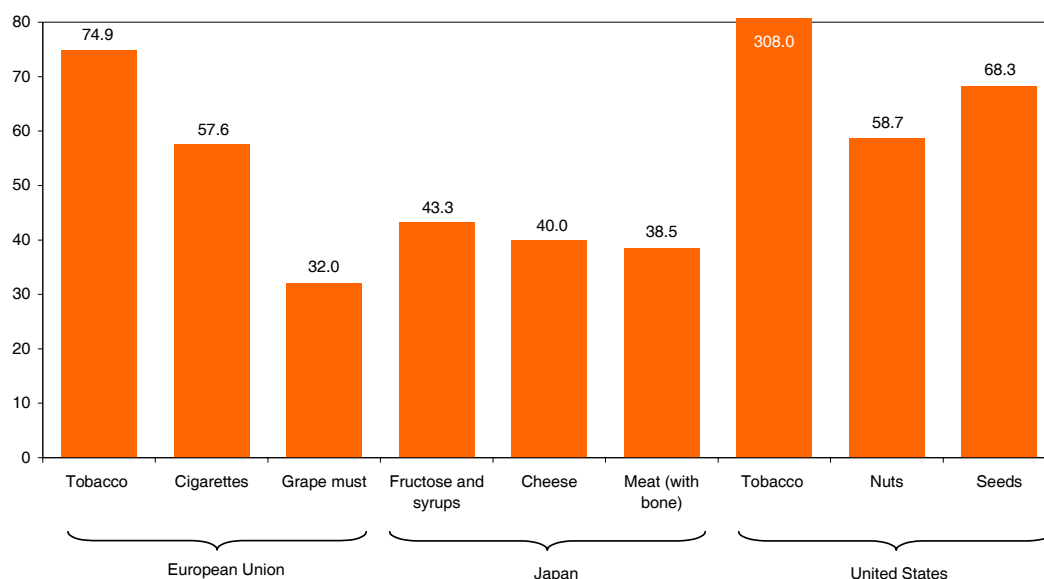
One commonly used instrument is the application of tariff quotas, which act as powerful quantitative restrictions on account of the large differential between in-quota and over-quota tariff rates. This type of restriction penalizes many Latin American exporters of goods such as dairy products, sugar, tobacco, peanuts, corn and cotton. The European Union frequently applies a combination of quotas and import licences for many products, especially agricultural goods. This practice most often applies to goods that make up a high percentage of the Latin American and Caribbean countries' export basket, such as cereals, rice, milk, meat, sugar, fruit (including bananas), vegetables, oils and fats, seeds and wine.

In addition, the United States often applies anti-dumping duties to offset the effect of import prices that it considers to be unfairly low, or countervailing duties to adjust the price of imports that may have been subsidized in their country of origin. By way of example, as of mid-2002 there were 31 cases in which the application of anti-dumping duties affected imports from five Latin American countries. Nineteen of these cases concerned steel imports, while the others concerned agricultural products, minerals and metals, chemicals and pharmaceuticals. While the European Union also applies anti-dumping measures, they do not affect a significant proportion of Latin American trade, although they have had consequences for exports such as iron and steel.

This set of barriers is aggravated by other factors that push up the cost of international trade, such as excessive delays in the completion of customs procedures, insurance obligations and the lack of appropriate institutions to facilitate international trade operations (World Bank, 2004).

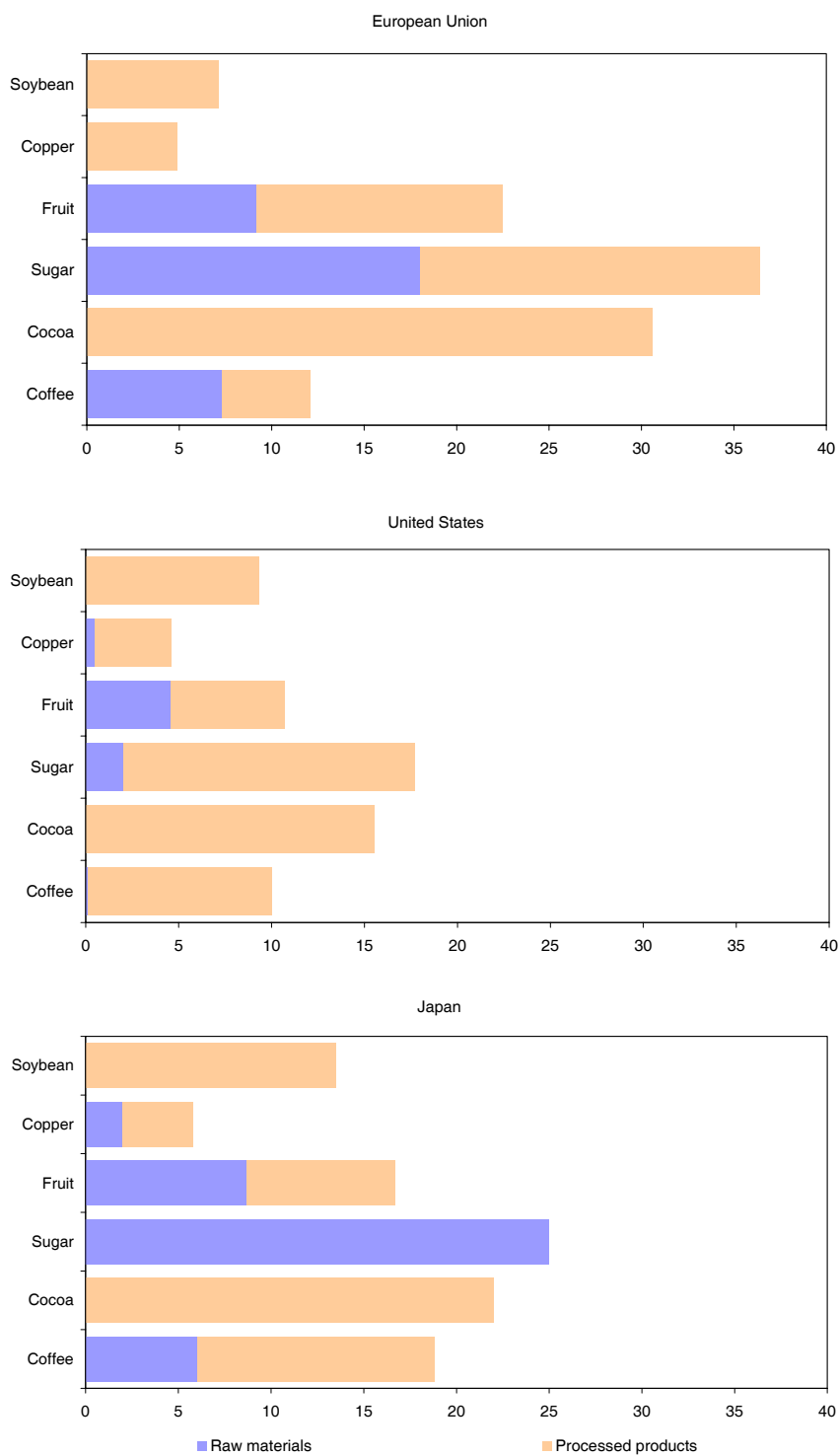
Lastly, another highly significant trade barrier is tariff escalation, whereby increases in tariff rates are disproportionately larger than increases in an import's degree of processing. Tariff escalation hampers the incorporation of higher-value-added goods into the export baskets of developing countries (see figures VII.5 and VII.6). Although tariff escalation is a much more serious problem for agro-industrial products than for other products, it also has considerable consequences for traditional manufactures, such as textiles, apparel and leather goods.

Figure VII.5
INDUSTRIALIZED COUNTRIES: TARIFF PEAKS



Source: Economic Commission for Latin America and the Caribbean (ECLAC).

Figure VII.6
TARIFF ESCALATION IN SELECTED INDUSTRIALIZED COUNTRIES
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of figures from the World Bank.

(b) Agricultural subsidies in the OECD countries

In recent years, various estimates have suggested that agricultural protectionism is the main cause of trade and income losses worldwide and, accordingly, the principal generator of world poverty. According to the World Bank (2001), the complete removal of the barriers imposed by developed countries would provide developing countries with extra earnings of some US\$ 75 billion, including US\$ 31 billion from the resulting increase in agricultural trade. A more recent analysis by the International Food Policy Research Institute (IFPRI, 2003) shows that Latin America and the Caribbean is the region that would benefit the most from the removal of such barriers. Similarly, the World Bank (2001) has estimated that global free trade would lift 320 million people out of poverty. Cline (2004) conservatively estimates that this figure could rise to 540 million in 10 to 15 years.

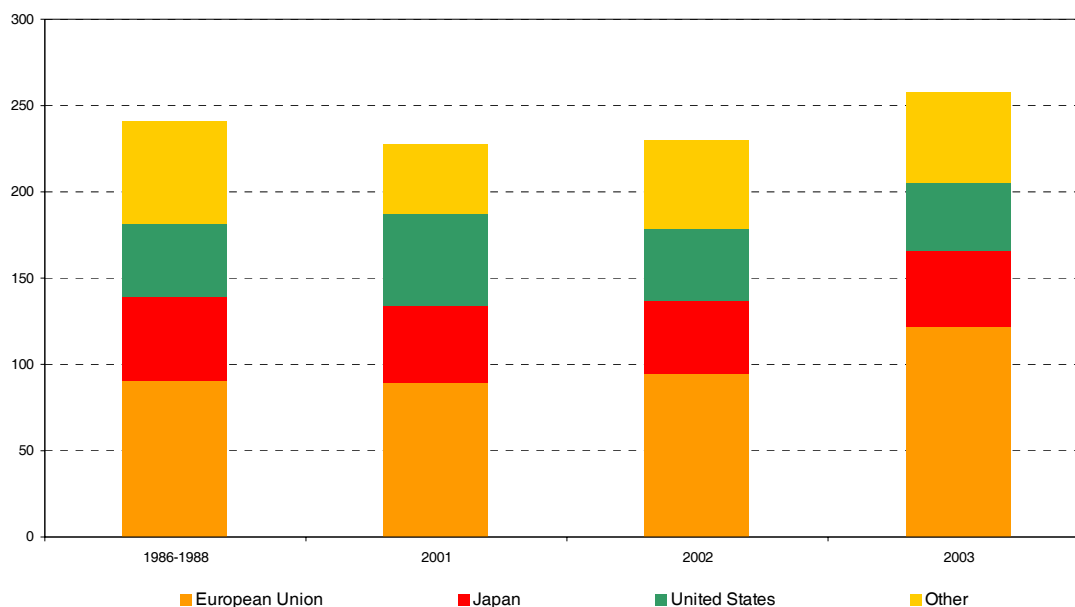
OECD has developed a well-known methodology for calculating the amount of agricultural assistance received in its member countries. The methodology involves the construction of various indicators determined by the origin of the assistance, which is mainly associated with protectionist measures and disbursements of public funds. These indicators have been published annually since the late 1980s (OECD, 2003 and OECD, 2004). The main indicator of agricultural protectionism developed by OECD is the producer support estimate (PSE), which represents the annual monetary value of gross transfers from consumers and taxpayers to agricultural producers. This indicator therefore includes assistance received in the form of domestic price supports and budgetary transfers.

PSE levels are rising among the OECD members as a whole (see figure VII.7), primarily because of the measures prevailing in the European Union, whereas these levels have subsided somewhat in the United States and Japan.⁴ As a percentage of farm income, PSE levels have followed a long-term downward trend (since 1986-1988). However, this is due exclusively to the indicator's behaviour in the United States, given that the level has held steady in Japan and has risen in the European Union. An analysis of assistance disaggregated by product shows that PSE levels are very high for a number of goods, such as rice, oilseeds, milk and meat, and that, in general, they vary widely from one product to another. In recent years, PSE levels as a percentage of farm income have risen considerably for producers of oilseeds, beef and mutton.

The effects of the protectionist policies reflected in the PSE are compounded by the effects of other instruments, particularly special agricultural safeguards (which are very simple to implement) and quotas, which protect about 30% of the OECD countries' agricultural output. These measures, together with sanitary and technical regulations and export subsidies (which change from year to year and are subject only to the highly flexible limits imposed under the WTO Agreement on Agriculture), make future international price movements more uncertain and place developing-country agricultural producers at a serious disadvantage.

⁴ This trend could change as a result of the entry into force of the Farm Security and Rural Investment Act, which was adopted by the United States in 2002.

Figure VII.7
AGRICULTURAL ASSISTANCE PROVIDED BY OECD COUNTRIES
(Billions of dollars)



Source: Organisation for Economic Co-operation and Development (OECD).

4. Main conclusions

The Latin American and Caribbean countries have reached a consensus on the need to integrate themselves into the world economy, as a precondition for achieving higher and more sustainable rates of economic growth. Spurred by this conviction, the region's countries have undertaken rapid and profound trade liberalization processes. After several rounds of GATT and WTO negotiations, however, the developing countries have a growing sense of scepticism and discontent with regard to their real chances of obtaining easier access for their products to developed-country markets.

On the other side of the negotiating table, the developing countries have noted that, for developed countries, the logic of policy decisions on trade matters has much more to do with private or sectoral interests than with technical and economic considerations. As a result, debates on the design and application of international trade rules have been shaped by issues of power concerning (i) who makes the rules and (ii) how those rules affect the economies of different countries.

It is not surprising, then, that the Uruguay Round has not managed to bring down the high levels of protection found in the OECD countries, especially in respect of agricultural products, nor has it induced those countries to honour their promise to afford easier access to their markets. Moreover, little or no progress has been made in the Doha Round of trade talks, launched in 2001.

Agricultural policy negotiations essentially revolve around market access criteria and domestic assistance measures. With respect to market access, Latin American and Caribbean exports to more developed countries come up against many types of obstacles, including both tariff barriers and a complex web of non-tariff measures. Tariff escalation is particularly problematic for Latin America and the Caribbean, as it discriminates against the incorporation of added value through the manufacture of raw materials, especially agricultural ones.

The number and scope of the anti-dumping measures and countervailing duties applied to Latin American and Caribbean products are a cause of concern, as are the administrative rules and procedures and other non-tariff measures (including certain technical and sanitary standards) which developed countries have added to the array of instruments that hinder or prevent the region's products from entering their markets. This serious situation is made even worse by the uncertainty surrounding the implementation of many instruments, from the distribution of import quotas to the application of special agricultural safeguards, in addition to many others. The developed countries not only have shown no clear sign of meeting their commitment to reduce domestic assistance; they have even expanded such assistance in respect of certain products that are of special interest to the region, particularly in the case of the European Union.

From the standpoint of the developing countries, progress is needed in reducing agricultural subsidies in developed countries, lowering tariff peaks and achieving a reasonable agreement on non-trade concerns that will provide legal security in international trade and spell out clear rules for exporting countries on the requirements they must meet in order to gain access to developed-country markets.

At the same time, the countries of the region, and developing countries in general, should emphasize that any new multilateral agreements should respect the progress already made in securing recognition of their need to quicken the pace of their development. This recognition should take the form of special and differential treatment, meaning that market access concessions should not necessarily be reciprocal and that developing countries' policies with respect to their own markets should retain some degree of flexibility and discretionality.

In particular, special and differential treatment should be manifested in the developing countries' right to implement comprehensive export promotion policies aimed at diversifying their export base and their target markets, as well as policies to improve national and regional production linkages in the activities most closely associated with international markets.

In conclusion, the Latin American and Caribbean countries' development prospects are largely dependent on the Doha Round's success in lowering trade barriers in the developed world, especially for agricultural products, and in giving rise to a trading system where the different countries' relative levels of development are reflected in market access arrangements and in the acknowledgement of the developing countries' right to adopt specific policies to magnify the effects of trade on growth.

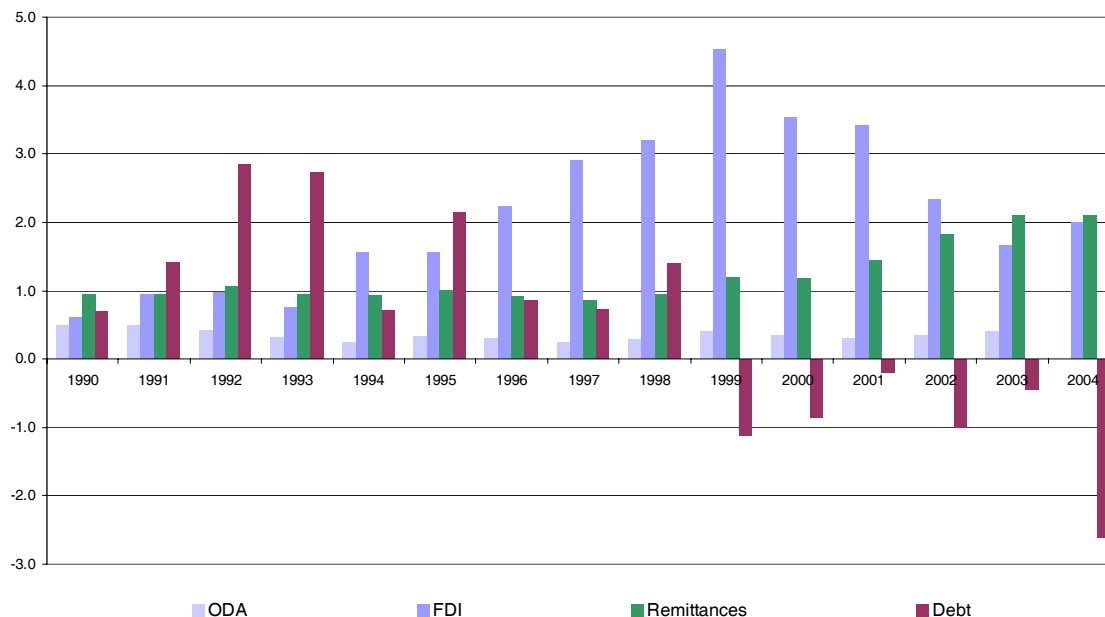
D. Financing for sustainable development

1. Sources of financing

In the 1990s, official and private capital flows to developing countries followed diverging trends: official flows tended to decline, while private flows grew rapidly until 1998, when the Asian crisis broke out. Foreign direct investment (FDI) remained relatively stable during that crisis and did not decline until the initial years of the twenty-first century, when it decreased in response to a sharp slowdown in worldwide growth and, in Latin America and the Caribbean, to the completion of privatization processes. Private capital flows other than FDI, in contrast, have been highly volatile and susceptible to contagion, with the result that bailout programmes of unprecedented size have had to be implemented and have led to the concentration of investment in a few of the largest "emerging" economies. These problems have been reflected by periodic financial-market squeezes and, especially, by the negative net inflows recorded since 1999 and the concomitant deterioration in credit conditions (spreads, maturities and special options for reducing investors' risk), although this situation has begun to change.

Thus, private flows have failed to expand enough to cover the financial needs of many low-income countries, and this situation has not been redressed by the redistributive effects of official resource flows. In fact, official development finance (and particularly its largest component, bilateral assistance)⁵ has not increased as much as expected, although it has shown a slight upward trend ever since commitments were undertaken in this regard at the International Conference on Financing for Development, held in Monterrey in March 2002.

Figure VII.8
**LATIN AMERICA AND THE CARIBBEAN: MAIN SOURCES
 OF EXTERNAL FINANCING**
(Percentages of GDP)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of figures from the International Monetary Fund (IMF) and the Organisation for Economic Co-operation and Development (OECD).

Flows from international financial institutions have followed a strong countercyclical trend in relation to private flows, but have been concentrated in a few large borrowers, as has emergency bilateral financing. Given the severe shortage of official resources for low-income countries, this raises serious concerns and highlights the need to strengthen these institutions' role in supporting lower-income countries, without prejudice to their role in providing countercyclical support to middle-income countries.

Latin America and the Caribbean, which is considered a middle-income region, has not been immune to these worldwide trends. In the past few years, however, private financial flows, particularly FDI, have not shown a clear pattern of distribution in relation to the recipient countries' income levels, as shown by measurements of FDI as a percentage of the recipient's GDP. In some low-income countries, such as Bolivia and Guyana, FDI is equivalent to as much as 8% of GDP, whereas in some countries with incomes five times higher, such as Mexico and Costa Rica, it amounts to about 3% of GDP, and in certain higher-income countries, such as Argentina and Uruguay, it does not even reach 2% of GDP. Trinidad and Tobago and Saint Kitts and Nevis are among the countries that receive the largest amounts of FDI in proportion to their output. At the same time, official

⁵ In 2002, bilateral assistance accounted for 65% of the total, followed by multilateral (15%) and other types of official development assistance.

development assistance (ODA) has played a redistributive role in the region, as the greatest beneficiaries have been heavily indebted poor countries. Lastly, mention should be made of the stronger countercyclical role of regional and subregional development banks in the region.

Box VII.3

OPPORTUNITIES FOR SOUTH-SOUTH COOPERATION

Developing countries have begun to play an active role in helping to build a more equal, less asymmetrical world. For example, they have recently taken a number of initiatives to address the problems of hunger and poverty: at the fifty-eighth session of the United Nations General Assembly, India, Brazil and South Africa created the IBSA Fund, the first developing-country-sponsored fund of its type, to support social development projects in areas such as health, education, sanitation and food security, while encouraging active private-sector involvement in these endeavours. In addition, Brazil has supported the Heavily Indebted Poor Countries (HIPC) Initiative by granting debt relief to such countries, which in mid-2004 owed Brazil a total of US\$ 993 million, and has granted relief to its other debtors, mainly in Latin America, for another US\$ 150 million. In a number of international forums, various countries of the region have supported the construction of a new international financial architecture designed to facilitate crisis management and reduce asymmetries. They have also advocated the establishment of innovative credit mechanisms for democratic governance (Seventeenth Summit Meeting of the Rio Group, May 2003) and the opening of emergency credit lines with the International Monetary Fund (IMF).

The flourishing trade flows between developing countries have received new impetus in the region, especially from Brazil. For example, in 2004 the third round of trade negotiations was launched under the Global System of Trade Preferences among Developing Countries, support was expressed for implementing trade rules designed to increase agricultural exports in the framework of the Group of 20 and efforts were made to reach an international agreement recognizing that patent restrictions should not impair the right of developing countries to protect public health and to promote access to medicines for all. Lastly, other issues championed by the region include support for the Kyoto Protocol to the United Nations Framework Convention on Climate Change, the use of renewable energies, digital inclusion and South-South cooperation on education, health and citizenship issues.

2. The role of official development assistance (ODA)⁶

Since its inception, ODA has reflected the international community's shared commitment to meeting the needs of the least developed countries, reducing global disparities and inequities and tackling the world's most serious problems, including extreme poverty and hunger, child and maternal mortality, gender inequality and environmental degradation. As far back as 1970, the United Nations General Assembly, in its resolution 2626 (XXV) of 24 October, set out the objective of increasing ODA to at least 0.7% of the developed countries' gross national product (GNP). At the United Nations Conference on Environment and Development, held in 1992, the developed countries reaffirmed this commitment and recognized that ODA was the main source of external funding for enabling the developing countries, particularly the least developed countries, to achieve the sustainable development goals agreed upon by the international community.

At the Millennium Summit, held in 2000, world leaders set priorities for development assistance in the Millennium Declaration, from which the Millennium Development Goals were derived. In particular, Goal 8, concerning the need to develop a global partnership for development, emphasizes the financial efforts that developed countries should make in order to progress towards fulfilling their ODA commitments. The Millennium Development Goals were also the starting point and the basis for discussion at two subsequent summits: the International Conference on Financing for Development (Monterrey, 2002), aimed at guaranteeing at least the minimum necessary level of financing, and the World Summit on Sustainable Development

⁶ ODA includes grants or loans to countries and territories included in part I of the OECD Development Assistance Committee's list of aid recipients (developing countries), when such assistance is undertaken by the official sector with the promotion of economic development and welfare as the main objective and, in the case of loans granted on concessional terms, has a grant element of at least 25%. Assistance for military purposes is excluded. Multilateral assistance includes financing from multilateral development banks, United Nations agencies and regional groupings (such as European Union institutions). In this chapter, ODA levels are calculated as a percentage of the figures for gross national income (GNI) supplied by OECD.

(Johannesburg, 2002), held for the purpose of examining the essential elements of economic, social and environmental sustainability in the development process.

Table VII.3
INDICATORS OF WORLDWIDE OFFICIAL DEVELOPMENT ASSISTANCE
(Millions of dollars and percentages)

	1990	1995	1996	1997	1998	1999	2000	2001	2002	2003 ^b
A. Net ODA	57 629	59 697	56 636	48 686	51 106	52 677	50 327	52 153	60 479	70 087
1. Of which:										
Multilateral	13 292	18 455	16 709	15 435	15 418	14 327	13 538	16 064	18 513	
Bilateral (DAC)	38 462	40 481	39 088	32 394	35 207	37 830	36 064	35 030	40 778	
2. Of which:										
Loans	22%	22%	20%	19%	21%	19%	18%	18%	18%	
Grants	78%	78%	80%	81%	79%	81%	82%	82%	82%	
3. Of which:										
Tied		18%	27%		23%	12%	16%	18%	11%	
Partially untied		5%	3%		5%	5%	3%	3%	4%	
Untied		78%	70%		72%	84%	81%	79%	85%	
B. Percentage of donors' GNI	0.33	0.27	0.25	0.22	0.23	0.22	0.22	0.22	0.23	0.25
C. Percentage of recipients' GNI	1.26 ^c	0.75 ^c	0.99	0.76	0.84	0.92	0.89 ^c	0.93	1.16	1.21 ^c
D. Dollars received per capita ^a	11	12	11	9	10	10	10	10	11	12

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Organisation for Economic Co-operation and Development (OECD), Development Assistance Committee (DAC) Aid Statistics, database on the sectoral distribution of bilateral official development assistance, part I, volume 2004; and Creditor Reporting System (CRS) database on international development statistics (IDS), March 2005.

^a Prepared on the basis of World Bank, World Development Indicators database (WDI) [online].

^b Preliminary data.

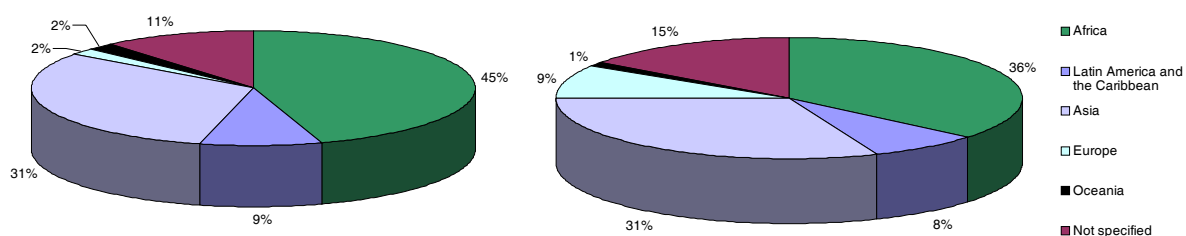
^c These data are not strictly comparable owing to methodological changes made in 1993 and 1996 and to the fact that the calculations are based on differing numbers of countries (between 119 and 145).

The required financial resources have not yet been mobilized, however, and ODA remains far below the agreed target. According to data from the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD), ODA declined from 0.33% of donor countries' gross national income (GNI) in 1992 to 0.22% in 1997, then remained at about the same level for several years. More recently, boosted by the new commitments undertaken at the Monterrey conference, ODA began to edge upward, to 0.23% in 2002 and 0.25% in 2003. The dollar amount of ODA reached the US\$ 70-billion mark in 2003; this figure was unprecedented in both nominal and real terms.

Pronounced differences in this regard can be observed among donor countries: in 2003 net ODA⁷ ranged from 0.9% of GNI in the case of Norway (and more than the target level of 0.7% in the cases of Denmark, Netherlands, Luxembourg and Sweden) to less than 0.2% of GNI in the cases of Italy and the United States. Moreover, for 13 of the 22 countries considered, ODA as a percentage of GNP was lower in 2003 than it had been in 1990.

⁷ Gross amount less any repayments of loan principal or recoveries on grants received during the same period.

Figure VII.9
NET OFFICIAL DEVELOPMENT ASSISTANCE, BY REGION
(1990 and 2002)



Source: Organisation for Economic Co-operation and Development (OECD), Development Assistance Committee (DAC) Aid Statistics.

The distribution of ODA among regions and countries is also unequal. In 2002 Africa and Asia received 67% of net ODA, while Latin America and the Caribbean received barely 8%. These proportions are relatively similar to those observed in 1990, when Latin America and the Caribbean received 9%; the only major difference is that assistance to Europe has greatly increased. The group of least developed countries (to which none of the Latin American and Caribbean countries belong except Haiti) receives almost 30% of total assistance, and the group of heavily indebted poor countries receives 31%. Sub-Saharan Africa is the top recipient of both bilateral and multilateral assistance. In 2002, however, Oceania received the biggest volume of net ODA per capita (US\$ 183); the average level for all recipient countries was slightly higher than the average for Latin America and the Caribbean, which was scarcely US\$ 10 per capita.

Multilateral assistance is less significant in Latin America and the Caribbean than it is in other regions, especially Africa. In 2002 the region received 10% of total net bilateral ODA from DAC countries and only 7% of total net multilateral ODA. The distribution of bilateral assistance from DAC countries also varies in terms of its relationship to foreign direct investment (FDI): in Africa net ODA is more than seven times the amount of FDI, but in Latin America and the Caribbean it represents barely 25% of FDI, as the region receives more investment and less assistance than Africa.

In general, ODA seems to have begun a process of recovery, since grants (as opposed to loans) have come to account for well over 80% of the total, while untied aid (as opposed to tied or partially untied aid) accounts for about 85%. In addition, technical cooperation is becoming more significant, and more and more assistance is being steered towards social sectors, in direct relation to the fulfilment of the Millennium Development Goals.

Table VII.4
LATIN AMERICA AND THE CARIBBEAN: OFFICIAL DEVELOPMENT ASSISTANCE INDICATORS
(Millions of dollars and percentages)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003 ^c
A. Net ODA	5 288	5 942	5 477	5 369	5 748	6 459	7 566	5 530	5 688	6 046	4 966	6 004	5 141	6 133
1. Of which:														
Multilateral	1 088	1 054	1 137	1 074	1 172	1 618	1 735	1 534	1 634	1 777	1 069	1 503	1 155	
Bilateral (DAC)	4 188	4 857	4 294	4 264	4 550	4 807	5 757	3 927	4 016	4 238	3 846	4 451	3 892	
2. Of which:														
Percentage of the world total	9	10	9	9	10	11	13	11	11	11	10	12	8	
3. Of which: ^a														
Loans	46%	56%	57%	46%	55%	51%	50%	47%	46%	25%	28%	25%	20%	
Grants	54%	44%	43%	54%	45%	49%	50%	53%	54%	75%	72%	75%	80%	
4. Of which:														
Tied	42%	56%	56%	44%	26%	27%	17%	25%	31%	12%	17%	11%	13%	
Partially untied	9%	5%	5%	5%	1%	1%	1%	1%	1%	1%	1%	3%	1%	
Untied	48%	39%	38%	51%	73%	72%	81%	74%	68%	88%	82%	86%	85%	
B. Percentage of recipients' GNI	0,50	0,49	0,42	0,32	0,26	0,32	0,29	0,25	0,28	0,40	0,35	0,30	0,35	0,40
C. Dollars received per capita ^b	12	13	12	12	12	13	15	11	11	12	10	12	10	11

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Organisation for Economic Co-operation and Development (OECD), Development Assistance Committee (DAC) Aid Statistics, database on the sectoral distribution of bilateral official development assistance, part 1, volume 2004; and Creditor Reporting System (CRS) database on international development statistics (IDS), March 2005.

^a Total ODA/OA includes grants, grant-like flows and loans.

^b Prepared on the basis of World Bank, World Development Indicators database (WDI) [online].

^c Preliminary data.

3. Official development assistance in Latin America and the Caribbean

More than any other region, Latin America and the Caribbean exemplifies the asymmetries and income inequalities present in the global order, as well as the fact that external vulnerability (exacerbated in Central America and the Caribbean by vulnerability to natural disasters) makes sustained development exceedingly hard to achieve. Although the assistance directed to Latin America and the Caribbean accounts for a relatively small fraction of the total, it nonetheless represents a much-needed means of mitigating these difficulties in the region because it is less volatile than other capital flows, it is earmarked for development programmes and it is available even when unforeseen circumstances arise.

Between 1998 and 2002, no Latin American or Caribbean country was among the top 10 aid recipients in terms of either dollar amounts or percentages of income. The net funds received by the region diminished from over US\$ 5.2 billion in 1990 to about US\$ 5 billion in 2000, then increased slightly to US\$ 5.2 billion in 2002 (the gross figure was close to US\$ 7 billion). In 2002, Latin America and the Caribbean received assistance equivalent to 0.35% of its GNI, whereas the average received by all developing countries was on the order of 1%. This figure contrasts with the 0.5% received by the region in 1990. As noted earlier, the situation of per capita assistance is similar. In 2003, the situation improved slightly, as the region received just over US\$ 6.1 billion (0.4% of its GNI).

The Latin American and Caribbean countries that received the most net assistance in 2002 were Bolivia (US\$ 681 million), Nicaragua (US\$ 517 million), Peru (US\$ 491 million), Colombia (US\$ 441 million) and Honduras (US\$ 435 million). Since then, these five countries (albeit in a different order) have continued to be the chief recipients; on average, over 46% of the assistance received by the region in the past five years (50% in 2002) has been concentrated in these countries. As shown in table VII.5, net ODA represents a significant percentage of income in some recipient countries in the region, including Nicaragua, Honduras, Guyana and Bolivia, as well as small island States such as Dominica and Saint Kitts and Nevis.

Table VII.5
OFFICIAL DEVELOPMENT ASSISTANCE IN LOWER-INCOME COUNTRIES^a
(Percentages of GNI)

	1996	1997	1998	1999	2000	2001	2002
Haiti	14.59	11.57	10.55	6.18	5.25	4.56	4.72
Nicaragua	57.06	22.08	28.65	33.93	26.61	...	13.58
Belize	0.26	2.30	2.33	6.60	2.06	2.96	2.68
Bolivia	12.07	8.99	7.54	7.01	5.89	9.41	8.97
Colombia	0.31	0.17	0.17	0.36	0.23	0.48	0.57
Dominican Republic	0.87	0.5	0.81	1.19	0.34	0.54	0.72
Ecuador	1.48	0.79	0.93	0.83	1.20	...	0.95
El Salvador	3.07	2.45	1.53	1.51	1.39	1.76	1.67
Guatemala	1.40	1.49	1.24	1.63	1.40	1.09	1.08
Guyana	22.20	38.76	13.99	12.81	16.24	15.20	9.68
Honduras	9.18	6.72	6.37	15.54	7.78	10.87	6.78
Jamaica	1.53	1.77	0.30	-0.34	0.14	0.74	0.33
Paraguay	1.02	1.07	0.88	1.01	1.08	0.90	1.01
Peru	0.59	0.63	0.82	0.90	0.77	0.85	0.90
Saint Vincent and the Grenadines	10.03	2.26	6.79	5.29	1.95	2.62	1.38
Suriname	17.85	11.28	8.09	...	4.44	3.35	1.28

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Organisation for Economic Co-operation and Development (OECD), *Development Cooperation Report*, Paris, various issues.

^a ODA receipts consist of total net ODA flows from DAC countries, multilateral organizations and non-DAC countries.

The United States, Japan, Germany and Spain were the principal donors to Latin America and the Caribbean between 1990 and 2002. In 2002 they provided 23%, 11%, 7% and 8%, respectively, of total assistance to the region. Spain was the country that focused most closely on the region, as its contribution accounted for 41% of its total assistance to the developing world. Donors have also shown preferences for certain recipient countries or subregions. Although average assistance to South America was slightly below the region-wide average for the decade, Portugal and Belgium have tended to target this subregion, while the Scandinavian countries have concentrated more on Central America and the Caribbean. Historical ties and geopolitical interests also influence the selection of assistance recipients, as exemplified by the countries that in 2002 were the primary donors to Belize (United Kingdom), Suriname (Netherlands) and El Salvador, Guatemala, Haiti, Honduras, Panama and Andean countries such as Colombia, Ecuador and Peru (United States).

Three fourths of the assistance received in Latin America and the Caribbean is bilateral, although multilateral assistance has shown a slight upward trend since 1990 and is the main source of assistance in certain countries, such as Grenada, Guyana and Trinidad and Tobago. Regional and subregional development banks have also played an important role: in 2002 the Caribbean Development Bank was the principal source of ODA for Dominica, Grenada, Saint Kitts and Nevis, Saint Vincent and the Grenadines and Trinidad and Tobago, and the Inter-American Development

Bank (IDB) Fund for Special Operations was the principal source for Guyana. In addition to these two multilateral sources, which direct 100% of their resources to the region, other contributors in 2002 included the Global Environment Facility (GEF), which allocated 31% of its resources to the region; the Nordic Development Fund (19%); and the United Nations Population Fund (UNFPA) (15%), among others.

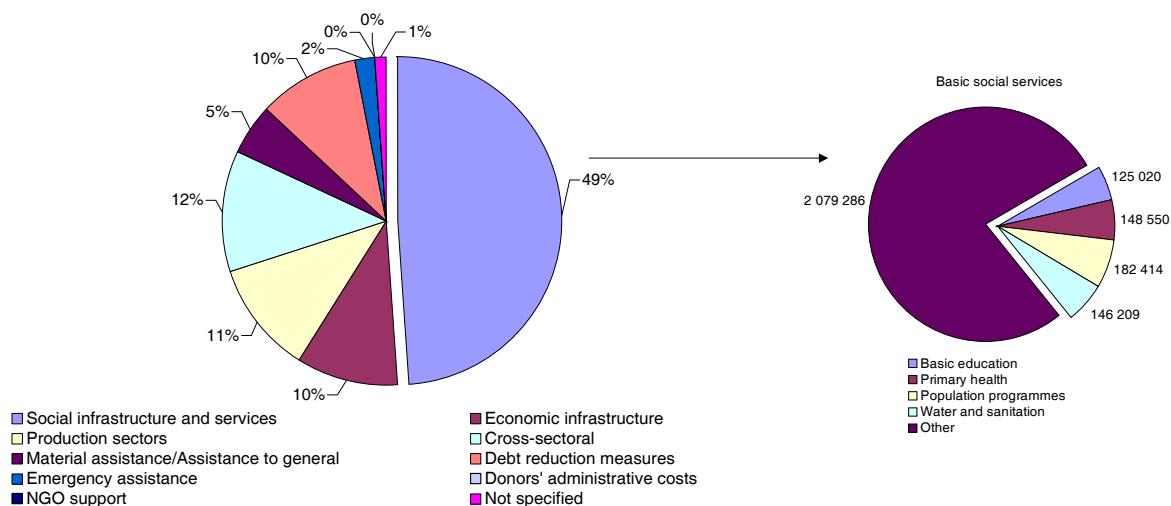
In 2002, approximately 80% of the ODA provided to Latin America and the Caribbean consisted of grants. This percentage is considerably higher than the average for the 1990s and reflects the fact that the share of loans out of total ODA has declined since the middle of that decade. Tied or partially untied aid has also declined over the last decade, while untied aid now exceeds 85% of the total, in line with what is occurring in the rest of the world (indicator 35 of the Millennium Development Goals).

Moreover, in the 1990s, ODA allocations tended to shift away from objectives related to the economic infrastructure and general development (including structural adjustment assistance programmes and food development assistance), focusing instead on support for the development of social services and social infrastructure. The share of ODA for these purposes has doubled and now accounts for almost 50% of total assistance received in the region.

External debt reduction initiatives (write-offs, swaps, refinancing, renegotiation, etc.) are another component of assistance that has become more significant, rising from 3% of the total in 1990 to 10% in 2002, and exceeding 40% in some countries. This type of assistance reflects the seriousness of the problems caused by the region's debt burden, which drains off resources (including fresh assistance flows) that are needed to achieve development goals. Furthermore, in countries whose debt service obligations far exceed their capacity to pay, ODA for debt reduction will not be effective unless it reduces this burden to sustainable levels and helps to address the underlying structural factors (fiscal and external imbalances, among others) that prevent these countries from implementing long-term solutions.

These changes in the allocation of ODA indicate that donors are now more inclined to direct their contributions towards poverty eradication, with emphasis on actions intended to expedite progress towards the Millennium Development Goals. However, there has been no increase in the share of resources allocated to the basic social services specifically mentioned in indicator 34 (basic education, primary health care, nutrition, safe water and sanitation), nor have bilateral donors made additional efforts in these areas, as much of their assistance focuses on other social objectives, such as employment and housing.

Figure VII.10
LATIN AMERICA AND THE CARIBBEAN: OFFICIAL DEVELOPMENT ASSISTANCE, BY SECTOR, 2002^a
(Thousands of dollars and percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Organisation for Economic Co-operation and Development (OECD), Creditor Reporting System (CRS) online database on aid activities.

^a Total ODA/OA includes grants, grant-like flows, loans and equity investments. It does not include other official flows or other grants.

Box VII.4
ACCESS TO ESSENTIAL DRUGS IN LATIN AMERICA AND THE CARIBBEAN

Target 17 under Goal 8 refers to the need to provide access to affordable essential drugs in developing countries. In many countries of the region, much of the population still lacks such access. In the late 1990s, only 64% of the region's inhabitants had regular access to essential drugs; this was close to the average for developing countries (65%) and far below the average in the developed world (91%). In addition, in 1999 seven countries in the region had access levels defined as low by the World Health Organization (less than 50%), and only five had the very high levels found in the most advanced countries.

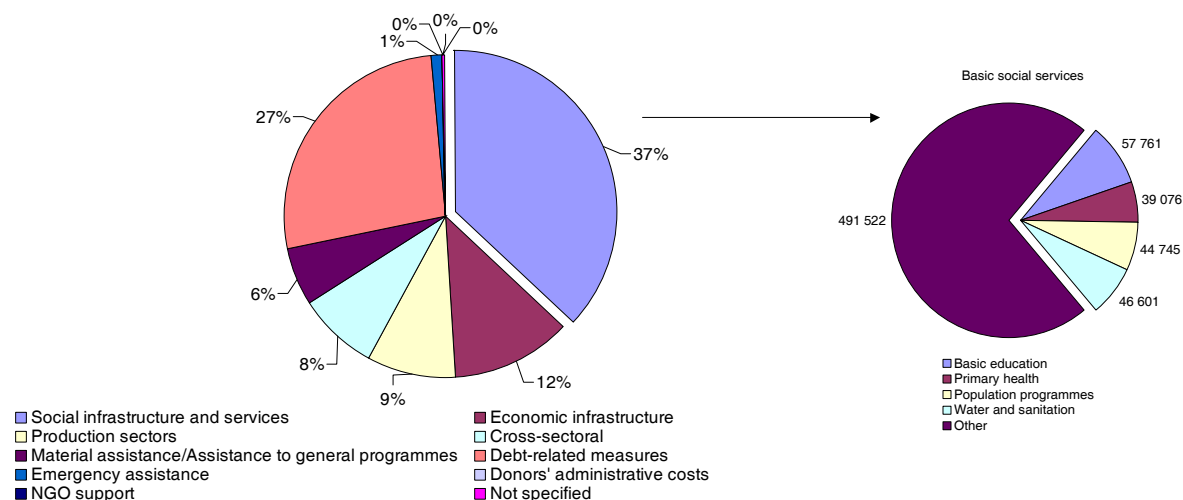
(a) Heavily indebted poor countries, landlocked developing countries and small island developing States in Latin America and the Caribbean

Heavily indebted poor countries

Bolivia, Guyana, Honduras and Nicaragua belong to this group of countries. All of them have posted zero or negative per capita GDP growth for the past three or four years; their per capita GDP levels are lower than those of any other country in the region except Haiti;⁸ they have fiscal sustainability problems due to large deficits that limit their capacity for social spending; they depend on external credit granted on preferential terms; and their poverty levels are high, at over 60% of the population in Bolivia, almost 70% in Nicaragua and over 75% in Honduras.

⁸ Although Haiti is the only country in the hemisphere that is classified as a least developed country, it is not classified as a heavily indebted poor country according to the calculating system used by the World Bank to define this status.

Figure VII.11
**HEAVILY INDEBTED POOR COUNTRIES IN LATIN AMERICA AND THE CARIBBEAN:
 OFFICIAL DEVELOPMENT ASSISTANCE, BY SECTOR, 2002^a**
(Thousands of dollars and percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Organisation for Economic Co-operation and Development (OECD), Creditor Reporting System (CRS) online database on aid activities.

^a Bolivia, Guyana, Honduras and Nicaragua. Total ODA/OA includes grants, grant-like flows, loans and equity investments. It does not include other official flows or other grants.

With the exception of Guyana, all of the region's heavily indebted poor countries are among the top five recipients of net ODA, and such assistance represents a significant percentage of their GDP, exceeding 10% in some cases. For all of them, the United States, IDB and the World Bank are among the top four donors. Multilateral assistance plays a key role for this group of countries, and often exceeds bilateral assistance. In 2002, multilateral assistance accounted for some 30% of the total in Bolivia and Honduras, well over 40% in Nicaragua and well over 50% in Guyana.

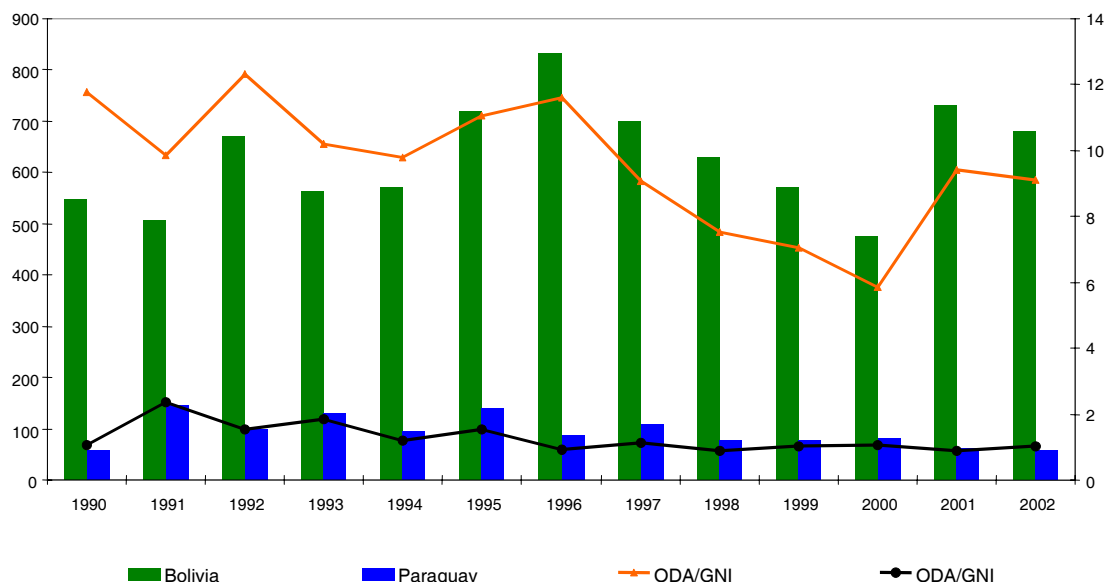
A noteworthy feature of the assistance provided to this group of countries, and one that is closely related to their high levels of debt, is the large proportion allocated to debt reduction initiatives (and to programme assistance, in the case of Guyana). In these countries, the share of assistance for social services and infrastructure is slightly higher than the figure for all of the world's heavily indebted poor countries (37%, compared to 31%). However, the share allocated to the most basic social targets identified in the Millennium Development Goals is smaller than the worldwide figure (27% of total assistance for social services, compared to 42%).

Landlocked developing countries

Empirical evidence shows that landlocked developing countries are among the poorest countries in the world. Their higher transport costs and more uncertain development prospects tend to discourage investment in tradable goods sectors and to hinder the absorption of technology and imports of capital goods and intermediate inputs (Cárcamo, 2004). ODA is thus an essential source of funds for investment in transport infrastructure to mitigate this comparative disadvantage in the development process.⁹

⁹ Regional trade integration and positive discrimination with respect to market access are other strategies that can help to level the playing field with countries that do not have this problem.

Figure VII.12
LANDLOCKED COUNTRIES: OFFICIAL DEVELOPMENT ASSISTANCE^a
(Millions of dollars and percentages of GNI)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Organisation for Economic Co-operation and Development (OECD), Creditor Reporting System (CRS) online database on aid activities.

^a Total ODA/OA includes grants, grant-like flows, loans and equity investments. It does not include other official flows or other grants.

In Latin America and the Caribbean, Bolivia (which is also a heavily indebted country) and Paraguay are in this situation. Both of them have posted negative per capita GDP growth for the past few years; Paraguay's rate has been almost consistently negative for the last decade. Investment rates have averaged scarcely 15% of GDP in the past three years and have followed a declining trend, which has been accompanied by a drop in FDI since the late 1990s. In both Bolivia and Paraguay, over 60% of the population lives below the poverty line, yet ODA is decreasing as a percentage of output. In Bolivia, however, this trend appears to have changed course starting in 2002.

In Bolivia assistance is concentrated in areas related to debt management (43%), but in Paraguay most assistance is allocated to social services and infrastructure (58%). In both countries, assistance for activities related to economic services and infrastructure (including transport services) and assistance for production sectors (including commerce) have been on the wane since 1990; by 2002, the shares of these two types of assistance had shrunk to 11% and 8%, respectively, in Bolivia, and to 2% and 8% in Paraguay.

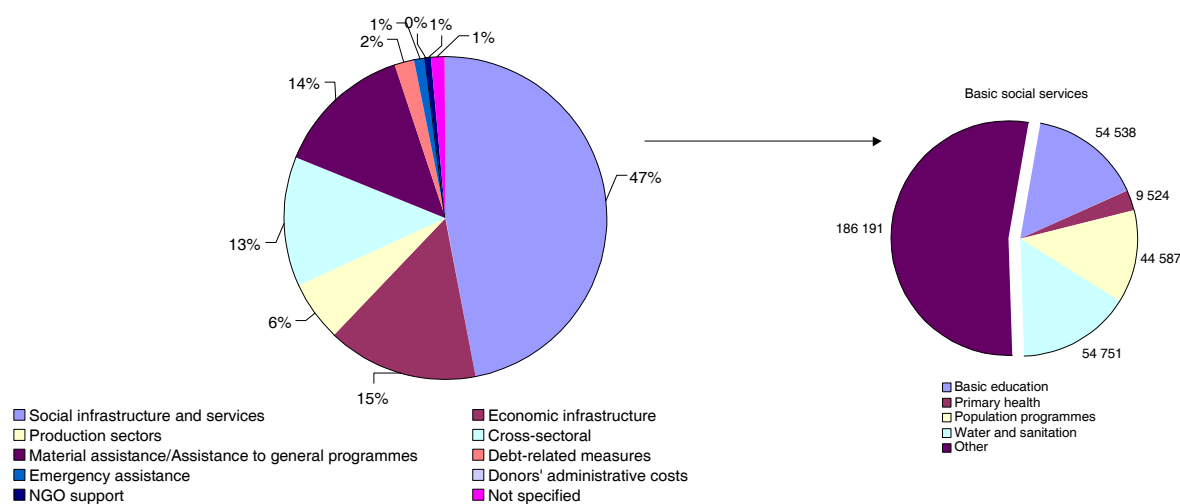
Small island developing States

The small States or territories defined as "island developing States" in Latin America and the Caribbean are a very diverse group.¹⁰ They include the richest countries in the region, such as the Bahamas and Barbados, and one of the poorest countries in the world, Haiti. Per capita growth is also very unequal: in some of these countries, such as Grenada, real growth exceeded 8% in 2003, while in others, such as Haiti, Guyana and Saint Lucia, real growth was negative. Some of them

¹⁰ The Latin American and Caribbean countries and territories included in the list of small island States are Antigua and Barbuda, Aruba, Bahamas, Barbados, Belize, Cuba, Dominica, Dominican Republic, Grenada, Guyana, Haiti, Jamaica, Netherlands Antilles, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname, Trinidad and Tobago and United States Virgin Islands (United Nations Statistics Division, on the basis of United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States).

have been classified by the OECD Development Assistance Committee as more advanced developing countries or territories (Aruba, Bahamas and Bermuda), while Haiti is classified as one of the least developed countries. Owing to these disparities, the assistance received by the various countries and territories varies widely in terms of amount and proportion of the recipient's output. In 2002, ODA as a percentage of output ranged from almost 13% in Dominica, 10% in Guyana and over 9% in Saint Kitts and Nevis to negative figures in Trinidad and Tobago and the United States Virgin Islands, which posted net resource outflows. For the most part, in the countries in this group, net assistance as a proportion of output has been declining since 1990 and has been highly volatile, with occasional spikes that in some cases have reflected assistance provided to mitigate the effects of natural disasters, to which these countries are very vulnerable. Assistance for social objectives accounts for almost half of the total, as in the case of Latin America and the Caribbean as a whole. However, more of this assistance is devoted to basic social services, indicating that it is better targeted from the standpoint of the Millennium Development Goals.

Figure VII.13
SMALL ISLAND STATES: OFFICIAL DEVELOPMENT ASSISTANCE, BY SECTOR, 2002^a
(Thousands of dollars and percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Organisation for Economic Co-operation and Development (OECD), Creditor Reporting System (CRS) online database on aid activities.

^a Total ODA/OA includes grants, grant-like flows, loans and equity investments. It does not include other official flows or other grants. The total values per sector vary according to the availability of information for each country.

Haiti is a special case. Even though it is the poorest country in the region and one of the poorest in the world, and has shown increasing instability and growing needs, its net assistance flows have plunged by more than 60% in the past five years, amounting to barely 4.3% of its output in 2002, compared to almost 11% in 1998. As a result of its political and institutional problems, all external financing flows except humanitarian assistance were frozen. In 2004, however, support was resumed through the Haiti Interim Cooperation Framework.

(b) Trade capacity-building

Trade-oriented ODA, as a component of production-oriented ODA, helps countries to achieve more sustainable development and to attain more self-sufficiency and independence, although its benefits do not arise in the short term. Nonetheless, the assistance provided for this purpose by the main donors to the region is either insignificant (amounting to 0.77% of Japan's

contribution and 0.47% of Spain's) or decreasing (from 6.7% in 2001 to 4.2% in 2003 in the case of the United States, and from 2.6% to 2.3% in the case of Germany). The consequence for the region is that the total assistance received to support its trade capacity amounts to just 0.35% of the total (about US\$ 19 million) and shows no signs of increasing.¹¹ However, according to the Doha Development Agenda Trade Capacity Building Database established by OECD and the World Trade Organization (WTO), almost US\$ 500 million is allocated to trade policy and regulation, of which only 5% reaches Latin America and the Caribbean, and a little over US\$ 1 billion is allocated to trade development, of which only 8% reaches the region.¹² Thus, the figures reported by this source are higher than the ones cited above: it is estimated that in 2001 approximately 2% of the ODA received in the region was allocated to actions under indicator 41 of the Millennium Development Goals, while in 2002 the figure was slightly higher (4%) (United Nations, 2004b).

(c) Sustainable development: the concept of new and additional ODA

In the last few decades, ODA for the purpose of sustainable environmental and natural resource management has been very irregular (Bárcena and others, 2002). According to OECD, assistance for general environmental protection¹³ in Latin America and the Caribbean increased at a constant rate in the 1990s, rising from US\$ 54 million in 1991 to over US\$ 235 million in 2002. Total assistance for the environment is very hard to calculate, however, as it should include financing for sectoral activities that have a significant environmental component, which is not accounted for under "general environmental protection".¹⁴ According to an OECD report, between 1998 and 2000 the DAC donors allocated US\$ 2.7 billion per year for climate-change-related aid (7.2% of the total) and US\$ 700 million for desertification-related aid (2%), of which the region received just 5% and 15%, respectively. Some US\$ 1 billion was allocated for biodiversity-related aid (2.7% of the total) and was more evenly distributed among the different regions.¹⁵

The Global Environment Facility (GEF) and the Montreal Protocol Fund have also increased the resources allocated to the region to address environmental problems, albeit with fluctuations reflecting changes in these funds' resource levels. GEF funding to the region rose from barely US\$ 72 million in 1991 to US\$ 116 million in 2003.

(d) Innovative sources of financing for development

In order to achieve the Millennium Development Goals by 2015, developing countries will not only have to make changes in policies and priorities, but will also, in conjunction with developed countries and the relevant multilateral institutions, need to make greater efforts to mobilize new and additional financial resources.

In the Monterrey Consensus, the United Nations and its Member States are requested to continue to study innovative sources of financing. This request has received various responses, including the proposals formulated by a technical group convened at the initiative of the Governments of Brazil, Chile, France, Germany and Spain, which were recently joined by Algeria. The Technical Group on Innovative Financing Mechanisms submitted to the States Members of the United Nations a joint statement setting forth a menu of options that include the innovative sources of financing described in box VII.5 (see Technical Group on Innovative Financing Mechanisms, 2004a). These options come under the heading of technical and political efforts needed to move towards the

¹¹ Includes Creditor Reporting System (CRS) purpose code 331 (Trade), which covers trade policy and planning, domestic marketing, trade, service industries, patents and trademarks, wholesale and retail trade and export promotion.

¹² These two figures cannot be aggregated, since they include some of the same items of expenditure.

¹³ "General environmental protection" is classified in the "multisector/cross-cutting" category of the DAC Creditor Reporting System (CRS) database.

¹⁴ In an analysis of the assistance provided between 1998 and 2000 under the agreements adopted at the Earth Summit, an effort was made to include the environmental dimension of sectoral assistance.

¹⁵ The data considered in the study by OECD (2002) accounted for 97% of total bilateral ODA commitments by DAC bilateral donors in 1998-2000.

globalization of solidarity. The idea is to identify innovative financing mechanisms that can be used to bring additional resources to bear in the developing countries' efforts to reduce poverty and hunger. In its work, the Technical Group has sought to strengthen the foundations of development with a human face.

The efforts of the Technical Group have rallied significant support. At the Summit of World Leaders for Action against Poverty and Hunger, held at United Nations Headquarters on 20 September 2004, 110 countries signed the New York Declaration on Action against Hunger and Poverty (see Technical Group on Innovative Financing Mechanisms, 2004b). In 2005, the Technical Group on Innovative Financing Mechanisms has continued to work on proposals and, in particular, on pilot schemes. One of the proposals that has advanced the furthest concerns the possibility of adding a levy to international airfares. A number of countries have expressed a desire to take such a step in order to set an example and encourage others to follow suit. Air travel is one of the fastest-growing activities in today's globalization process. The proposed levy would provide a mechanism for sharing a small fraction of the gains received by those who have profited from globalization with the world's poor. The Technical Group also suggested that these mechanisms should be additional and complementary to current ODA commitments. In most cases, these proposed sources cannot be fully utilized unless a majority of countries agree to implement them.

Box VII.5

INNOVATIVE FINANCING MECHANISMS TO FIGHT HUNGER AND POVERTY ^a

The Technical Group on Innovative Financing Mechanisms, consisting of representatives of Algeria, Brazil, Chile, France, Germany and Spain, proposed a series of mechanisms for mobilizing additional resources to finance efforts to attain the Millennium Development Goals. These mechanisms are as follows:

1. Taxation of international financial transactions

The volume of monetary and financial assets traded internationally is very large and constitutes one of the most dynamic aspects of globalization today. This means that a very low rate of taxation that does not cause market distortions or increase the risk of evasion could yield high revenues. A tax on foreign exchange transactions, which could be levied at the national level and coordinated internationally, appears to be the most technically feasible option.

2. Taxation of the arms trade

This tax would serve the dual purpose of discouraging the acquisition of arms and raising funds for social development. The tax would be levied on transactions involving heavy conventional weapons.

3. Levy on air travel

One of the fastest-growing activities in the current stage of globalization is air travel. A small surcharge could be added to the price of international airline tickets.

4. Establishment of an international financial facility (IFF)

This financial mechanism, proposed by the United Kingdom, is intended to mobilize additional resources up until 2015 on the basis of planned increases in future ODA flows. It consists of a borrowing scheme in which donor States would securitize their future ODA flows for issuance on international bond markets. This would generate stable, predictable resource flows for recipient States.

5. Issuance of special drawing rights (SDRs)

New issues of special drawing rights could help to make globalization more balanced, as they would help to reduce financial volatility and imbalances in developing countries and increase the scope for development and the resources available for combating hunger and poverty.

6. Tax evasion and tax havens

Reducing tax evasion and enhancing the transparency of financial operations is a global public good. Tax havens should be required to collect information on their customers and to share it with the authorities of national tax systems, as a means of discouraging tax evasion. This would channel more resources into national budgets and enhance global tax equity by reducing the regressive impact of tax evasion. Stronger international cooperation on tax matters is essential for the implementation of this proposal.

Box VII.5 (concluded)

7. Measures to increase the benefits of remittances

Remittances from emigrants have increased significantly in the past few years. In Latin America and the Caribbean they already exceed foreign direct investment and constitute a stable source of financing for the region and for emigrants' families. The cost of sending remittances, however, remains very high, and steps should be taken to reduce it by creating more competition among the current intermediaries, organizing senders and recipients of remittances and adding new operators, possibly by assigning this function to national postal services, given their broad coverage of the recipient countries' territories. At the same time, based on the stability of remittance flows, financial mechanisms should be established to facilitate recipient families' access to microcredit for housing and productive activities, which generally does not reach the majority of the population in developing countries.

8. Voluntary contributions through socially responsible investing or "ethical funds"

This mechanism would consist of redirecting the large volume of funds mobilized through private philanthropy on the part of both individuals and foundations. One way to do this would be to use stock-exchange infrastructure to direct new private contributions towards action against poverty. This would be complemented by the establishment and coordination of government incentives in the form of tax measures or matching contributions that would promote the formation of socially responsible investment funds capable of mobilizing the public's reserves of altruism, as well as resources from non-governmental organizations.

9. Voluntary contributions through credit cards

This mechanism is already being used for a variety of purposes. An affinity card identified with the implementation of the Millennium Development Goals would be issued, and the holders would agree to donate a small percentage of the value of their purchases to the worldwide campaign against hunger and poverty. Credit-card issuers and banks could also donate part of the profits they earn from participating customers.

^a See the letter dated 23 February 2005 from the Permanent Representatives of Brazil, Chile, France, Germany and Spain to the United Nations addressed to the Secretary-General (A/59/719-E/2005/12). These countries make up the Technical Group on Innovative Financing Mechanisms established pursuant to the Geneva Declaration on Action against Hunger and Poverty. Algeria joined the Technical Group in April 2005.

4. Conclusions

Latin America and the Caribbean is a region marked by pronounced heterogeneity and inequality, high levels of indebtedness and heavy dependence on external financing (which has been volatile) and on the prices of the raw materials it exports. Furthermore, it is highly vulnerable to natural disasters, which have repeatedly disrupted the development process in many countries. In the 1990s, the countries of the region benefited from easier access to international financial markets and positive net resource transfers, but fluctuations in capital inflows and the risks generated by changes in the cost of external borrowing have given rise to a fragility that has sharpened the GDP growth cycles observed in the region.

In recent years, the development finance debate in the region has focused on the volatility of private capital flows and the contagion effects observed in these flows. Special concern has been expressed about the poorest countries' difficulties in gaining access to such flows and about the sluggish growth of the bilateral assistance on which these countries largely depend. In addition, in these countries, the complementarity between ODA and FDI is more evident because, while investment has had positive effects in many of them, its potential economic benefits (clusters, sectoral linkages, fiscal revenues, employment, etc.) are not generated in the short term, meaning that assistance is essential for sustaining their public development programmes in the interim. Lastly, the overindebtedness of many low- and middle-income developing countries continues to limit their growth potential.

In short, ODA plays a key role in mitigating these problems and, together with emigrants' remittances, has become one of the most stable and least procyclical resource flows received by the poorest countries and areas. Moreover, ODA is available even when political or economic difficulties arise or when natural disasters strike. However, ODA flows to the region have dwindled, and they currently represent a very low percentage of the worldwide total (8%). Thus, even if the region's entire

share were set aside for the population living in poverty, in per capita terms this group would receive less than the total populations of other world regions (between US\$ 22 and US\$ 23, compared to US\$ 27 per capita in Africa, US\$ 55 in the European countries with economies in transition and US\$ 183 in Oceania, according to 2002 figures for net ODA).

In their national reports on progress towards the Millennium Development Goals, Peru, Bolivia and Paraguay, among other countries of the region, have already indicated that without the ongoing support of ODA, they will not be in a position to make the investments needed in order to meet the Goals. The region's heavily indebted poor countries need not only a solution to the problem of their debt burden, but also enough development assistance to be able to address the underlying causes. The most extreme case is that of Haiti, which will not be able to achieve even a minimal degree of institutional stability or to take the first steps towards development unless it is solidly supported by this type of financing.

Notwithstanding this situation, ODA pledges remain unfulfilled, the commitments undertaken during and after the International Conference on Financing for Development (Monterrey, 2002) have fallen short of the target of 0.7% of GNP and the downturn in ODA (which averaged only 0.25% of GNP in 2003) has just recently begun to reverse itself slightly. According to Sachs (2005), meeting the Millennium Development Goals will not require donors to pledge additional ODA, but only to honour the commitments they have already made, since needs in this regard are estimated at 0.44% to 0.54% of donors' income. While it is clear that countries themselves—including both the public and private sectors—bear the primary responsibility for financing their own sustainable development, the global dimensions of development call for coordinated, concerted action in the form of financial and technology transfers from developed to developing countries, based on the principle of common but differentiated responsibilities.

Progress has been made in considering regional approaches to assistance, in which regional and subregional multilateral institutions play a more prominent role, in close coordination with United Nations entities. In these approaches, donors have a fuller and deeper understanding of the different circumstances in different countries and regions and can channel assistance more efficiently. Nevertheless, some issues remain to be settled, such as resource allocation criteria,¹⁶ the role of recipients vis-à-vis donors and the importance of ODA for increasing the multiplier effect of financing for development through FDI, trade and domestic resources. Given the Latin American and Caribbean region's inequality and heterogeneity, mechanisms should be established to ensure that assistance reaches the neediest sectors and areas, both among and within countries. The use of country-level development indicators, which represent averages of highly disparate situations, continues to mask regional and national realities and to alter the distribution and priorities of assistance, thereby dimming the most underprivileged groups' prospects of advancement. Donors, for their part, should coordinate their methods of calculating ODA for developing countries and should base these calculations on the financing shortfalls that are preventing those countries from meeting the Millennium Development Goals and pursuing their national poverty reduction strategies.

Lastly, there is an incipient tendency to focus assistance on problems associated with global public goods and services, even though the debate on the definition of these goods and services is still open. In this connection, mechanisms should be established to ensure that resources earmarked for these concerns are additional to other forms of support and assistance. The Secretary-General has proposed that reporting systems should provide for the separate identification of such additional funds, on the one hand, and contributions geared to ongoing development assistance programmes, on the other. This would make it possible to differentiate between contributions aimed at promoting economic development and those intended to finance global public goods (United Nations, 2000).

¹⁶ These criteria range from promised performance to verifiable measures, and accordingly call for greater transparency and a better system of accountability to enhance effectiveness.

As a potential major supplier of global environmental goods and services, Latin America and the Caribbean faces the challenge of ensuring that ODA inflows earmarked for traditional development goals (including the Millennium Development Goals), which are still sorely needed, are not diverted to purposes connected with global public goods and services (such as climate-change-related activities). Financing for such purposes should be subject to the principle of additionality, since global public goods and services directly benefit developed countries.

Box VII.6

THE ROLE OF FAMILY REMITTANCES IN FINANCING THE DEVELOPMENT OF SMALL ECONOMIES

Family remittances to Latin American and Caribbean countries have increased steadily since the early 1990s and have gained momentum in the past four years. Estimates indicate that these flows rose from US\$ 10.6 billion in 1990 to US\$ 45.8 billion in 2004, when they represented approximately 29% of GDP in Haiti and about 15% in El Salvador, Honduras and the Dominican Republic. Remittances in 2004 were equivalent to 8.8% of the Central American countries' combined GDP. In absolute terms, Mexico is the top recipient, with US\$ 16.6 billion (equivalent to 2.5% of its GDP) in 2004. In South America, remittances as a percentage of GDP were highest in Ecuador (nearly 6% of GDP), Bolivia (5%) and Colombia (just over 4%). In absolute terms, Brazil was the top South American recipient, with US\$ 5.624 billion (IDB, 2005).

For these countries, family remittances are an important source of financing for development, since they provide a steady and increasing flow of unrequited resource transfers. They have made a crucial contribution to macroeconomic stabilization efforts, especially by supplying foreign exchange, which has helped to stabilize the currency market and to finance countries' external accounts. For example, between 2001 and 2004, remittances financed approximately 70% of the combined trade deficit of the five Central American countries; amply exceeded Mexico's trade deficit; and played a key role in helping the Dominican Republic to weather the crisis triggered by the 2003 bank fraud. In addition, these flows have attained volumes that far exceed net resource transfers to these countries: the family remittances received by the five Central American countries between 2001 and 2004 were 2.6 times the amount of net resource transfers and 4 times the amount of foreign investment inflows, and those received by Mexico were 3.5 times the amount of net resource transfers and virtually equal to FDI. For small countries, they have helped to cushion the effects of fluctuations in external demand and, consequently, in economic activity, as they represent a high proportion of private consumption (28% in Haiti, 17% in the Dominican Republic and 15.8% in El Salvador).

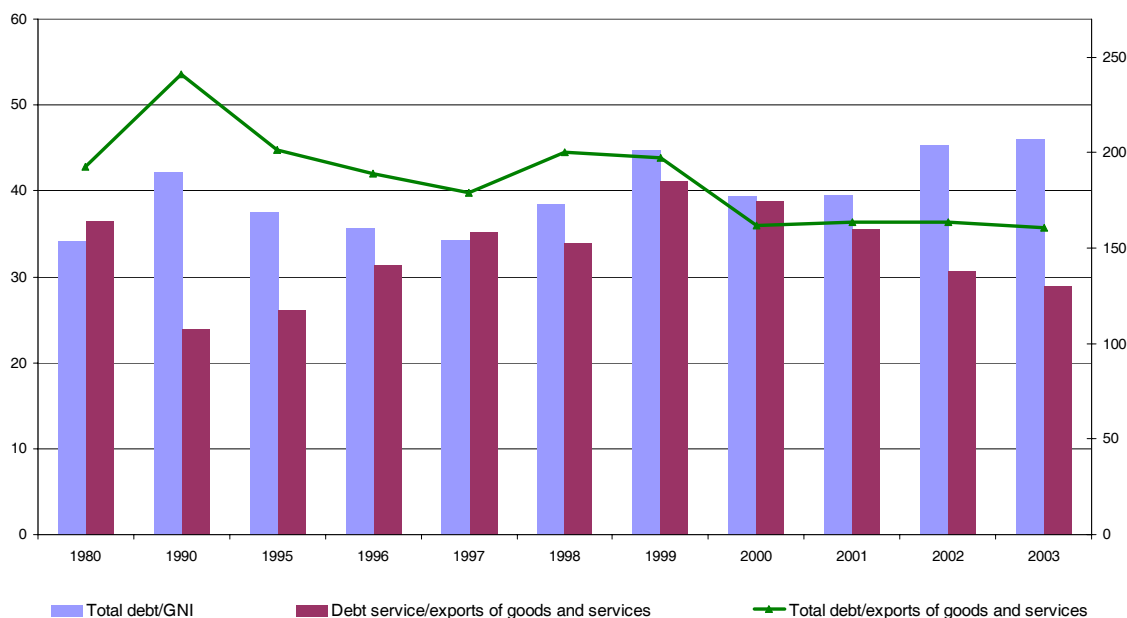
However, it is imperative that these and other flows help to generate increases in the recipient countries' productivity; otherwise, they will lead to exchange-rate appreciations that will hurt these countries' competitiveness. Lastly, this source of foreign exchange is potentially vulnerable, since it depends on the often uncertain situation of immigrants in host countries.

E. The debt problem in Latin America and the Caribbean

1. External debt

External indebtedness has been a matter of constant concern to the Latin American and Caribbean countries since the crisis of the 1980s and continues to be one of the main constraints on their development. The region's debt stock increased steadily throughout the 1990s, from under US\$ 500 billion to over US\$ 750 billion in 2003 (25 countries). Although the region's robust export performance has helped to bring down the debt-to-export ratio (from a little over 240% in 1990 to about 160% in 2003), the debt-to-income ratio has worsened. In the 1990s, growth in regional GDP improved the situation somewhat and external debt decreased from 42% of gross national income in 1990 to 34% in 1997, but at that point the debt-to-GNI ratio began to climb, and in 2003 reached 46%.

Figure VII.14
LATIN AMERICA AND THE CARIBBEAN: EXTERNAL DEBT INDICATORS, 1980-2003^a
 (Percentages)



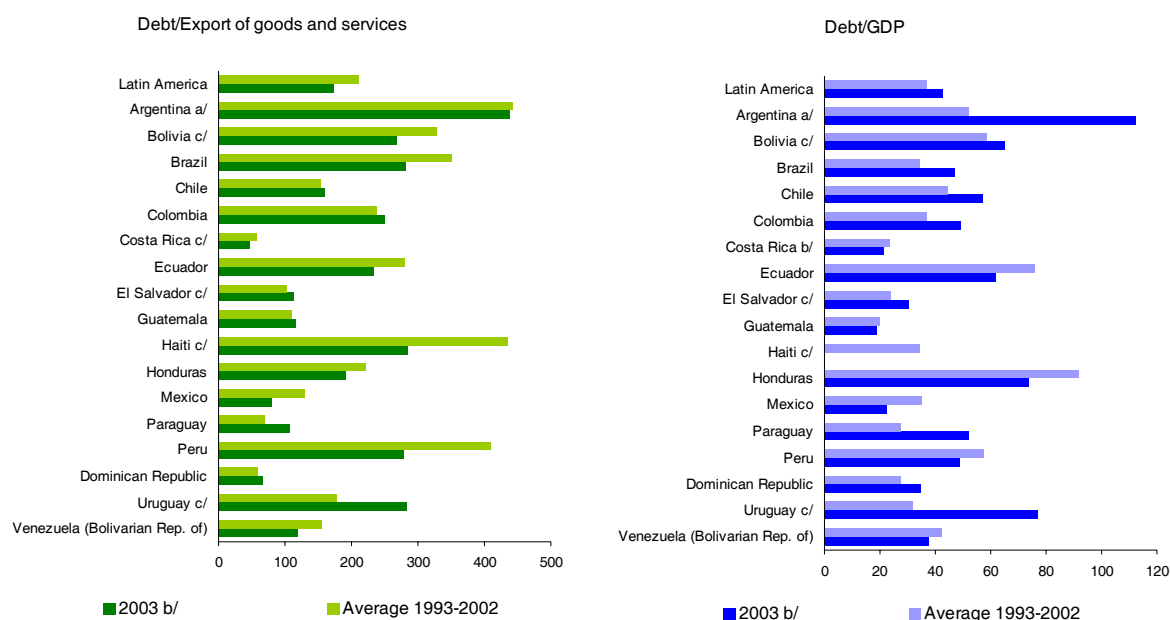
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of World Bank, *Global Development Finance. Financing the Poorest Countries*, Washington, D.C., March 2004.

^a Total debt refers to the total external debt stock, including public and publicly guaranteed long-term debt, private long-term debt, use of IMF credit and estimated short-term debt. Total debt service refers to debt service payments on total long-term debt, use of IMF credit and interest on short-term debt.

Total debt service increased substantially in the 1990s, reaching 41% of exports in 1999 before dropping back to 29% in 2003 thanks to an expansion in exports. The interest burden declined in the first half of the 1990s, from 2.6% of the region's GDP in 1990 to 1.6% in 1997, but the trend then reversed itself, bringing the ratio back up to 2.3% by 2003.

As figure VII.15 shows, the ratios of external debt to exports and external debt to GDP vary widely from one country to another. In the last few years the situation has taken a turn for the worse in the Caribbean, where the average debt-to-GDP ratio exceeds 50%, albeit with striking disparities between countries with relatively low levels of debt and others whose economies are among the most heavily indebted in the developing world.

Figure VII.15
LATIN AMERICA AND THE CARIBBEAN: TOTAL GROSS EXTERNAL DEBT INDICATORS
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

^a Recently, Argentina successfully concluded a debt swap, which will lower this ratio significantly.

^b Preliminary estimates.

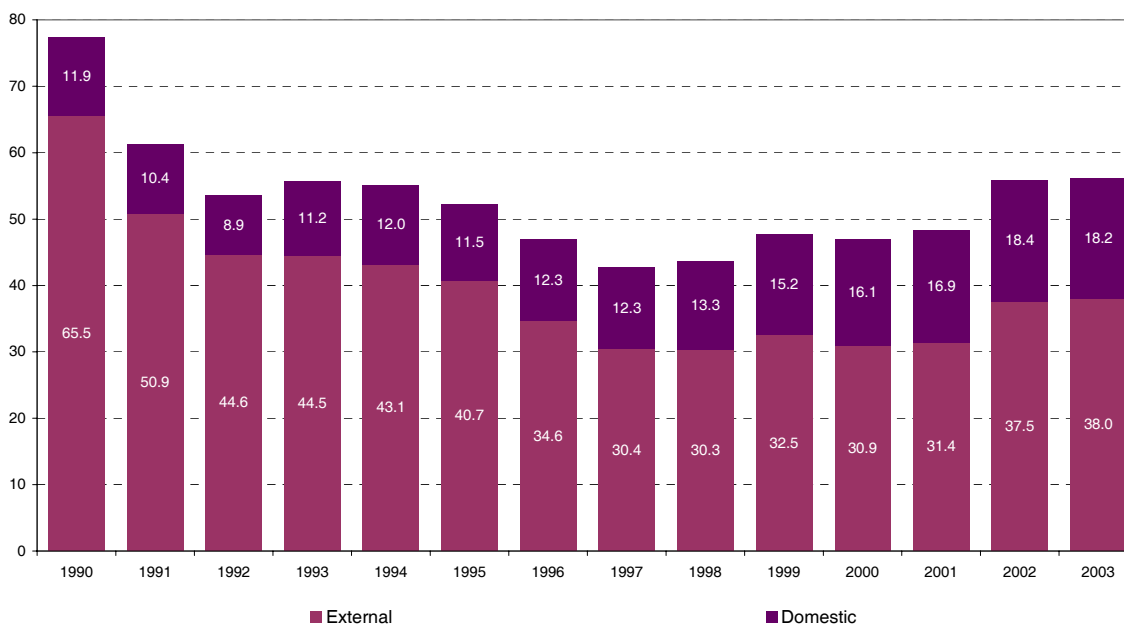
^c Public external debt.

2. Public debt

Since 1990, public debt as a percentage of GDP in Latin America has followed a U-shaped path, decreasing up until 1997 and then rising considerably between 1998 and 2003. On average, the non-financial public sector's debt burden increased from 42% to 56% of GDP, coinciding with a downswing in the macroeconomic cycle. Both local- and foreign-currency-denominated debt climbed, albeit at different rates.

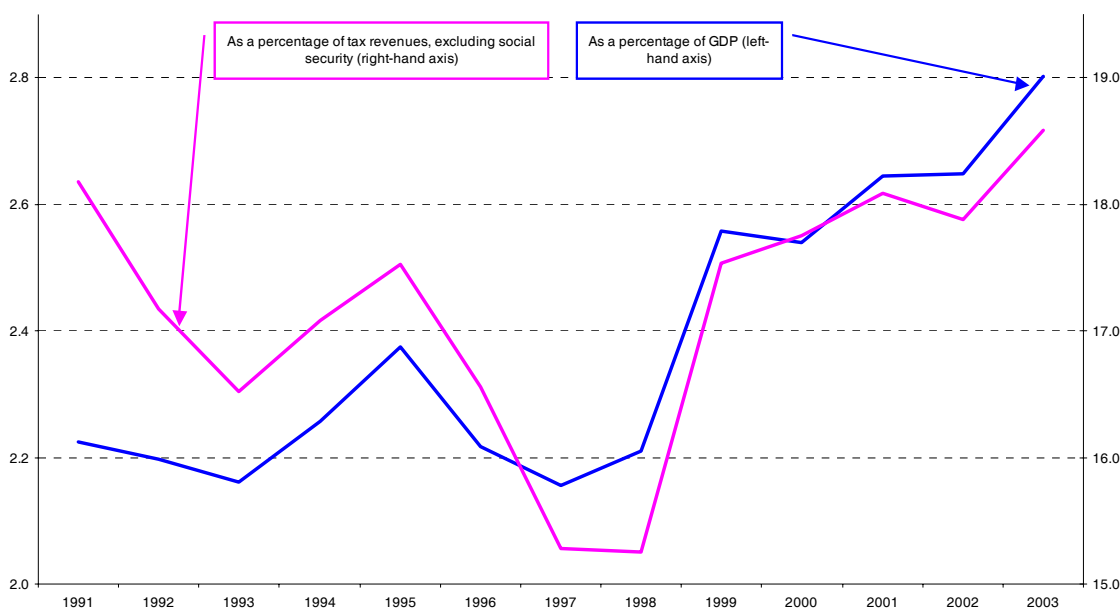
This situation illustrates the recurrent vulnerability of public finances in Latin America, whose procyclical nature means that public-sector borrowing needs are heightened when capital flows drop sharply. In these circumstances, the financial servicing of the debt becomes a crushing burden on the fiscal accounts, seriously impairing the State's capacity to carry out public policies. Although many countries made strenuous attempts to reduce their debt in the early 1990s, the combination of high interest rates (attributable in large part to turbulence in credit markets and the procyclical bias of country-risk-rating agencies), rises in the exchange rate (in cases where public debt had a significant external component) and bouts of recession had devastating effects on public finances towards the end of the decade. In several countries, the public budget was overwhelmed by explosive growth in the public debt, which typically leads to a situation in which a growing proportion of fiscal revenue is absorbed by debt servicing, as illustrated in figure VII.17.

Figure VII.16
LATIN AMERICA: NON-FINANCIAL PUBLIC SECTOR DEBT
(Percentages of GDP)



Source: Ricardo Martner and Varinia Tromben, “La sostenibilidad de la deuda pública, el efecto bola de nieve y el ‘pecado original’”, *Gestión pública series*, No. 46 (LC/L.2150-P), Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC), 2004.

Figure VII.17
LATIN AMERICA: DEBT SERVICE BURDEN



Source: Ricardo Martner and Varinia Tromben, “La sostenibilidad de la deuda pública, el efecto bola de nieve y el ‘pecado original’”, *Gestión pública series*, No. 46 (LC/L.2150-P), Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC), 2004.

3. Debt relief initiatives

In 1996, the World Bank and the International Monetary Fund (IMF) launched the Heavily Indebted Poor Countries (HIPC) Initiative, which was intended to soften the impact of external debt on countries' development. This mechanism, which was enhanced in 1999, provides for the cancellation of at least 90% of the debt of qualifying countries. A number of countries have begun to receive assistance under this initiative, but further efforts are needed. In March 2005, there were 27 beneficiary countries, out of a total of 38 that met the eligibility requirements. Beneficiary countries are required to prepare poverty reduction strategy papers, which should be incorporated into national strategies for meeting the Millennium Development Goals. In the Latin American and Caribbean region, Bolivia, Guyana, Nicaragua and Honduras have been declared eligible for debt relief under the Initiative. The first three have reached the completion point, while Honduras has reached the decision point and should reach the completion point in the first half of 2005. These four countries are therefore eligible for total nominal debt service relief of approximately US\$ 2.06 billion, US\$ 1.353 billion, US\$ 4.5 billion and US\$ 900 million, respectively (IMF/World Bank, 2005).

Another mechanism devised in relation to external debt involves the conversion of such debt to resources for different development purposes in debtor countries. Such "debt-for-nature" swaps have a long track record in Latin America and the Caribbean. In 1987, the Government of Bolivia and the non-governmental organization Conservation International conducted the first such exchange of debt for natural resource protection; Costa Rica and Ecuador followed suit later that same year. The mechanism flourished until the early 1990s and resulted in debt cancellation in Latin American countries amounting to a nominal figure of US\$ 90 million, which at the time accounted for 93% of all debt-for-nature swaps in developing countries (WRI, 1992). These swaps have made a very limited contribution to debt relief in developing countries, however, since the amount of debt converted has yet to exceed 1% of the total.¹⁷

In view of the growing shortage of public resources to invest in social and environmental programmes, innovative mechanisms must be developed to reorient debt conversion strategies by earmarking all or part of the proceeds for social or environmental policy, as is already being done in some of the region's countries.¹⁸ Other alternatives include South-South cooperation, such as the operation involving Argentina and Senegal in which UNICEF purchased debt owed by Senegal to Argentina to finance a national fund for projects to combat desertification. There has also been a proposal for an initiative involving Costa Rica and Nicaragua (Espinach and Esquivel, 1995), in which an OECD country would buy Nicaraguan debt and would use the principal and future interest to replenish two trust funds, one in Costa Rica and the other in Nicaragua, to finance social and environmental projects.

Recently, the Global Mechanism of the United Nations Convention to Combat Desertification has been engaged in an innovative initiative to integrate land-degradation-related activities into poverty reduction strategies through debt relief, with the Government of Italy as the main creditor country.¹⁹ In addition, the Government of Spain has become involved in debt-for-social-development swaps, especially in the area of primary education; in early 2005 it agreed to implement a US\$ 78-million debt-for-education swap with Argentina.

¹⁷ In Costa Rica, the country that has carried out the largest number of debt-for-nature swaps, the relief obtained represents only 5% of its total debt.

¹⁸ In Peru, for example, the proceeds of debt swaps have been used to set up trust funds such as the National Social Compensation and Development Fund (FONCODES), a social investment mechanism, and the National Fund for State-Protected Natural Areas (PROFONANPE), which helps to fund the management of natural areas owned by the State.

¹⁹ In 2000, this led to the signature of a memorandum of intent between the Government of Ecuador and three Rome-based United Nations agencies (International Fund for Agricultural Development, Food and Agriculture Organization of the United Nations and World Food Programme) in relation to the Government of Italy's "Rome Millennium Initiative", involving a total debt stock of over US\$ 500 million. In a similar vein, UNDP is now working on a new initiative to use debt swaps to advance human development in the region, with special emphasis on the environment and poverty reduction. Thus far, Ecuador, El Salvador, Dominican Republic, Honduras, Nicaragua and Paraguay have expressed interest in this project (Umaña, 2002).

4. Final observations and conclusions

The Latin American and Caribbean region's high level of external debt is a problematic structural factor that undermines its chances of embarking on a sustainable development path. The fact that the cost of the debt is prone to fluctuation is yet another source of vulnerability for the region, since it heightens investment risk, making financial resources harder to attract. The burden of debt service on the public purse seriously impairs these countries' capacity to carry out social policies.

These difficulties are not fully reflected in indicator 44 (debt service as a percentage of exports of goods and services), which measures countries' capacity to pay in foreign currency rather than the true cost of debt service in terms of the public-sector resources that must be diverted from other priorities. It would be useful, therefore, to devise an indicator to measure the value of total debt as a percentage of GDP, on the one hand, and some sort of ratio between the interest paid by the public sector and other components of fiscal expenditure, on the other. Such a ratio would give an idea of the magnitude of the countries' difficulties in financing policies geared to achieving the Millennium Development Goals.

Furthermore, as proposed by ECLAC at the International Conference on Financing for Development, held in Monterrey, Mexico, the institutional networks comprised of global, regional and subregional multilateral financial institutions should undertake a concerted effort to make external financing more readily available to countries that lack access to private capital markets and to broaden the framework within which such financing is provided, while not neglecting their countercyclical role. This would entail a change of policy that would help to expedite progress towards development objectives and provide more room for manoeuvre to less developed countries.

The HIPC Initiative should continue to be implemented and enhanced. Although this mechanism is not fully sufficient, it does represent an important means of enabling less developed countries to attain financial stability and implement their national sustainable development strategies, albeit without prejudice to the international community's obligation to increase official development assistance and help these countries to make their debt truly sustainable and, hence, compatible with the achievement of the Millennium Development Goals. Debt relief mechanisms (such as the HIPC Initiative and debt-for-nature swaps) should be broadened and reformulated with a view to simplifying the conditionalities they impose, particularly by eliminating structural and micro-conditionalities that are not essential for growth and poverty reduction.

Lastly, with respect to low- and middle-income countries that are heavily indebted but do not qualify for debt relief under the HIPC Initiative, further efforts are needed to develop internationally agreed mechanisms that provide for more equitable burden-sharing between debtors and creditors at times of crisis and that help to prevent financial crises from recurring in the future.

Table VII.6
LATIN AMERICA AND THE CARIBBEAN: EXTERNAL DEBT INDICATORS, 2003
(Percentages)

	Debt/GDP	Debt/exports	Debt service/exports
Argentina	112.2	438.1	34.7
Bolivia	64.1	269.3	20.1
Brazil	47.8	281.8	38.6
Chile	57.2	159.3	5.5
Colombia	49.2	246.0	34.6
Costa Rica	21.5	46.3	8.9
Ecuador	61.0	233.8	19.7
El Salvador	31.5	117.6	11.7
Guatemala	18.4	110.7	9.8
Haiti	46.2	274.8	10.8 ^d
Honduras	73.8	192.4	9.4
Mexico	22.4	79.0	11.3
Nicaragua	164.6	661.4	11.7
Panama	58.7	85.5	9.2
Paraguay	49.1	100.7	6.6
Peru	48.9	278.6	20.8
Dominican Republic	30.9	66.5	7.4
Uruguay	77.1	282.7	23.1
Venezuela (Bolivarian Republic of)	37.4	115.4	30.1
Cuba ^a	34.0	226.6	...
Caribe	53.7		
Anguilla	13.2		
Antigua and Barbuda	83.1	...	...
Aruba	20.3		
Bahamas	5.6	13.8 ^b	...
Barbados	25.9	54.9	5.6
Belize	75.8	91.0	24.9
Dominica	87.6	68.7 ^c	13.4
Grenada	79.9	...	17.5
Guyana	172.0	180.2 ^b	9.5
Jamaica	56.5	123.7 ^b	21.4
Montserrat	13.2		
Saint Kitts and Nevis	86.6	...	34.9
Santa Lucia	46.9	47.4 ^c	7.4
Saint Vincent and the Grenadines	51.4	109.3 ^c	6.7 ^a
Suriname	27.2		
Trinidad and Tobago	13.8	33.6 ^b	3.6

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures from the countries. The data for debt service as a percentage of exports are from *United Nations Millennium Indicators Database* [online], <http://millenniumindicators.un.org>, updated March 2005. This indicator includes principal and interest payments.

^a 2002.

^b 2001.

^c 1999.

^d 1998.

Chapter VIII

Achieving the Millennium Development Goals in Latin America and the Caribbean

This chapter summarizes the progress made towards the Millennium Development Goals in Latin America and the Caribbean. The analysis considers the progress made in the region as a whole and in five groups of countries. The Latin American countries, Cuba, Dominican Republic and Haiti were divided into four groups based on their levels of human development, while the fifth group consists of all the other Caribbean countries and territories (see box VIII.1).¹ This analysis of each group's progress towards the Goals reveals that, although the region's less developed countries have experienced greater difficulty than the ones with intermediate and high levels of development in reducing extreme poverty and hunger, they have nevertheless made significant headway in these areas. Consequently, it appears that more domestic and external resources are needed to complement the efforts being made in the countries of the region that are lagging furthest behind.

¹ Throughout this chapter, "the Caribbean" refers to all the countries and territories listed in table VIII.2 and the statistical annex. As noted in box VIII.1, this set of countries and territories does not include Cuba, Dominican Republic or Haiti.

Box VIII.1

METHOD USED TO ANALYSE PROGRESS TOWARDS THE MILLENNIUM DEVELOPMENT GOALS

The Latin American and Caribbean countries were classified into five groups, four of which are based on their levels of human development at the start of the current decade, according to their ranking in the Human Development Index (HDI) prepared by the United Nations Development Programme (see statistical annex). The groups of countries are: **Countries with low or medium-low levels of human development:** Bolivia, Guatemala, Haiti, Honduras and Nicaragua, which account for 7.6% of the region's population.

Countries with medium levels of human development: Dominican Republic, Ecuador, El Salvador, Paraguay and Peru, which account for 11.2% of the region's population.

Countries with medium-high levels of human development: Bolivarian Republic of Venezuela, Brazil, Colombia and Panama. This group accounts for 46.7% of the region's population.

Countries with high levels of human development: Argentina, Chile, Costa Rica, Cuba, Mexico and Uruguay, which account for 32.3% of the region's population.

Caribbean countries and territories (excluding Cuba, Dominican Republic and Haiti). The information available for these countries and territories is insufficient to develop comparable indicators. The group consists of Anguilla, Antigua and Barbuda, Aruba, Bahamas, Barbados, Belize, British Virgin Islands, Cayman Islands, Dominica, French Guiana, Grenada, Guadeloupe, Guyana, Jamaica, Martinique, Montserrat, Netherlands Antilles, Puerto Rico, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname, Trinidad and Tobago, Turks and Caicos Islands and United States Virgin Islands. This subregion accounts for 2.2% of the region's population. According to HDI, five of those listed in this group have high levels of human development (Antigua and Barbuda, Bahamas, Barbados, Saint Kitts and Nevis, and Trinidad and Tobago). Eight form part of the group with medium levels of human development (Belize, Dominica, Grenada, Guyana, Jamaica, Saint Vincent and the Grenadines, Saint Lucia and Suriname). The remaining 12 countries and territories of the Caribbean are not classified in the Human Development Index prepared by UNDP.

The purpose of this classification is to identify certain patterns or regularities in these groups' progress towards the Goals and to highlight the magnitude of the challenges faced by the region's countries, taking into account the wide disparities between them in terms of the resources available for moving towards the Goals. It is therefore not meant to question the validity of other international classifications, which are generally established for different purposes, such as international loan decisions or public debt cancellations, for example.

This analysis of the countries' progress is based on a comparison of the improvements they have achieved in each indicator with the progress that they ought to have made in view of the amount of time that passed between 1990 and the most recent year for which information is available. Since little empirical information is available on the indicators' past behaviour, this comparison assumes a linear trend in the indicators between the base year and 2015. This choice of method does not, however, mean that non-linear behaviour would not be a more accurate assumption in the case of certain indicators and ranges of variation.

Based on this approach, three situations were identified: (a) **insufficient progress**, or progress that is less than it ought to have been in relation to the time elapsed, including situations where setbacks have been experienced; (b) **progress that is on track to meet the target**; and (c) **rapid progress**, which describes countries that have already met the target or are even more likely to do so than the countries that are "on track".

Each country's progress towards each indicator was quantified as a percentage of the total progress required (see statistical annex). The following example illustrates this calculation: between 1990 and 2003 Guatemala's under-five mortality rate decreased from 85.0 to 47.6 per thousand. The target for 2015 is to reduce it to a third of its 1990 value, or 28.3 per thousand. The drop of 37.4 points (85.0 minus 47.6) represents 66% of the total reduction needed to meet the target (85.0 minus 28.3, or 56.7 points). Since the 13 years that passed between 1990 and 2003 are equivalent to 52% of the 25-year time frame for meeting the target, this 66% reduction can be qualified as rapid progress.

In the figures below, colours are used to indicate the amount of progress made between the base year and the most recent year for which information was available: **yellow** for insufficient progress (less than 80% of the expected progress), **green** for progress that is on track to meet the target (between 80% and 120% of the expected progress) and **blue** for rapid progress that points to a strong likelihood of meeting the target (more than 120% of the expected progress).

Source: Prepared by the author on the basis of United Nations Development Programme (UNDP), *Human Development Report 2004*, New York, Oxford University Press, 2004, official figures provided by countries and information contained in the statistical annex.

In view of the importance of the first Millennium Development Goal, this chapter gives estimates of the countries' likelihood of halving extreme poverty and hunger by 2015 and identifies the economic growth rates and changes in income distribution that they will require in order to achieve these aims. The chapter also presents information on the countries' current levels of domestic and external resources and the need to increase them, the main observations and findings, the challenges that the countries must meet in order to achieve the Goals and guidelines on the public policies and social programmes that they should implement for this purpose.

As mentioned in the introduction to this report, two important issues arise with regard to the monitoring of the countries' progress towards the Goals and targets. The first is that there are gaps in the available current and background information. Although the countries have significantly improved their statistical systems, generally with the help of specialized agencies, missing or outdated information is still a problem. Owing to this constraint, it has not been possible to include all Latin American and Caribbean countries and territories in this analysis of the progress made towards the targets set out under the eight Millennium Development Goals. Databases are being prepared on some of the Goals, however, and will make it possible for future reports to incorporate a broader range of indicators, including those suggested by agencies based in the region.

The second issue concerns the conditions prevailing in the countries at the beginning of the 1990s and the interpretation of the results and progress achieved as of the start of the current decade. For most of the Goals, the percentage reduction in the respective indicator (extreme poverty, child mortality, undernutrition and so on) is measured in comparison to the base year. However, this percentage reduction does not carry the same significance in all cases, since the rate of progress or improvement in the indicators is also a function of their initial values. In some of the areas referred to in the Goals, it appears that the worse the initial situation, the greater the chances of making significant progress. This is because the closer policies come to tackling the hard core of the problem (where the indicators' values are lower), the more difficult it becomes to make further headway. At the same time, available information shows that the countries with the highest levels of poverty are often the ones that find it hardest to move towards the targets, since they lack the resources or institutions they need to effect major changes. These considerations show how difficult it is to make categorical judgements about the countries' likelihood of meeting the Goals based on the initial levels of the different indicators and on the national strategies adopted.

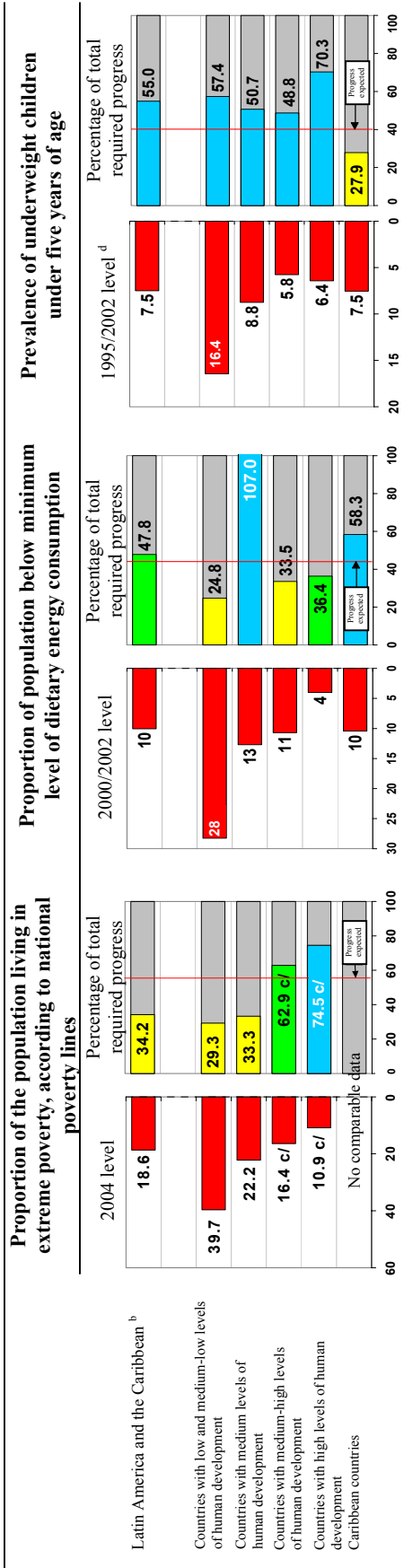
The averages for the region and for the five groups of countries are weighted. This means that each country's size in relation to the aggregate for the region and for the relevant subgroup is reflected in the average and, therefore, in the calculation of the percentage of total progress made towards each target. Different weightings were used for different indicators.

A. Overview of progress

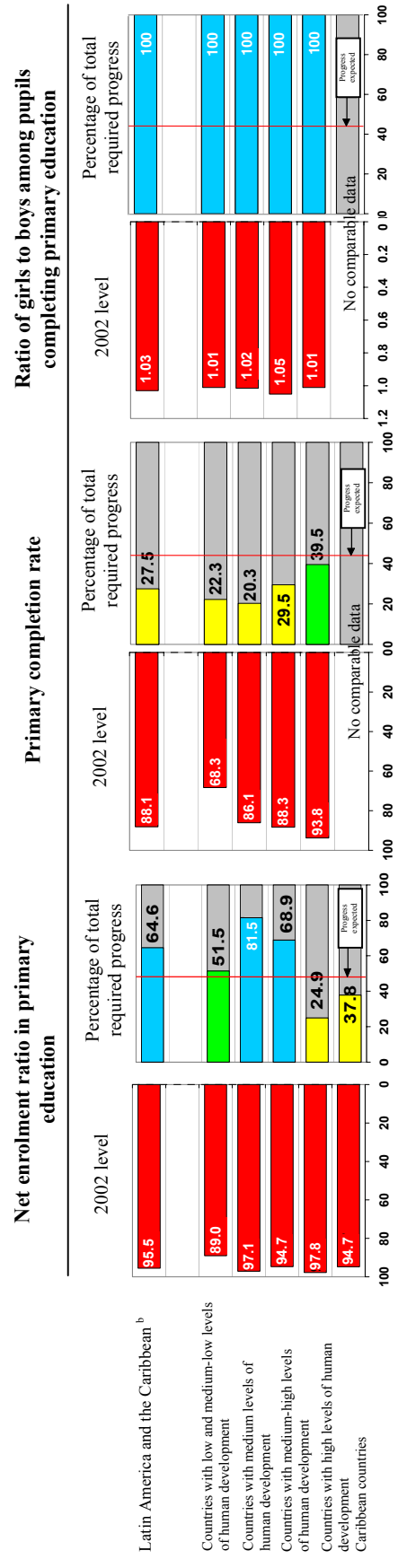
The figures below depict the progress made in relation to targets which are expressed in quantitative terms and for which the progress made since the early 1990s can be quantified. The targets in question are the ones concerning extreme poverty, hunger and child undernutrition, enrolment in and completion of primary education, gender equality in primary education, infant and child mortality and access to water and sanitation. These important targets correspond to some, but not all, of the Millennium Development Goals. Many targets—such as those on combating HIV/AIDS, malaria and other major diseases (Goal 6, targets 7 and 8), integrating the principles of sustainable development into country policies (Goal 7, target 9) and developing a global partnership for development (Goal 8, targets 12 to 18)—are not included in this schematic summary because they are not expressed in quantitative terms. Other targets were excluded owing to a lack of relevant information. For example, a quantitative target was established in relation to maternal mortality (a 75% reduction), but not enough data were available for a year close to 1990.

LATIN AMERICA AND THE CARIBBEAN: OVERVIEW OF PROGRESS TOWARDS THE MILLENNIUM DEVELOPMENT GOALS ^a

Goal 1: Eradicate extreme poverty and hunger (targets 1 and 2)

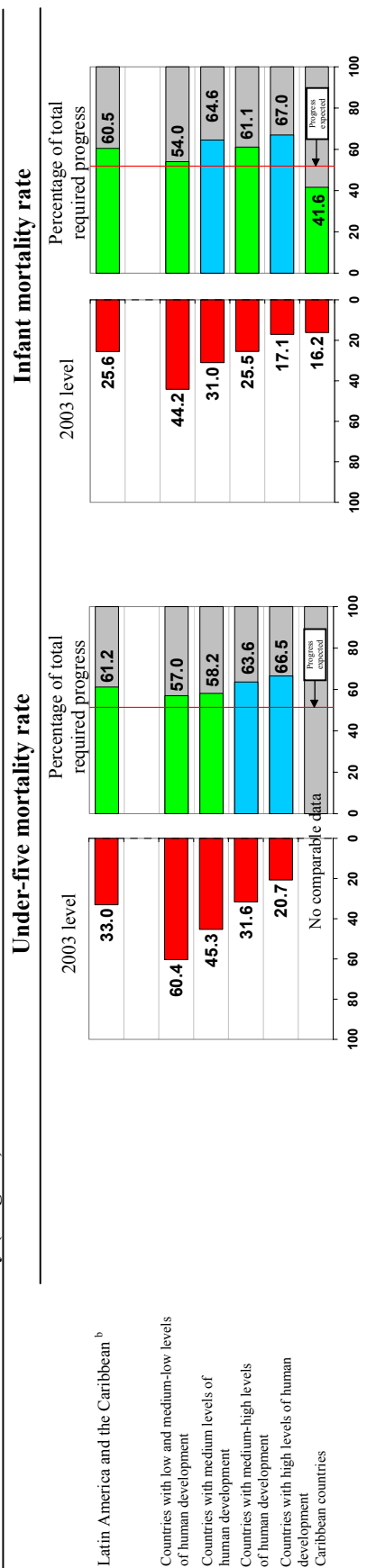


Goal 2: Achieve universal primary education (target 3)

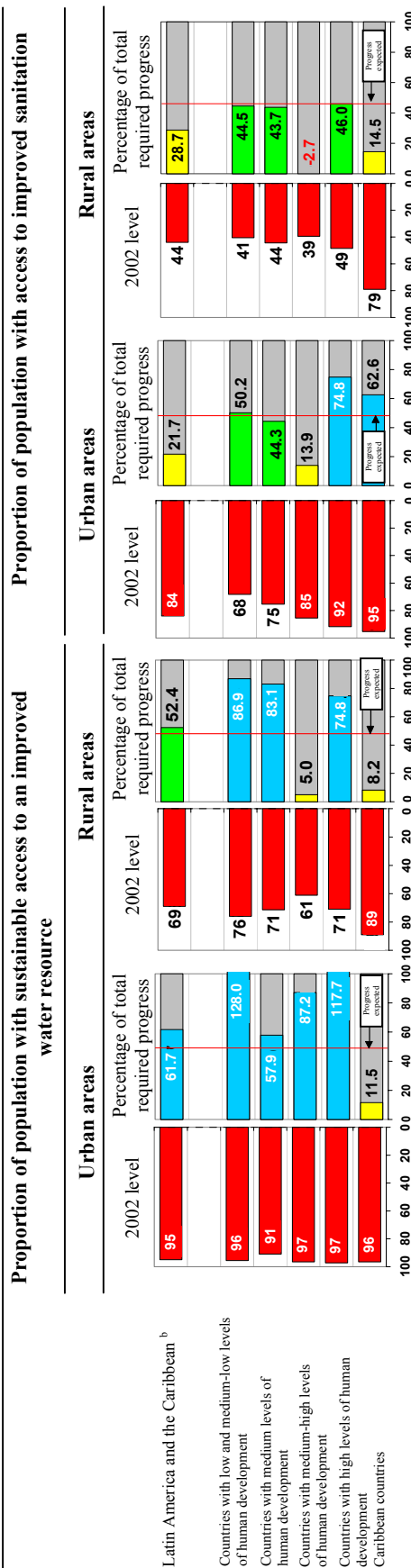


(concluded)
LATIN AMERICA AND THE CARIBBEAN: OVERVIEW OF PROGRESS TOWARDS THE MILLENNIUM DEVELOPMENT GOALS^a

Goal 4: Reduce child mortality (target 5)



Goal 7: Ensure environmental sustainability (target 10)



^a The vertical red line represents the time elapsed between the base year and the most recent year for which information was available, expressed as a percentage of the 25-year time frame between 1990 and 2015. This line represents the point that the countries ought to have reached (assuming that progress is linear) and is compared to the actual progress observed in the period, which varies according to the most recent year for which information was available. See statistical annex for information on country classification by levels of human development. ^b The figures for Latin America and the Caribbean are weighted averages of the percentages posted by the individual countries. ^c Excludes Argentina and Bolivarian Republic of Venezuela from the groups with high and medium-high levels of human development. ^d Refers to the most recent figure available for prevalence of underweight children in the population between 1995 and 2002.

GOAL 1: ERADICATE EXTREME POVERTY AND HUNGER	
Target 1:	Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day
Indicator 1:	Percentage of the population living in extreme poverty, according to national poverty lines ^a
Latin America and the Caribbean	Insufficient progress
Countries with low or medium-low levels of human development	Insufficient progress
Countries with medium levels of human development	Insufficient progress
Countries with medium-high levels of human development	On track to meet the target
Countries with high levels of human development	Rapid progress
Caribbean	Rapid progress
Target 2:	Halve, between 1990 and 2015, the proportion of people who suffer from hunger
Indicator 4:	Prevalence of underweight children under five years of age
Latin America and the Caribbean	Rapid progress
Countries with low or medium-low levels of human development	Rapid progress
Countries with medium levels of human development	On track to meet the target
Countries with medium-high levels of human development	On track to meet the target
Countries with high levels of human development	Rapid progress
Caribbean	Insufficient progress
Indicator 5:	Proportion of population below minimum level of dietary energy consumption
Latin America and the Caribbean	On track to meet the target
Countries with low or medium-low levels of human development	Insufficient progress
Countries with medium levels of human development	Rapid progress
Countries with medium-high levels of human development	Insufficient progress
Countries with high levels of human development	On track to meet the target
Caribbean	Rapid progress
^a See chapter II, which gives a detailed description of these national poverty lines and the rationale for using them.	

The Latin American and Caribbean countries' progress towards the Millennium Development Goals has been very uneven. Each country has made different degrees of progress towards different targets (even in the case of targets that refer to the same Goal). The countries' performance in relation to the first Goal clearly illustrates this diversity: although they made insufficient progress in reducing extreme poverty up to 2004, they made major headway in combating hunger. In fact, the

decrease in undernourishment across Latin America and the Caribbean indicates that the region overall is on track to meet the target, and the large drop in child undernutrition suggests that most of the countries will reach the target by 2015. In contrast, between 1990 and 2004 the region as a whole reduced extreme poverty by fewer than four percentage points (from 22.5% to 18.6%), which represents slower progress than it ought to have made in the time elapsed (56%), and more than half the countries posted progress that fell short of this regional average.

This heterogeneity is reflected by the region's current situation with regard to the first Millennium Development Goal: a modest decline in the percentage of the population living in extreme poverty (target 1), relatively good progress in reducing hunger and even greater progress in combating child undernutrition (target 2).²

The most significant finding of this analysis is that there is an adverse pattern with regard to poverty and hunger reduction.³ Typically, the countries that are poorest and have the most serious food access problems—in other words, the very countries that need to make the most progress—have made less headway than the others. The countries with high levels of human development, whose poverty and hunger indices are lower, moved forward at a faster pace or are on track to meet both targets. This adverse pattern is not apparent in relation to child undernutrition (underweight children), since all the groups, particularly the countries with low and medium-low levels of human development, recorded significant progress. Most countries made significant headway; the exceptions were Argentina, Costa Rica, Ecuador and Paraguay, which suffered setbacks, and Trinidad and Tobago, which made little progress (see the statistical annex). This is significant because it indicates, first, that one of the main mechanisms that perpetuate poverty—child undernutrition—is being successfully addressed. Second, it demonstrates that even countries that have high levels of extreme poverty and do not manage to halve those levels by 2015 can nevertheless make significant headway in eradicating hunger and undernutrition by strengthening policies and implementing targeted social programmes.

In this connection, the Food and Agriculture Organization of the United Nations (FAO) has argued that in order to move ahead with hunger reduction, it is not enough to raise agricultural productivity and steadily increase the population's food purchasing power. It is also necessary to establish policies aimed at eradicating or lessening the impact of other risk factors for undernutrition and malnutrition that occur most frequently in extremely poor households. These risk factors include deficiencies related to sanitary conditions, connection to drinking water systems and sewage elimination systems, access to health services and familiarity with basic standards of hygiene in food preparation and eating habits, among others. Thus, it is possible to reduce undernutrition and malnutrition by means of nutrition programmes that do not necessarily form part of broader poverty eradication schemes. Moreover, the synergies among the above-mentioned factors increase the positive effects of such programmes when they go hand in hand with investments in basic infrastructure, particularly in rural areas, where child undernutrition rates are highest.

Although strides have been made in reducing child undernutrition, measured by the prevalence of underweight children, the progress made with regard to chronic undernutrition, measured by the prevalence of stunting, has been more modest and started from higher initial levels (see chapter II). Added to this is the worsening in the region of other types of malnutrition associated mainly with micronutrient deficiencies and macronutrient imbalances and manifested in

² Progress towards the extreme poverty reduction target was measured using national poverty lines calculated by ECLAC, not the dollar-a-day line expressed in terms of purchasing power parity (PPP). In any event, a PPP-based assessment gives results very similar to those obtained using national poverty lines. For further details, see chapter II.

³ Bolivia, Haiti and Peru are an exception to this adverse pattern, thanks to the progress made in reducing undernourishment. See the statistical annex.

the growing incidence of obesity among children, adolescents and adults.⁴ Both the Pan American Health Organization (PAHO) and FAO have highlighted the need to address this problem by identifying the population at risk and devising early intervention strategies to prevent obesity-related diseases from being manifested in adults as pathologies that represent a heavy burden on public health-care budgets.

Two clarifications are called for in relation to the extreme poverty pattern described above. First, the progress indicated for the group of countries with high levels of human development excludes Argentina, which recorded a considerable increase in poverty at the start of the current decade. The Bolivarian Republic of Venezuela also experienced an increase in extreme poverty in 2002 and 2003. Thus, the region's aggregate rate of progress would naturally be higher if it did not include these two countries. Specifically, Latin America and the Caribbean would have advanced by 47% instead of 34%, and would be closer to being on track to meet the poverty target. This is consistent with the progress seen in Brazil and Mexico, which account for 52% of the region's population (290 million of the region's 555 million inhabitants). Extreme poverty has dropped significantly in these two countries (from 23.4% to 14.2% in Brazil and from 18.8% to 12.3% in Mexico). Both countries have exceeded the progress expected in relation to the amount of time that has elapsed, as Brazil has made 78% of the required progress and Mexico, 69%. This suggests that the region's two largest countries are likely to achieve the target of halving extreme poverty.

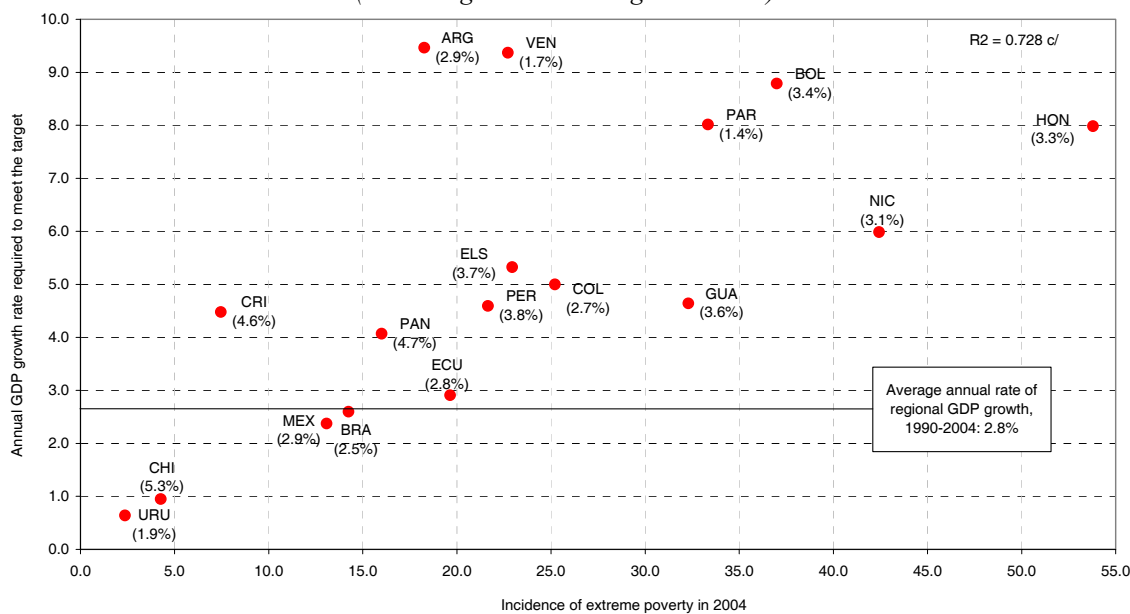
The second clarification is that the review of progress in reducing extreme poverty does not include the Caribbean countries and territories, for which measurements based on national poverty lines comparable to those used for the other countries were not available. However, an analysis of changes in poverty based on a two-dollar-a-day (per capita) poverty line in Guyana, Jamaica, Saint Lucia and Trinidad and Tobago (which account for 41% of the Caribbean subregion's population) indicates that significant progress has been made. In these four countries, the poverty rate, calculated on the basis of a two-dollar-a-day line—which is closer to the value of the national lines calculated by ECLAC than the dollar-a-day line—decreased from 22.3% to 12.6% between 1990 and 2001, representing an advance of 87% of the total progress required.⁵ This dramatic decline in poverty reflects the headway made in Jamaica and Trinidad and Tobago, which account for four fifths of the combined population of these four countries.

In summary, the countries that need to make the most strenuous efforts and mobilize the most funding from domestic sources and international assistance in the next decade are the Central American countries, the Andean countries and the Caribbean countries with the lowest per capita incomes (Guyana and Suriname), in addition to Haiti and Paraguay. Some of these countries are unlikely to succeed in halving, within the next 10 years, the very high rates of extreme poverty they recorded at the start of the 1990s unless their economies expand much faster than they did between 1990 and 2004 (see figure VIII.1). It is especially urgent to reduce extreme poverty in six countries—Bolivia, Guatemala, Haiti, Honduras, Nicaragua and Paraguay—where over 30% of the population lives below the extreme poverty line and where GDP growth will have to average over 6% per year between 2005 and 2015 to meet the target. This rate is two to six times the rates posted in these countries in the last 14 years. In Guatemala, however, the required growth rate (4.8% per year) is not very different from historical rates, given the country's progress in reducing poverty since 1990 and its average growth rate of 3.6% since then.

⁴ In several of the region's countries, available information shows that obesity rates in the under-five population have increased in all social strata and have risen the fastest in low-income strata. See Power and Parsons (2000).

⁵ These figures were calculated on the basis of special tabulations of information from the World Bank's *PovcalNet* database. The information contained in this database does not allow for the analysis of a larger number of Caribbean countries.

Figure VIII.1
LATIN AMERICA AND THE CARIBBEAN (17 COUNTRIES): MAGNITUDE OF EXTREME POVERTY IN 2004 AND RATE OF ANNUAL GDP GROWTH REQUIRED BETWEEN 2005 AND 2015 TO REACH THE EXTREME POVERTY REDUCTION TARGET BY 2015^a
(Percentages and annual growth rates)^b



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of special tabulations of data from household surveys and official figures from the respective countries.

- ^a Assumes that the current level of concentration of the countries' income distribution will remain unchanged.
^b The figures in parentheses under the name of each country refer to its annual average rate of GDP growth between 1990 and 2004.
^c Excludes Argentina and the Bolivarian Republic of Venezuela. If these countries were included the ratio would drop to 0.435.

Countries whose extreme poverty rates are in the 15%-to-25% range evince a variety of situations. Because Colombia has made little progress in reducing extreme poverty since 1990, its economy will have to expand more than twice as fast as it did up to 2004 in order to meet the target. In contrast, for El Salvador and Peru, growth rates slightly higher than the ones they posted up to 2004 will suffice.⁶ Ecuador and Panama, which have moved ahead more quickly, could reach the target with growth rates that are virtually the same as the historical ones.⁷ Although no figures are available on the Dominican Republic's extreme poverty level around 1990, its brisk economic growth between 1992 and 2000 (at an average annual rate of 6.4%) indicates that extreme poverty probably declined to a percentage that would put the country on track to meet the target, together with Brazil, Mexico and Uruguay. Costa Rica, whose economic growth averaged 4.6% (exceeding the regional average of 2.8%), will need to maintain this rate for the next decade in order to reach the target. Chile met the target in 2000; to maintain this achievement, it must keep GDP growth equal to or higher than its population growth.⁸ To make greater strides towards eradicating extreme poverty, Chile will have to achieve faster increases in the income of households in the bottom 5% of the distribution pyramid, the vast majority of which are extremely poor.

⁶ As mentioned in chapter II, an increase of one percentage point over the historical rate of economic growth would be enough to enable Guatemala and Peru to reach the extreme poverty target by 2015.

⁷ In the case of Ecuador the estimate of the growth rate required to reach the target refers to urban areas, since no nationwide extreme poverty measurements were available, although some 36% of the country's population lives in rural areas.

⁸ Uruguay, which has not yet reached the target, will be able to do so with a lower GDP growth rate than Chile because its population is expanding more slowly.

The experiences of Argentina and the Bolivarian Republic of Venezuela at the start of this decade illustrate the severe effects of recession on extreme poverty levels. Given the increase in extreme poverty seen in 2002 in Argentina and in 2002 and 2003 in the Bolivarian Republic of Venezuela, these countries will have to meet much more demanding growth requirements than the other countries for the next 10 years in order to bring poverty back to pre-crisis levels and then reduce it to half the level recorded in 1990. This is further evidence of the adverse effects of volatile growth rates, as discussed in chapter I. Be that as it may, Argentina's rapid economic growth in 2003 and 2004 and the Bolivarian Republic of Venezuela's growth in 2004 have already brought their output back to pre-crisis levels.⁹

Three points warrant discussion in relation to the extra efforts that the countries will have to make to reduce extreme poverty. The first is the fact that the region has the world's most unequal and concentrated pattern of income distribution and has made no headway in this regard. An improvement that translated into a rapid increase in the income of the poorest strata—the bottom 30%, for example— would enable the countries to meet the target sooner or to meet it by the established date but with GDP growth rates that are one to two percentage points lower than the ones that will be needed if the current level of inequality remains unchanged (see figure VIII.2). Several country reports on progress towards the Millennium Development Goals¹⁰ have highlighted this fact, acknowledging the need for economic growth to bring more benefits to those living in poverty. Figure VIII.2 also shows, however, that even with a significant improvement in income distribution,¹¹ some countries will still need very high economic growth rates in order to meet the poverty reduction target. Not only Argentina and the Bolivarian Republic of Venezuela, but also Bolivia, Colombia, Honduras, Nicaragua and Paraguay, will have to grow by more than 4% per year (and in some cases more than 6%) over the coming decade, which is well in excess of the historical rates posted in these countries.

The second point is that the situation of the region's high-poverty countries is worsened by their substantial rates of population growth, which increase the rates of GDP growth they will need in order to raise average income. Both the United Nations Population Fund (UNFPA) and the Latin American and Caribbean Demographic Centre (CELADE) – Population Division of ECLAC have spotlighted the links between population and poverty. By way of illustration, whereas the population of Latin America and the Caribbean will grow at a rate of 1.2% per year for the next decade, this rate will reach 2.0% to 2.5% in the less developed countries. In 2015, the populations of Bolivia, Guatemala, Honduras and Nicaragua will be 24% to 31% larger than they are now. This means that reaching the targets, which are defined as percentage reductions in the indicators, is an even more arduous proposition for these countries. First, they will have to absorb a bigger labour supply, in circumstances in which a high proportion (at least 50%) of both urban and rural employment is concentrated in very low-productivity, low-paying activities. Second, their populations' age structure will result in high dependency rates, which translate into a small number of employed persons per household and low per capita income. In contrast, countries that have reached a more advanced stage of demographic transition are in a better position because their populations are expanding more slowly. In addition, their populations' age structure gives them the chance to benefit from the "demographic bonus"; i.e., a working-age population that is proportionally larger than the non-working-age population. In less developed countries, the very high fertility rates that still prevail in the poorest strata (especially in rural and indigenous sectors)

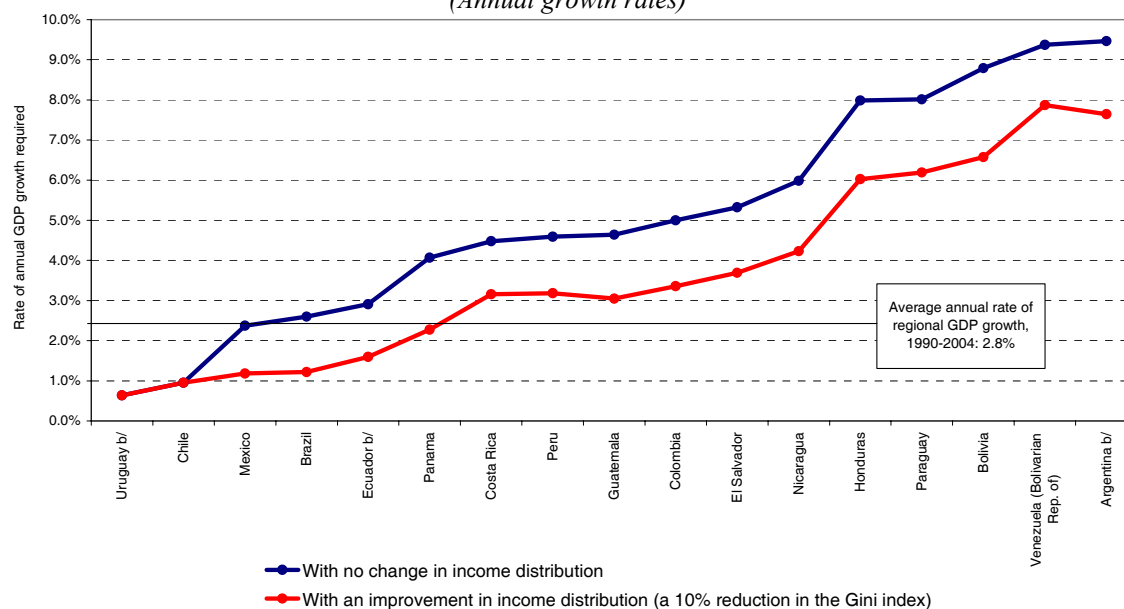
⁹ The downturns in these two countries' GDP amounted to more than 15% in Argentina in 2001-2002 and nearly 19% in the Bolivarian Republic of Venezuela in 2002-2003. Their recovery has been equally dramatic: Argentina's GDP grew by a cumulative 19.5% in 2003-2004 and the Bolivarian Republic of Venezuela's GDP expanded by an estimated 18% in 2004.

¹⁰ See, in particular, Peru's report (Peru/UNDP, 2004).

¹¹ The data in figure VIII.2 assume a 10% decrease in the Gini index. This would be a substantial improvement, considering that the Gini index rose in many countries between 1990 and 2002.

and the unmet demand for family planning, which has been repeatedly confirmed, underscore the need to step up population policy measures to meet this demand.¹²

Figure VIII.2
LATIN AMERICA AND THE CARIBBEAN (17 COUNTRIES): RATE OF REAL ANNUAL GDP GROWTH REQUIRED BETWEEN 2005 AND 2015 TO REACH THE EXTREME POVERTY REDUCTION TARGET WITH AND WITHOUT CHANGES IN INCOME DISTRIBUTION^a
(Annual growth rates)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of special tabulations of data from household surveys and official figures from the respective countries.

^a The Gini index was used as an indicator of the degree of concentration of income distribution.

^b Urban areas.

The third point is that, since the poorer countries have to achieve higher economic growth rates, they also have a more urgent need to adapt and strengthen their poverty reduction strategies in order to build the capacity of the poorest strata to contribute to national income through productivity gains. But the figures also show that some of the Latin American and Caribbean countries are mired in what is known as the “poverty trap”. This refers to the situation of very low-per-capita-income countries whose scant saving and investment capacity prevents them from attaining GDP growth high enough to sustain an expansion in productivity. The poverty trap is a vicious circle: high levels of poverty force most of the population to devote their entire income to consumption, with the result that domestic saving and investment capacity are very low, giving rise to sluggish economic growth, which perpetuates the high poverty levels that engendered the low growth in the first place.¹³ External resources, especially in the form of official development assistance, should therefore continue to provide crucial support to the public finances of lower per capita income countries in Latin America and the Caribbean, since these resources represent a substantial proportion of GDP and public spending on social sectors, as will be shown in this report.

¹² Both fertility and unmet demand for family planning are higher in poor population groups. This makes it harder for these groups to overcome poverty and fully exercise their reproductive rights. In some countries the disparities are so great that fertility in disadvantaged groups is three times the rate in affluent groups. High fertility continues to be a distinguishing feature of indigenous populations, regardless of the respective country’s stage of demographic transition. See ECLAC (2005a), chapter II.

¹³ This is one of the central arguments put forward by the United Nations Millennium Project, which cites evidence indicating that the vast majority of the countries in sub-Saharan Africa are caught in this trap and should therefore receive the bulk of international development assistance. This is essential for generating the minimum conditions needed to enable those countries to embark on a self-sustaining growth path. See United Nations Millennium Project (2004).

GOAL 2: ACHIEVE UNIVERSAL PRIMARY EDUCATION	
Target 3:	Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling
Indicator 6:	Net enrolment ratio in primary education
Latin America and the Caribbean	Rapid progress
Countries with low or medium-low levels of human development	On track to meet the target
Countries with medium levels of human development	Rapid progress
Countries with medium-high levels of human development	Rapid progress
Countries with high levels of human development	Insufficient progress
Caribbean	Insufficient progress
Indicator 7:	Primary completion rate among 15- to 19-year-olds ^a
Latin America and the Caribbean	Insufficient progress
Countries with low or medium-low levels of human development	Insufficient progress
Countries with medium levels of human development	Insufficient progress
Countries with medium-high levels of human development	Insufficient progress
Countries with high levels of human development	On track to meet the target
Caribbean	No comparable data
^a This is an alternative to the official indicator (proportion of pupils starting grade 1 who reach grade 5). See chapter III for a detailed description of this indicator and the information sources used.	

Latin America and the Caribbean—which had already achieved relatively high levels of primary education coverage by the early 1990s, with net enrolment rates (NERs) of over 90% in many countries—has continued to make rapid progress. These advances have been particularly significant in countries which have expanded their primary education coverage to over 95%. A number of Latin American countries recorded a drop in NERs between the start of the 1990s and the start of the current decade, however, and in some others the rate is still below 90%. Data available for the Caribbean indicate that insufficient progress has been made in this subregion, although most of the countries have high NERs (of over 95%) in primary education.¹⁴

Nevertheless, a review based on an indicator that more accurately reflects the extent to which this Millennium Development Goal is being achieved—the percentage of children who actually complete primary schooling—shows that progress has been insufficient and that the region as a whole is not on track to achieve universal primary education by 2015. In fact, if current trends continue, none of the Latin American and Caribbean countries for which information was available will meet the target in 2015,¹⁵ not even the ones that made slightly more headway than the rest, such as Bolivia and Mexico (see statistical annex). Unless the trends of the last decade improve, in 2015

¹⁴ The Caribbean countries' slow progress was largely attributable to lower NERs in the Bahamas and Trinidad and Tobago, according to data compiled by the UNESCO Institute for Statistics (UIS).

¹⁵ No data were available for Cuba, Haiti or the Caribbean countries and territories.

over 6% of the children in the region will not complete primary schooling, although this average masks large differences among the countries. In 10 of the 18 countries considered (Argentina, Bolivarian Republic of Venezuela, Chile, Colombia, Costa Rica, Ecuador,¹⁶ Mexico, Panama, Peru and Uruguay), this percentage will be less than or close to 5%; in four of them (Bolivia, Brazil, Dominican Republic and Paraguay), it will be between 7% and 12%; and in the other four (El Salvador, Guatemala, Honduras and Nicaragua), a very high percentage (18% to 31%) of children will not complete primary schooling.¹⁷

This point warrants attention, since regional surveys based on primary enrolment rates rather than completion rates imply that Latin America and the Caribbean is close to reaching the target and virtually free of the huge problems that arise when a large percentage of children (often over 10%) do not complete primary schooling. These problems are magnified by the fact that today, people need a much higher level of educational capital in order to obtain decent work and have a good chance of remaining above the poverty line throughout their working lives.

One of the main conclusions to be drawn from the above-mentioned figures is that the region will not be able to meet the second Millennium Development Goal unless efforts are made to lower the school dropout rate (which is higher for boys than for girls in many countries) by means of programmes that provide incentives and benefits to offset the opportunity cost represented by the loss of girls' and boys' contributions to household income. As ILO has pointed out, dropping out tends to occur when poor households need to supplement their income with the proceeds of child labour. The region, which has made significant progress in reducing child labour, must therefore persevere in its efforts to eradicate the worst forms of this phenomenon and ensure compliance with international standards in this area. This task is a formidable one, given that compliance with the relevant legal provisions is hard to monitor, oversight agencies are not always equipped to carry out their functions and violations are not always penalized owing to gaps in the relevant regulations.

Both ECLAC and the agencies of the United Nations system have stressed that the region urgently needs to achieve universal secondary education as soon as possible. To this end, the countries should create or strengthen conditional assistance programmes to improve retention rates in primary education and should extend these programmes to secondary education, especially lower secondary education, by increasing resource transfers to poor households, considering that the opportunity cost of keeping children in school increases as young people approach the end of secondary education.¹⁸

As noted in a subsequent section of this chapter, another reason why it is important to increase the number of children who complete primary schooling and to quickly expand the coverage of preschool education is that many of the more successful extreme poverty reduction programmes (in areas such as food and nutrition, well-child health care and income transfers to households) are delivered through schools themselves. Members of the most vulnerable population groups cannot benefit from these programmes, especially school feeding programmes, if they do not have access to preschool education or if they drop out of primary school. This is an example of how gradual progress towards one of the Millennium Development Goals, in this case the one concerning universal primary education, can help countries to achieve other Goals, such as the ones concerning nutrition and health.

¹⁶ The data for Ecuador refer to urban areas. If rural areas could be factored into the calculation, the country might be found to be further from the target.

¹⁷ These figures are taken from the statistical annex.

¹⁸ This is the premise of Mexico's *Oportunidades* programme, which provides for higher monetary transfers to families that keep their children in school at the lower secondary level. This conditional assistance programme provides for higher transfers for girls, since in rural areas they tend to drop out of school more frequently than boys in order to engage in paid work or unpaid household activities.

Box VIII.2

THE COST OF A SCHOOL FEEDING PROGRAMME IN PUBLIC PRIMARY EDUCATION

One way to combat hunger and poverty is through school feeding programmes. Food distribution programmes in schools build the population's educational capital by reducing dropout rates and absenteeism among underprivileged children. Many countries in the region have already launched initiatives of this kind, which vary in terms of programme offerings (nutritious breakfasts, lunches or both) and coverage of the school population. Available information shows that these programmes, when implemented continuously, have a major positive impact on schoolchildren's nutritional status, school performance and retention rates. These early interventions represent an investment in human capital that yields high returns, and their cost is relatively low in comparison to the benefits that they provide.

The table below illustrates the annual cost of school feeding programmes and the percentages of GDP that they represent in selected countries of the region. Chile's school feeding programme and its costs in 2004 were used as a reference in the calculations. This programme, which was started in the mid-1960s, currently covers over 90% of public primary school pupils. The estimate is based on the daily unit cost per pupil, which in Chile amounts to US\$ 0.65 (at 1995 prices). The unit cost in the other countries was calculated using the price ratios implicit in the dollar's purchasing power parity. In addition, the academic year was estimated at 220 days and start-up costs were estimated at 15% of the unit cost. In many countries whose rural populations are larger than that of Chile, the programme's administrative costs may be considerably higher.

As shown in the table below, the average annual cost, for the countries considered, of implementing a programme with these characteristics that covers all children enrolled in the public primary school system is estimated at US\$ 175 million in 2010. In most of the countries, this amount is close to or less than 1% of GDP. Haiti is the only country where the annual cost of the programme would be clearly higher (2%). As further progress is made towards achieving universal primary education, and assuming annual economic growth of 4.0% up to 2015, the programme's cost is likely to decline to less than 1% of GDP in most of the countries, the exceptions being Bolivia (1.2%), Haiti (1.7%) and Honduras (1.1%).

LATIN AMERICA AND THE CARIBBEAN (11 COUNTRIES): ESTIMATED COST OF SCHOOL FEEDING PROGRAMMES FOR PUBLIC PRIMARY SCHOOL PUPILS, TAKING INTO ACCOUNT ESTIMATED PROGRESS TOWARDS UNIVERSAL PRIMARY EDUCATION, 2006, 2010 AND 2015^{a b c}
(Millions of dollars at 1995 prices and percentages of GDP)

Country	2006		2010		2015		Primary education net enrolment rate	Percentage of public enrolment
	Millions of 1995 dollars	Percentages of GDP ^c	Millions of 1995 dollars	Percentages of GDP ^c	Millions of 1995 dollars	Percentages of GDP ^c		
Bolivia	155	1.6	169	1.5	185	1.2	84	91
Chile^b	176	0.2	179	0.1	187	0.1	89	55
Ecuador	239	0.9	240	0.7	239	0.6	99	77
El Salvador	94	0.7	102	0.7	109	0.6	81	87
Guatemala	228	1.1	257	1.0	291	0.9	84	87
Haiti	77	2.0	90	2.0	106	1.7	73	87
Honduras	86	1.5	91	1.4	98	1.1	88	87
Nicaragua	56	1.2	63	1.1	70	0.9	81	84
Paraguay	96	1.2	106	1.1	120	0.9	89	85
Peru	500	0.7	500	0.6	503	0.5	94	87
Dominican Republic	106	0.5	111	0.5	118	0.4	93	90

Source: Economic Commission for Latin America and the Caribbean (ECLAC), estimates based on information supplied by ECLAC/UNESCO, *Financing and management of education in Latin America and the Caribbean* (LC/G.2249(SES.30/14)), Santiago, Chile, June 2004.

^a Chile's school feeding programme and its costs were used as a reference for these calculations. The costs in the remaining countries were based on the purchasing power parity (PPP) equivalent for 1995 (see World Bank, World Development Indicators (WDI) [online], <http://www.worldbank.org/data/onlinedatabases/onlinedatabases.html>).

^b Assumes that the absolute level of enrolment in private schools will remain unchanged and that any increase in net enrolment rates among low-income pupils will occur in the public school system.

^c Projected GDP growth: 4.0% per year.

GOAL 3: PROMOTE GENDER EQUALITY AND EMPOWER WOMEN	
Target 4:	Eliminate gender disparity in primary and secondary education, preferably by 2005, and to all levels of education no later than 2015
Indicator 9:	Ratio of girls to boys in primary education ^a
Latin America and the Caribbean	Rapid progress
Countries with low or medium-low levels of human development	Rapid progress
Countries with medium levels of human development	Rapid progress
Countries with medium-high levels of human development	Rapid progress
Countries with high levels of human development	Rapid progress
Caribbean	Rapid progress
^a Progress is measured in terms of the ratio between girls' and boys' net attendance rates. Available information on levels of primary and secondary education shows that progress has been made with regard to gender equity, but challenges and disparities persist within countries, especially when the gender factor overlaps with other determinants of inequality (ethnic background, poverty status and area of residence). The other three indicators (10, 11 and 12) listed under Goal 3 are the ratio of literate women to men, the share of women in wage employment in the non-agricultural sector and the proportion of seats held by women in national parliaments, where progress is less evident.	

Unlike other developing regions, Latin America and the Caribbean does not show any significant lag with regard to gender equality in access to primary education. In fact, net enrolment rates by level suggest that the region as a whole has already met the target at all three levels of education and that coverage is higher for girls and young women than for boys and young men, especially in secondary and tertiary education.¹⁹ Even when progress is measured in terms of girls' and boys' completion rates at the three levels of education, all of the countries considered except Bolivia, Guatemala and Peru appear to have met the gender equity target. This does not mean that the region can afford to ignore persistent problems, some of which are discussed in chapter IV and are related specifically to the reasons for girls' higher attendance and retention rates in primary education.²⁰ It should be stressed that Latin America and the Caribbean has not achieved universal primary education. The fact that girls' coverage levels are higher points to the persistence of high dropout rates among boys. In several countries, girls have much higher primary completion rates than boys; the difference between girls' and boys' rates amounts to 21% in Nicaragua, 13% in Honduras, 12% in the Dominican Republic, 10% in Paraguay and about 6% in Brazil and the Bolivarian Republic of Venezuela.

Notwithstanding the major progress made in increasing girls' and young women's enrolment and completion rates at all three levels of education, gender-based inequalities persist in the region, since gender gaps in total and wage income continue to be wide. Although most of the countries reduced these gaps in the 1990s, women still earn 30% to 40% less than men in the labour market. Wage discrimination is more evident among workers with higher levels of education, in clear violation of the basic right to "equal pay for equal work".²¹ Policies in this area should be directed not only at enforcing

¹⁹ See chapter IV, figure IV.1, which identifies the countries that are exceptions in this respect.

²⁰ The factors in question include the fact that girls' activities are often more compatible with academic schedules than boys' activities, in part because of persistent differences in gender roles (which school textbooks and curricula themselves help to perpetuate), and the role of schools in providing protection against violence and a safer environment for girls.

²¹ The widest gender wage gaps are found among the most highly educated workers. Moreover, in the region these gaps have been accompanied by a rapid increase in women's participation in the workforce and by their concentration in precarious, poorly paid, low-productivity jobs. For further information, see chapter IV.

this right, which is widely recognized in the countries' labour laws, but also at creating conditions in which such discrimination cannot be based on objective situations —specifically, the fact that women are still expected to shoulder most of the burden of unpaid household work— that prevent or hinder women from realizing their full potential to engage in paid work.

As UNESCO has pointed out, support systems, such as day-care centres, make wage discrimination against female workers easier to eliminate. Moreover, in this public policy sphere there are clear synergies between different Millennium Development Goals. High-quality day-care and preschool programmes have the added advantage of providing an avenue for early interventions that help to equalize opportunities between girls and boys belonging to different social strata, thereby combating one of the vehicles for the intergenerational transmission of poverty.

With respect to parliamentary representation, several countries have made significant strides in raising the percentage of seats held by women in their national parliaments. According to the most recent report of the Secretary-General of the United Nations on the implementation of the Millennium Declaration (United Nations, 2004a), this percentage (which refers to unicameral legislatures and to the lower house of bicameral legislatures) increased from 9.2% in 1990 to 16.5% in 2005 in Latin America and the Caribbean. Meanwhile, the developed countries increased this percentage from 13.2% to 20.6%, and the subgroup consisting of the Nordic countries increased it from 33.9% to 39.7%.

The progress made in the region has been linked to the adoption of explicit affirmative-action measures, known as quota laws, in combination with systems of proportional representation.²² Experience shows that in order for quotas to have the desired effect, they must be well suited to the electoral system and enshrined in law, be well regulated and be actively enforced by the competent election authority. These three conditions have been met in Argentina, Costa Rica and Mexico, where women's participation has increased substantially. Nevertheless, this progress, albeit considerable, is still insufficient, as it has not resulted in legislative agendas that give higher priority to issues that are directly or indirectly related to the creation of conditions for eliminating all forms of gender inequality.

Lastly, as mentioned in chapter IV, the Millennium Declaration does not fully reflect the consensuses reached at international summits and conferences. In particular, it makes little or no direct reference to a number of crucial objectives for promoting gender equality and empowering women, such as the eradication of gender-based violence, the valuation of women's work and respect for their sexual and reproductive rights. At the same time, however, the Declaration points to the need to include gender considerations as part of a cross-cutting approach to development and underscores women's key role in achieving all the Millennium Development Goals. Accordingly, the assessment of progress is more complex in relation to this Goal than in relation to the other Goals.

²² Quota laws are in force in the following countries: Argentina and Costa Rica, where women account for more than 30% of parliamentarians; Bolivia, Dominican Republic, Ecuador, Mexico, Panama and Peru (between 15% and 25%); and Brazil and Paraguay (up to 10%). See chapter IV.

GOAL 4: REDUCE CHILD MORTALITY	
Target 5:	Reduce by two thirds, between 1990 and 2015, the under-five mortality rate
Indicator 13:	Under-five mortality rate
Latin America and the Caribbean	On track to meet the target
Countries with low or medium-low levels of human development	On track to meet the target
Countries with medium levels of human development	On track to meet the target
Countries with medium-high levels of human development	Rapid progress
Countries with high levels of human development	Rapid progress
Caribbean	No comparable data
Indicator 14:	Infant mortality rate
Latin America and the Caribbean	On track to meet the target
Countries with low or medium-low levels of human development	On track to meet the target
Countries with medium levels of human development	Rapid progress
Countries with medium-high levels of human development	On track to meet the target
Countries with high levels of human development	Rapid progress
Caribbean	On track to meet the target

Although the child mortality reduction target is quite a demanding one, since it calls for lowering child mortality rates to one third of their 1990 levels, the region has made strong gains in this area. Between 1990 and 2003, the under-five mortality rate declined from approximately 56 to 33 deaths per 1,000 live births, and the infant mortality rate (for children under one year of age), from 43 to 26 deaths per 1,000 live births (see statistical annex). Remarkable strides have been made, especially in countries with medium-high and high levels of human development and almost all the Latin American and Caribbean countries (except for Haiti and Paraguay) are, at the least, on track to meet the target. The Caribbean countries as a group are the ones that have made the least progress, although their infant and child mortality rates are currently low. Within the Caribbean, however, the progress made by the countries with the subregion's highest rates—Belize, Guyana, Saint Vincent and the Grenadines and Suriname—has been slower than it ought to have been in view of the time elapsed.

Within Latin America, the under-five mortality rate (the main indicator for monitoring progress towards target 5) declined by 37 points in the countries with low and medium low levels of human development, 29 points in the countries with medium levels of human development and 17 points in those with higher levels of human development. Although no 1990 child mortality figures were available for the Caribbean countries and territories, the trend in the infant mortality rate (a decrease from 22.4 to 16.2) implies that they also made headway, having started from lower rates than the Latin American countries, since under-five mortality tends to be concentrated in the infant population.²³

In general, the countries that had the highest mortality rates in 1990 have made significant progress, but the degree of progress towards the target have been greater in countries with lower rates. This fact should be taken into account in assessing the strenuous efforts made by the region's low-income countries to reduce their average under-five mortality rate, which fell from 97 to 60

²³ In 2003, the under-five mortality rate in the Caribbean was 21.8. Belize, Guyana, Saint Vincent and the Grenadines and Suriname have the subregion's highest rates, at over 30 deaths per 1,000 live births.

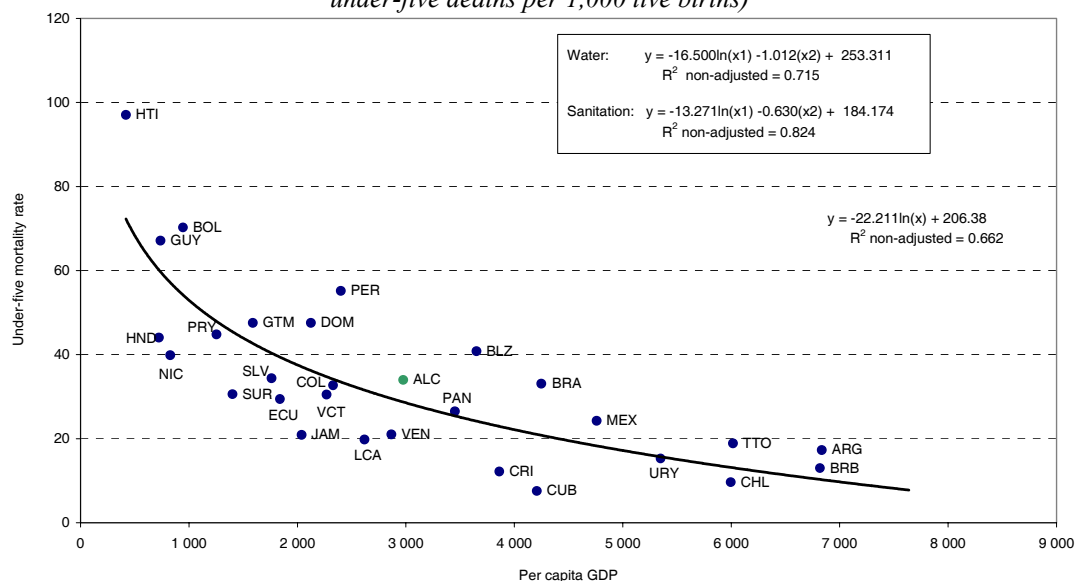
deaths per 1,000 live births.²⁴ Judging by the progress made over the last 13 years, these countries, with the exception of Haiti, are on track to meet the target. Nevertheless, their under-five mortality rates remain very high—in Bolivia, Guyana, Peru and Haiti they exceed 55 deaths per 1,000 live births—and will have to be reduced faster in the coming decade. This figure is alarming in relation to the rates posted in the rest of the region, considering that, in 19 of the 34 countries for which information was available, the rate is close to or lower than 25 per 1,000 (see statistical annex).

As mentioned earlier, the target of reducing the under-five mortality rate to one third of its 1990 level is an ambitious one, as shown by the length of time taken by the more developed countries to bring their rates below 20 deaths per 1,000 live births. For example, figure VIII.3 shows that in order to achieve the target, Honduras and Nicaragua (where per capita GDP is below US\$ 1,000) will have to reduce under-five mortality from an average of 70 to about 23 per 1,000, which is similar to the current rate in Mexico²⁵ (where per capita income exceeds US\$ 4,500). Figures VIII.3 and VIII.4, however, provide evidence that a low child mortality rate is not necessarily indicative of a relatively high income level, although there is a correlation between the two variables. Peru, whose per capita income is approximately US\$ 2,300, has an infant mortality rate of 33 per 1,000; this is more than double the rate in Jamaica (15 per 1,000), whose per capita income is approximately US\$ 2,000. In turn, Jamaica's rate is similar to Uruguay's, even though the latter country's per capita income approached US\$ 5,300 in 2003. These and other comparisons that can be made on the basis of these two figures²⁶ show that substantial progress can be made in this regard through the systematic use of actions that have an international track record of proven effectiveness (such as oral rehydration therapy, large-scale immunization programmes, periodic check-ups and primary health-care networks).

Figure VIII.3

RELATIONSHIP BETWEEN PER CAPITA GDP AND THE UNDER-FIVE MORTALITY RATE IN THE LATIN AMERICAN AND CARIBBEAN COUNTRIES

(Average per capita GDP, 2000-2004, in dollars at 1995 prices and number of under-five deaths per 1,000 live births)



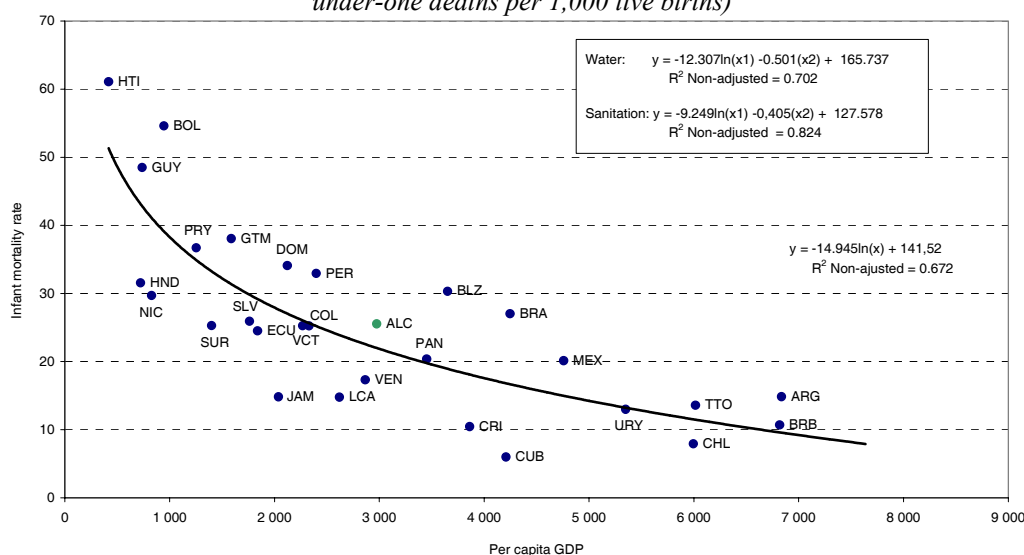
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from the United Nations Population Fund (UNFPA) and the United Nations Statistics Division.

²⁴ Infant and child mortality estimates depend on the quality of systems for recording births and child deaths and, therefore, on the coverage of health-care systems. The estimates used here are designed to correct the figures supplied by national registries, but the rates for the countries that are furthest behind are probably underestimated.

²⁵ The under-five mortality rate in Mexico was 24.3 per 1,000 in 2003.

²⁶ Brazil and Cuba are another pair of countries with similar per capita incomes but very different infant and child mortality rates.

Figure VIII.4
**RELATIONSHIP BETWEEN PER CAPITA GDP AND THE UNDER-ONE MORTALITY RATE
 IN THE LATIN AMERICAN AND CARIBBEAN COUNTRIES**
*(Average per capita GDP, 2000-2004, in dollars at 1995 prices and number of
 under-one deaths per 1,000 live births)*



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from the United Nations Population Fund (UNFPA) and the United Nations Statistics Division.

Thus, there is reason to hope that the countries that are currently lagging the furthest behind in the region will be able to reduce their 1990 levels of under-five mortality by 66%. By way of illustration, two countries that are on track to meet the target are Honduras and Nicaragua, which reduced under-five mortality from 69 to 44 per 1,000 and from 76 to 40 per 1,000, respectively, between 1990 and 2003. Greater progress will depend on countries' capacity to design policies and programmes that incorporate existing knowledge and experience and to adopt (and adapt, where necessary) the policies and measures applied by the countries that now boast the lowest rates in the region. In this regard, intraregional cooperation and support from United Nations agencies and organizations, particularly the Pan American Health Organization (PAHO), has been and will continue to be essential.

PAHO and the United Nations Children's Fund (UNICEF) have repeatedly pointed out that infant and child mortality are due to multiple factors that are not limited to variables directly related to health-care services and to the basic steps that should be taken by national health-care systems to lower mortality rates. On the contrary, this phenomenon stems from a host of factors that call for simultaneous action in various areas, although the experience of countries that have reduced infant and child mortality to very low levels indicates that lasting progress cannot be achieved without effective action in a basic subset of these factors, including timely maternal and child health care²⁷ (which also helps to ensure that births are registered), reproductive health measures (better birth spacing, steps to reduce unwanted teenage pregnancies, prenatal care for pregnant women, attendance of births by skilled personnel and promotion of breastfeeding, especially on an exclusive basis for the first six months of life), universal immunization coverage,²⁸ access to a safe, healthy diet and access to drinking water and basic sanitation. Such

²⁷ In this regard, instruments for the prediction and early detection of cases at risk of undernourishment and death are essential. It follows that the coverage of health-care systems should be expanded as a means of providing adequate care to particularly vulnerable groups, most of which are found in poor rural areas with large indigenous populations.

²⁸ For a description of the immunizations included in the PAHO/WHO Expanded Programme on Immunization (EPI) and of its targets and methods of implementation in the case of Colombia, see <http://www.col.ops-oms.org/Municipios/Cali/09Vacunacion.htm>. This

actions can be reinforced through initiatives for improving the population's levels of education and income, although the effects of these initiatives take longer to materialize.

Two further conclusions can be drawn from figure VIII.4. The first is that the countries whose mortality rates are higher than expected in view of their per capita income are also the largest ones and the ones that generally have more pronounced internal disparities and inequalities between different geographical areas, ethnic groups or income strata. The lowest rates (fewer than 15 under-one deaths per 1,000 live births) are found in countries whose per capita GDP is between US\$ 2,000 and US\$ 7,000. These countries are smaller in terms of both population and land area and have less unequal patterns of income distribution.²⁹ Thus, infant mortality is linked not only to the level of income, but also to inequality in income distribution and to the increase in extreme poverty that results from this situation. In other words, the countries with the highest mortality rates can achieve significant reductions by focusing their efforts and resources on the population sectors and geographical areas most in need of improvement and on the mortality risk factors in respect of which the greatest disparities are observed.

The second conclusion is that access to safe drinking water and appropriate sewage elimination systems is vitally important. As shown in figures VIII.3 and VIII.4, both infant and child mortality rates are significantly influenced by changes in the percentage of the population with access to drinking water and, especially, the percentage with access to sanitation services. Thus, infrastructure investment should be an essential component of policies for reducing morbidity and mortality, especially in rural areas, since the countries that are furthest behind are also the ones where the percentage of rural residents is highest.

GOAL 5: IMPROVE MATERNAL HEALTH	
Target 6:	Reduce by three quarters, between 1990 and 2015, the maternal mortality ratio
Indicator 16:	Maternal mortality ratio ^a
Latin America and the Caribbean	(87) ^b Little progress during the 1990s
Countries with low or medium-low levels of human development	(252)
Countries with medium levels of human development	(142)
Countries with medium-high levels of human development	(58)
Countries with high levels of human development	(62)
Caribbean	(113)
^a No information is available for assessing the degree of progress. ^b The figures in parentheses refer to each group's maternal mortality ratio, or the number of maternal deaths (i.e., pregnancy- or childbirth-related deaths) per 100,000 live births circa 2000. See chapter V.	

Latin America and the Caribbean has a lower maternal mortality ratio than other developing regions, but pregnancy- and childbirth-related deaths are still a serious public health problem in many of the countries.

programme currently consists of activities focusing on the six vaccine-preventable diseases identified in the Plan of Action adopted at the World Summit for Children to improve the health and well-being of the child population.

²⁹ The sole exception is Chile, whose income distribution reflects a relatively high level of inequality in comparison to the rest of the region.

No information is available for analysing changes in maternal mortality in the region over the past decade. The most recent available data and fragmentary information seem to indicate that it has remained at approximately 90 deaths per 100,000 live births. This is a great deal better than the ratio in other developing regions (440 per 100,000), but is still far from the ratio achieved in the most advanced countries (20 per 100,000).

Differences between countries are very pronounced. In the countries with low or medium-low levels of human development, the maternal mortality ratio ranges from 100 to 230 per 100,000 in all the countries in this group except Haiti, where the figure is close to 520 per 100,000. In the countries with medium or medium-high levels of human development, maternal mortality ranges from 45 to 185 per 100,000. The countries with higher levels of human development, in contrast, have ratios of 11 to 36 per 100,000, although Mexico is an exception with maternal mortality estimated at 80 deaths per 100,000 live births. The maternal mortality ratio in the Caribbean, at 113 per 100,000, exceeds the regional average of 87 per 100,000. Within this subregion, Guyana and Suriname have the highest ratios (133 and 153 per 100,000, respectively).

The relative stagnation of the ratio and of the absolute number of maternal deaths in Latin America and the Caribbean in the past decade is troubling, as it indicates that the region is not nearly on track to meet the target of reducing maternal mortality by three quarters by 2015. Evidently, the countries will have to redouble their efforts in order to approach this target.

The United Nations Population Fund (UNFPA) and the Latin American and Caribbean Demographic Centre (CELADE) - Population Division of ECLAC maintain that maternal mortality reflects the health status of women of childbearing age and that maternal health problems are manifested not only in mortality ratios, but also in high rates of morbidity and disability resulting from inadequate care during pregnancy and childbirth, as well as infertility and sexually transmitted diseases (STDs). Thus, maternal mortality and pregnancy- and childbirth-related diseases are closely linked to women's rights and poverty. One of the determinants of maternal morbidity and mortality is lack of access to quality health care, including contraception services.³⁰ This situation leads to deaths and health problems that could easily have been prevented with proper monitoring and care.

The specific causes of maternal mortality and the circumstances that give rise to those causes should be taken into account in designing and implementing programmes in the area of health and other relevant sectors. One of the factors most frequently associated with maternal morbidity and mortality is a low proportion of births attended by skilled personnel. Substantial improvements in this regard are needed in Bolivia, Colombia, Ecuador, Guatemala, Haiti, Nicaragua, Paraguay and Peru. In these countries, maternal mortality ratios are high in comparison to those in the rest of the region, and in several of them the proportion of births attended by skilled personnel is below 75%, which is far below the minimum of 90% set as a target for 2015.³¹ Proper care during pregnancy and childbirth helps to prevent complications and to ensure that women receive any necessary referrals to other services, including those in the areas of family planning and the treatment of STDs. Nevertheless, it should be stressed that the achievement of a given percentage of births attended by skilled personnel does not necessarily guarantee that maternal mortality ratios will decline, since maternal health and mortality also depend on the effectiveness and quality of health-care services and on other socio-economic and environmental factors.

Studies of successful experiences in reducing maternal and child mortality have identified some of the major factors that help to lower these indicators. The Latin American and Caribbean

³⁰ In most countries of the region, contraceptive prevalence rates range from 45% to 70%; in three of them (Bolivia, Guatemala and Haiti), the rates are much lower. Only Brazil, Colombia, Costa Rica, Cuba and Puerto Rico have rates of over 75%.

³¹ This target was set at the twenty-first special session of the General Assembly, held in 1999 for the purpose of conducting an overall review and appraisal of the implementation of the Programme of Action of the International Conference on Population and Development.

countries singled out for this purpose are Bolivia, Chile, Cuba and Honduras, which have made substantial progress, either in recent years (Bolivia and Honduras) or over the long term (Chile and Cuba).³² What all these experiences had in common was a decision to give high political priority to the problem. This translated into a set of actions and measures aimed at strengthening the relevant health-care services. Other decisive factors have been the continuity of these actions over time, the ongoing evaluation of policies and their impact and the promotion of community participation.

GOAL 6: COMBAT HIV/AIDS, MALARIA AND OTHER DISEASES ^a	
Target 7:	Have halted by 2015 and begun to reverse the spread of HIV/AIDS
Indicator 18:	Percentage of the population aged 15-49 living with HIV/AIDS
Indicator 19:	Condom use as a percentage of the contraceptive prevalence rate
Indicator 20:	Ratio of school attendance of orphans to school attendance of non-orphans aged 10-14
Target 8:	Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases
Indicator 21:	Prevalence of and deaths associated with malaria
Indicator 22:	Population in malaria-risk areas using effective malaria prevention and treatment measures (a) Prevention: children under 5 who sleep under insecticide-treated bed nets (b) Treatment: children under 5 with fever who are appropriately treated
Indicator 23:	Prevalence and death rates associated with tuberculosis
Indicator 24:	Proportion of tuberculosis cases detected and cured under directly observed treatment short course (DOTS)
^a Only indicators on HIV/AIDS, malaria and tuberculosis are included.	

It is estimated that in 2004, 2.4 million people in Latin America and the Caribbean were living with HIV/AIDS. Between 2002 and 2004, this number increased by 200,000. The prevalence of HIV/AIDS in the adult population is higher in the Caribbean than in any other region in the world except sub-Saharan Africa. Haiti has the region's highest rate (5.6%), followed by four other countries with rates above 2% (Trinidad and Tobago, Bahamas, Guyana and Belize). HIV/AIDS has already had an impact on life expectancy in these countries and has caused them to lose ground with respect to the gains they had made prior to the outbreak of the epidemic. Owing to the size of its population, Brazil accounts for nearly 28% of all HIV/AIDS cases in the region, even though the prevalence of the disease in that country is only 0.7%.

While contagion due to intravenous drug use continues to be high in Brazil, Uruguay and Argentina, the main mode of transmission in Central America and the Caribbean is sexual contact between men. However, there has been a shift in the pattern of contagion of the virus, as more and more women have been infected in all the countries of the region and have come to represent a higher proportion of the total; this, in turn, has led to an increase in perinatal transmission. Moreover, the epidemic is spreading among young people and adolescents. This compounds the problem because young people generally have limited access to sex education and sexual and reproductive health services, and in many countries there are obstacles to the organization of high-impact prevention campaigns.

³² Bolivia's universal maternal and child insurance scheme guarantees the provision of key services and interventions, including care for complications during pregnancy. In Chile, the establishment of a national health service was of decisive importance, as this system offers a wide range of services to protect the health of mothers and children, a family planning programme to reduce maternal mortality caused by abortion complications and a national supplementary feeding programme to improve the nutritional status of pregnant women and children up to the age of 6. Cuba has developed obstetric and child care networks at the community level, in which the empowerment of women has played a central role. Honduras has significantly boosted its public health expenditure, strengthened the availability of essential obstetric care services and improved the system of referring cases of obstetric complications arising during home births and high-risk cases to skilled personnel.

Gender inequity also contributes to the spread of the disease. Women are particularly vulnerable in a culture that prevents them from taking independent, informed decisions on sexual and reproductive matters. Condom use is still limited in most of the countries, and this increases the likelihood of infection if men continue to engage in high-risk behaviour and women do not have the option of taking preventive or protective measures to avoid infection.

Brazil is the only country in the region that has clearly managed to contain the epidemic (see box VIII.3). Its experience demonstrates that strategies in this area cannot be effective unless they are comprehensive and aimed at boosting not only prevention efforts, but also initiatives to provide treatment to those infected with the virus and to protect their rights. The epidemic should be approached as a top public health priority. In particular, this means that the different aspects of sexuality should be discussed openly. As regards prevention, the countries should take drastic measures that focus on raising awareness of the concrete risks of HIV/AIDS infection.

Box VIII.3

BRAZIL: A WORKABLE STRATEGY FOR CURBING THE SPREAD OF HIV/AIDS

In Brazil, the HIV/AIDS epidemic has shown clear signs of stabilizing over the past six years.^a This achievement may be attributed to the entire society's commitment to a proactive, aggressive agenda based on a strategy that encompasses prevention (strategies and campaigns to address risk factors), treatment (universal and free of charge) and the promotion of the human rights of people living with the virus. In terms of treatment, the country's negotiation of an agreement by pharmaceutical companies to provide a 40% to 60% discount on the price of antiretroviral drugs represented a major victory. A crucial element in these negotiations was the country's capacity to produce many of the components of the antiretroviral drug "cocktail" (IDB, 2004). Currently, 100% of the people who need these drugs receive them free of charge.

To achieve the goal of halting the spread of the epidemic, the country adopted a strategic plan for 2004-2007 under its national STD/AIDS programme. The plan is geared to reducing the incidence of HIV/AIDS and other STDs, protecting human rights and broadening the population's access to professional care networks. The strategies for meeting these objectives are:

- Guaranteeing universal access to antiretroviral drugs;
- Expanding access to services for the diagnosis of infection with HIV and other STDs;
- Expanding access to appropriate diagnostic and treatment services for pregnant women and for children who may have been exposed to the virus;
- Promoting sexual and reproductive health and encouraging people in different situations of vulnerability and different stages of the life cycle to adhere to the principles of safe sex.

Source: Brazil, Office of the President of the Republic, *Desenvolvimento do Milênio: relatório nacional de acompanhamento*, Brasília, September 2004.

^a Statement made by Mr. Paulo Roberto Texeira, STD/AIDS State Programme, São Paulo, Brazil, at the thirty-eighth session of the United Nations Commission on Population and Development, New York, 4-8 April 2005.

With respect to malaria, 21 of the 35 countries and territories members of the Pan American Health Organization/World Health Organization (PAHO/WHO) report that they have areas of active transmission of this disease. The countries that have reported the highest absolute number of malaria cases are Brazil and the Andean countries (accounting for over 80% of the 715,000 cases reported to PAHO in 2003), although the highest risk of transmission occurs in the subregion consisting of French Guiana, Guyana and Suriname. While numerous attempts have been made to attenuate the problem with anti-malarial drugs, such drugs are expensive to produce and the malaria parasite quickly develops a resistance to them.

In 2002 there were an estimated 370,000 new cases of tuberculosis in Latin America and the Caribbean, of which 200,000 were contagious; the disease claimed over 150 lives per day that year. In 1994 the DOTS strategy³³ was launched in the region. This is a highly effective, low-cost treatment that enables health workers to detect and cure cases of tuberculosis. It is estimated that, in

³³ Directly observed treatment short course.

2003, 76% of patients with contagious tuberculosis were diagnosed and 81% of them were cured. Between 1995 and the present, this strategy has been used to treat 17 million people.

Lastly, it should be noted that other infectious diseases, including gastrointestinal and pulmonary illnesses, continue to cause health ravages, especially among children. Although they are not specifically referred to in the Millennium Development Goals, such diseases should be tackled through cross-sectoral initiatives involving education, prevention, well-equipped health-care centres and workers, expansion of basic services (water and sanitation) and improvements in indoor and outdoor air quality.

GOAL 7: ENSURE ENVIRONMENTAL SUSTAINABILITY	
Target 9:	Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources
Indicator 25:	Proportion of land area covered by forest
Latin America and the Caribbean (33 countries):	Progress in 2 countries, no change in 7 countries and setbacks in 24 countries
Indicator 26:	Area protected to maintain biological diversity
	Available information is insufficient for assessing progress in terms of indicator 26
Indicator 27:	Energy use (in kg oil equivalent) per US\$ 1 gross domestic product (GDP) (purchasing power parity (PPP))
Latin America and the Caribbean (20 countries):	Progress in 8 countries, setbacks in 12 countries
Indicator 28:	Carbon dioxide emissions (per capita) and consumption of ozone-depleting chlorofluorocarbons (ODP tons)
	Carbon dioxide emissions per capita
Latin America and the Caribbean (33 countries):	Progress in 4 countries, no change in 1 country and setbacks in 28 countries
	Consumption of ozone-depleting CFCs
Latin America and the Caribbean (31 countries):	Progress in 21 countries, no change in 3 countries and setbacks in 7 countries
Indicator 29:	Proportion of population using solid fuels
Latin America and the Caribbean (21 countries):	Progress in 13 countries, no change in 3 countries and setbacks in 5 countries

Most of the indicators relating to Goal 7 show considerable environmental degradation in the natural and built environments, meaning that the region is unlikely to meet the relevant targets. Of particular concern are phenomena such as the loss of forests and of biodiversity, air pollution and the growth of slums in urban areas. On a more positive note, significant progress has been made in expanding the coverage of drinking water services in the region, although the same cannot be said of sanitation services.

Indicators are urgently needed for measuring the integration of environmental criteria into country policies and programmes, in the interest of developing more effective instruments to support sustainable development. Analyses of the current situation in selected countries of the region³⁴ show that only two (Chile and Mexico) allocate more than 1% of GDP to environmental spending. Chapter VI outlines some proposed indicators for monitoring progress towards the target of integrating environmental criteria into sectoral plans and programmes, such as public and private environmental spending, taxation based on environmental criteria, the application of economic instruments and changes in legal and institutional frameworks.

³⁴ Argentina, Brazil, Chile, Colombia, Costa Rica, Mexico, Peru and Trinidad and Tobago.

The loss of natural resources is unlikely to be reversed; deforestation, for example, has increased by 2.4% in the region and has had a number of consequences, including land degradation and losses of habitats and biodiversity. Protected natural areas are of particular importance in megadiverse countries (i.e., those with a high degree of biodiversity) such as Brazil, Colombia, Mexico and Peru and in countries that are centres of origin of economically valuable species such as corn, cotton and potatoes. These countries should make greater efforts to protect 10% of their territory, as recommended at the World Summit on Sustainable Development, held in Johannesburg. The region has not taken effective steps to bring down its energy intensity; its energy use (expressed in kilograms of oil equivalent) per US\$ 1,000 of gross domestic product (GDP) went from 2.8 in 1990 to 2.7 in 2000. Carbon dioxide emissions remain closely linked to economic activity and, in some countries (especially the smallest ones), per capita emissions are increasing in direct proportion with deforestation. It is therefore important for the region to give higher priority to reforestation in the context of the market mechanisms provided for in the Kyoto Protocol to mitigate climate change. The Latin American and Caribbean region's share of global carbon dioxide emissions is still extremely small, at 2.6 tons per person, compared to 11.2 tons in developed countries. The countries' implementation of the Montreal Protocol on Substances that Deplete the Ozone Layer has improved the overall situation in this regard, except in countries such as Argentina and the Dominican Republic. The use of solid fuels in the region has declined by about 16% since 1990.

Accordingly, it is important for the region to integrate environmental aspects into sectoral policies and to take territorial considerations into account in policy approaches (for river basin management, for instance). The region also needs to develop markets for the local and global environmental services provided by its ecosystems, to expand their role beyond that of supplying raw materials. In terms of energy, the region has clear opportunities to increase its energy efficiency, generate more energy from renewable sources and participate in the greenhouse gas emissions market. As of 2003, a total of 46 emission reduction projects had been implemented, resulting in a reduction of 55 million tons of carbon dioxide, although this figure has probably increased considerably since the entry into force of the Kyoto Protocol in 2004 and the creation of a European emissions market.

GOAL 7: ENSURE ENVIRONMENTAL SUSTAINABILITY		
Target 10:	Halve, by 2015, the proportion of people without sustainable access to safe drinking water and basic sanitation	
Indicator 30:	Proportion of population with sustainable access to an improved water source, urban and rural	
	Urban areas	Rural areas
Latin America and the Caribbean	Rapid progress	On track to meet the target
Less developed countries	Rapid progress	Rapid progress
Countries with intermediate levels of development	Rapid progress	On track to meet the target
More developed countries	Insufficient progress	On track to meet the target
Caribbean	Insufficient progress	Insufficient progress
Indicator 31:	Proportion of population with access to improved sanitation, urban and rural	
	Urban areas	Rural areas
Latin America and the Caribbean	Insufficient progress	Insufficient progress
Less developed countries	Rapid progress	On track to meet the target
Countries with intermediate levels of development	Insufficient progress	Insufficient progress
More developed countries	Rapid progress	On track to meet the target
Caribbean	Rapid progress	Insufficient progress

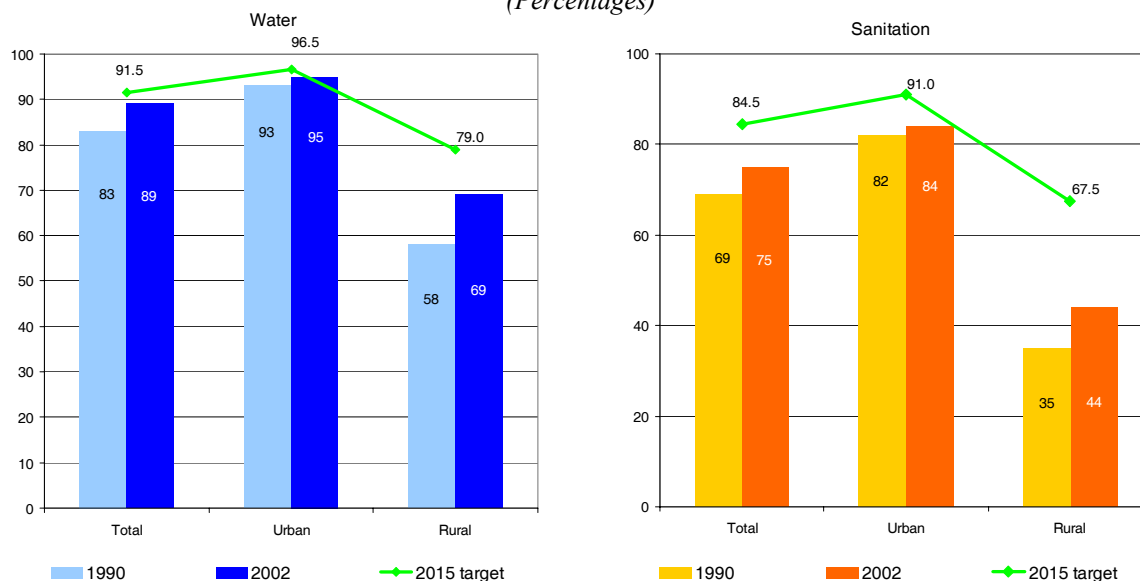
Most of the Latin American and Caribbean countries are well positioned to meet the target for expanding the coverage of drinking water services in urban areas. Some countries are even ahead of the target and, for most, the maintenance, between 2005 and 2015, of annual rates of expansion of coverage similar to the ones seen in the 1990s will probably be sufficient to meet the target. Although Brazil, Bolivia and Haiti are very close to meeting the target, their coverage levels are relatively low compared to those of many other countries in the region, where these levels exceed 95%. Other countries where coverage falls below this level are El Salvador, Peru, Nicaragua and Trinidad and Tobago. The target for drinking water coverage in rural areas has already been reached by Barbados, Dominican Republic, Ecuador, Guatemala, Saint Kitts and Nevis and Saint Lucia. The other countries have made progress since 1990, although some, such as Brazil, Chile and Haiti, are still more than 10% below the target.

With respect to sanitation services, however, the outlook is less promising and varies more widely from one country to another. In 2002, sanitation coverage was 84% in urban areas and 44% in rural areas. Progress over the past decade has been much slower than it would have been if efforts had been sustained throughout this period (see summary table). Coverage increased by only 27% in rural areas and 35% in urban areas; both percentages are lower than the figures needed to put the region on track to meet the target. The Caribbean countries have virtually met the urban sanitation target, and all the countries have made progress in the past decade. The situation in Bolivia, Brazil, Dominican Republic, El Salvador, Guatemala, Haiti and Peru is worrisome, as these countries must increase coverage by about 10 percentage points in order to meet the target. Coverage is particularly low (under 60%) in Bolivia and Haiti. Except in the Caribbean countries, the coverage target in rural areas seems unlikely to be met, especially in Bolivia, Brazil, Dominican Republic, El Salvador, Haiti, Mexico and Peru, which will have to increase coverage by about 30 percentage points or more in order to meet the target, as they currently have rural sanitation coverage of about 40%. Particularly troubling is the situation in Brazil and Mexico, which have large numbers of inhabitants with no sanitation coverage, and in Bolivia and Haiti, where more than three fourths of the population have no access to sanitation services.

The information presented in chapter VI, which is summarized in figure VIII.5, shows that the region needs to increase the coverage of drinking water services by 2.5 percentage points in order to meet the target, with required increases of 1.5 points in urban areas and 10 points in rural areas. To meet the sanitation target, service coverage needs to rise by 9.5 points: 7 points in urban areas and 23.5 points in rural areas.

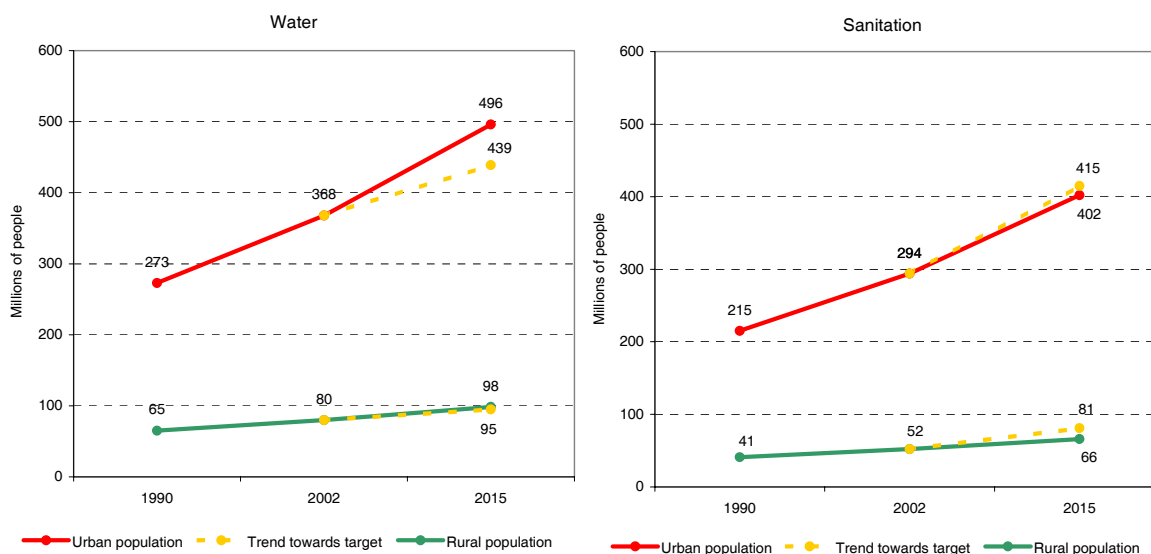
Figure VIII.6 shows that, although the region will exceed the target for drinking water coverage in both urban and rural areas, it will not reach the sanitation target, according to ECLAC projections. In figure VIII.6, water and sanitation coverage percentages have been converted into the equivalent population figures. Thus, the lines indicating projections refer to the number of people expected to have access to such services, in comparison to the number who would have such access if the target were to be met.

Figure VIII.5
LATIN AMERICA AND THE CARIBBEAN: POPULATION WITH ACCESS TO DRINKING WATER AND SANITATION
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), Database on Social Statistics and Indicators (BADEINSO).

Figure VIII.6
LATIN AMERICA AND THE CARIBBEAN: OBSERVED AND PROJECTED WATER AND SANITATION COVERAGE
(Millions of people)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), estimates on the basis of United Nations, Millennium Indicators Database [online], http://millenniumindicators.un.org/unsd/mi/mi_goals.asp.

According to these data, coverage would have to be extended to an additional 121 million people in urban areas and 29 million in rural areas to meet the sanitation target in the next decade. This would clearly require the region to step up its investment. According to ECLAC (2004b, chapter IV), the region needs to invest a further 0.28% of its GDP between 2000 and 2010. As pointed out in an Inter-American Development Bank report on the Millennium Development Goals (IDB, 2004), meeting the water and sanitation targets is an important challenge because of their direct implications for the achievement of other health-related Millennium Development Goals (reducing infant and under-five mortality and improving living conditions in slums, for example).

Proposals in the area of water and sanitation include the establishment of updated regulatory frameworks, oversight measures, direct subsidies for the poorest households, appropriate contracts in cases where these services are privatized and small-scale loans and microcredit for slum-dwellers to enable them to expand the infrastructure themselves, where feasible.

GOAL 7: ENSURE ENVIRONMENTAL SUSTAINABILITY	
Target 11:	By 2020, to have achieved a significant improvement in the lives of at least 100 million slum-dwellers
Indicator 32:	Proportion of households with access to secure tenure ^a
Latin America and the Caribbean (16 countries):	Progress in 8 countries, no change in 2 countries and setbacks in 6 countries
^a The United Nations Human Settlements Programme (UN-Habitat) decided to include four more dimensions: access to safe water in slums, access to basic sanitation in slums, durability of housing and sufficient living area.	

The target is to improve the lives of 100 million slum-dwellers. Since this refers to the number of slum-dwellers to be benefited worldwide between 1990 and 2020, the implicit “regional target” is to achieve a significant improvement in the lives of a proportional number of slum-dwellers in the region,³⁶ or “only” 13.8 million people. This figure accounts for less than 11% of the people who were living in slums in the region in 1990.

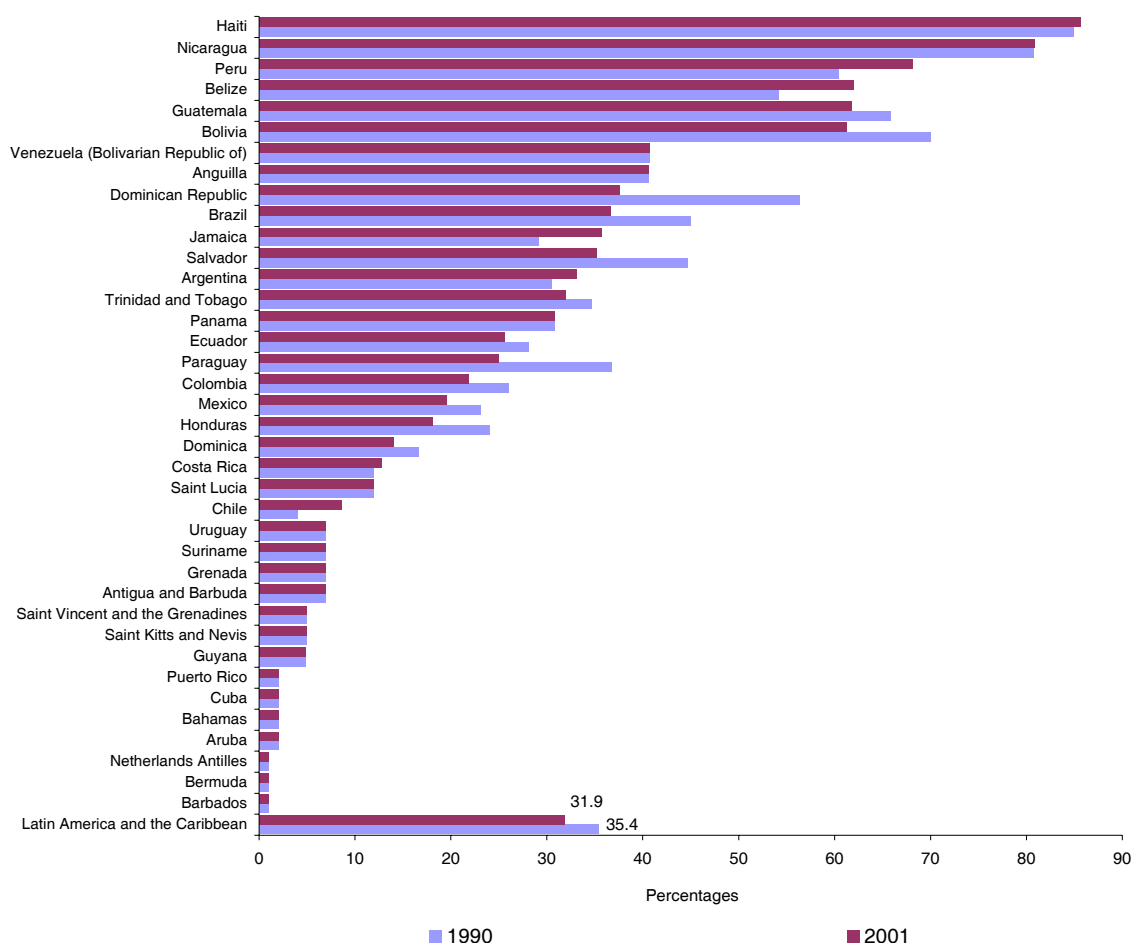
It was agreed that improvements in this regard should be measured according to the change in the proportion of households with secure tenure. Subsequently, four more dimensions were added: durability of housing, sufficient living area, access to safe water and access to basic sanitation.³⁷

The target (defined in absolute terms) and the indicators pertaining to it (defined as percentage variations) suggest two possible ways of monitoring progress. The percentage of slum-dwellers out of the total urban population declined from 35.4% to 31.9% between 1990 and 2001 (see figure VIII.7). Over the same period, the urban population increased by about 79 million. This reveals that the number of slum-dwellers rose from about 111 million to about 127 million. In other words, the decrease in terms of percentages coincided with an increase in absolute terms, indicating that the rate at which slums are being improved is too slow to reduce the total number of slum-dwellers.

³⁶ According to 2001 data from UN-Habitat, of the approximately 940 million slum-dwellers worldwide, 128 million, or 13%, lived in Latin America.

³⁷ Water and sanitation indicators in urban areas were analysed above. In view of the difficulties inherent in the calculation of statistics on sufficient living area, access to secure tenure and durability of housing will be analysed here. It should be borne in mind that these dimensions refer to households or dwellings, not to the total population, and that they cover all households, not just the ones defined as slum households. This means that progress towards the target can only be monitored by inference.

Figure VIII.7
**LATIN AMERICA AND THE CARIBBEAN: PROPORTION OF SLUM-DWELLERS,
 1990 AND 2001**
(Percentages)



Source: United Nations Human Settlements Programme (UN-Habitat), Human Settlements Statistical Database, version 4 (HSDB4-99).

This target is particularly important for countries (such as Belize, Bolivia, Guatemala, Haiti, Nicaragua and Peru) where more than 50% of the urban population lives in slums. Further efforts are also needed in countries (such as Argentina, Bolivarian Republic of Venezuela and Brazil) with large populations and high urbanization and urban poverty rates, since more than 25% of these countries' urban populations live in slums.

The number of households without secure tenure has been reduced by about 22 million, or 3%, in the region. Because this figure includes both slum households and other households, it is difficult to determine whether the target has been met, although it may be expected that much of this reduction took place among slum households.

Improving quality of life for such households is an increasing challenge, as slum populations continue to grow. In some countries, they have even grown in relative terms; i.e., faster than the rest of the urban population.

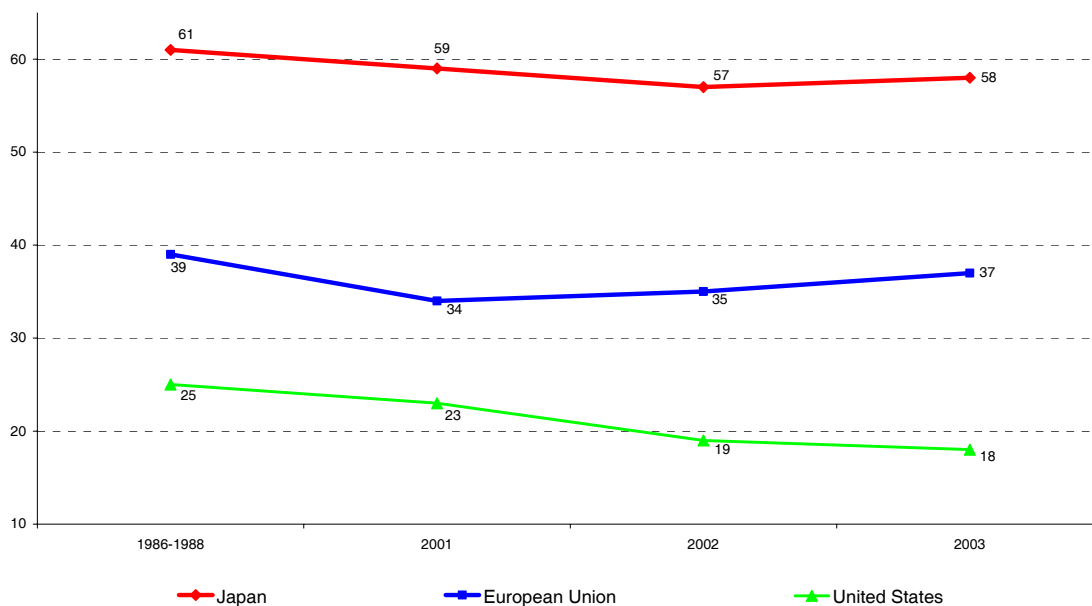
Proposals for upgrading slums include measures to obtain specific information on these areas (which cannot currently be distinguished in statistics) and to integrate slums into the rest of the city and anticipate their growth. Such measures involve recognizing intermediate forms of tenure, introducing more flexible technical standards in relation to these households and expanding the supply of urban land through land banks and measures to discourage practices designed to keep the density of urban land use low, in addition to micro-financing and subsidy schemes to increase formal demand. In terms of the target itself, a more appropriate aim for Latin America and the Caribbean would be to achieve both absolute and relative reductions in substandard living conditions in the region's cities.

GOAL 8: DEVELOP A GLOBAL PARTNERSHIP FOR DEVELOPMENT	
Market access	
Target 12:	Develop further an open, rule-based, predictable, non-discriminatory trading and financial system (includes a commitment to good governance, development and poverty reduction - both nationally and internationally)
Indicator 38:	Proportion of total developed country imports (by value and excluding arms) from developing countries and least developed countries, admitted free of duty
Indicator 39:	Average tariffs imposed by developed countries on agricultural products and textiles and clothing from developing countries
Indicator 40:	Agricultural support estimate for OECD countries as a percentage of their gross domestic product
Indicator 41:	Proportion of ODA provided to help build trade capacity

After several rounds of GATT and WTO negotiations, the developing countries have a growing sense of scepticism and discontent with regard to their real chances of obtaining easier access for their products to developed-country markets. As pointed out in chapter VII, Latin American and Caribbean exports to more developed countries come up against many types of obstacles, whose impact is not adequately measured by indicators 38 to 41, which are designed to monitor market access. Tariff escalation is particularly problematic for Latin America and the Caribbean, as it discriminates against the incorporation of value added through the manufacture of raw materials, especially agricultural ones. The region's exporters also face a complex web of non-tariff measures that increase the effective level of protection far beyond the level reflected by ad valorem tariff rates. Thus, indicators that consider only those imports admitted free of duty, while ignoring those that fail to enter because of various types of barriers, do not adequately reflect the level of protection in the developed world.

The developed countries not only have shown no clear sign of meeting their commitment to reduce domestic assistance; as explained in chapter VII, they have even expanded such assistance in respect of certain products that are of special interest to the region, particularly in the case of the European Union and Japan. Figure VIII.8 shows assistance to agricultural producers as a percentage of their gross income, without taking into account the effects of the Farm Security and Rural Investment Act, which was adopted by the United States in 2002.

Figure VIII.8
AGRICULTURAL ASSISTANCE IN RELATION TO GROSS FARM INCOME
 (Percentages)



Source: Organisation for Economic Co-operation and Development (OECD), *Agricultural Policies in OECD Countries at a Glance*, Paris, 2004.

From the standpoint of the region and developing countries in general, progress is needed in reducing agricultural subsidies in developed countries, eliminating tariff peaks and dismantling the cumbersome system of protection measures of various types. It is also vital to achieve a reasonable agreement on non-trade concerns that will provide legal security in international trade and spell out clear rules for exporting countries on the requirements they must meet in order to gain access to developed-country markets.

At the same time, the developing countries should emphasize that any new multilateral agreements should respect the progress already made in securing recognition of their need to quicken the pace of their development. This recognition should take the form of special and differential treatment, meaning that market access concessions should not necessarily be reciprocal and that developing countries' policies with respect to their own production sectors should retain some degree of flexibility and discretionality.

In sum, just as the poorest countries in the region cannot achieve the Millennium Development Goals without official development assistance, the entire developing world cannot achieve the sustainable progress it needs to overcome its current high levels of poverty unless the Doha Round is brought to a successful conclusion. According to the World Bank (2001), the complete removal of the barriers imposed by developed countries would provide developing countries with extra earnings of some US\$ 75 billion per year, including US\$ 31 billion from the resulting increase in agricultural trade. More recently, Cline (2004) estimated that the removal of such barriers would increase the developing countries' annual income by about US\$ 100 billion, mainly as a result of the liberalization of agricultural and textile trade.

GOAL 8: DEVELOP A GLOBAL PARTNERSHIP FOR DEVELOPMENT	
Development assistance and debt sustainability	
Target 13:	Address the special needs of the least developed countries (includes tariff- and quota-free access for least developed countries' exports; enhanced programme of debt relief for heavily indebted poor countries and cancellation of official bilateral debt; and more generous ODA for countries committed to poverty reduction)
Indicator 33:	Net ODA to all developing and least developed countries
Indicator 34:	Proportion of bilateral, sector-allocable ODA of OECD/DAC donors allocated to basic social services (basic education, primary health care, nutrition, safe water and sanitation)
Indicator 35:	Proportion of bilateral official development assistance of OECD/DAC donors that is untied
Target 14:	Address the special needs of landlocked countries and small island developing States (through the Programme of Action for the Sustainable Development of Small Island Developing States and the outcome of the twenty-second special session of the General Assembly)
Indicator 36:	ODA received in landlocked developing countries as a proportion of their gross national incomes
Indicator 37:	ODA received in small island developing States as a proportion of their gross national incomes
Target 15:	Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term
Indicator 42:	Total number of countries that have reached their HIPC decision points and number that have reached their HIPC completion points
Indicator 43:	Debt relief committed under HIPC Initiative
Indicator 44:	Debt service as a percentage of exports of goods and services

Latin America and the Caribbean is a region that continues to be marked by high levels of indebtedness and heavy dependence on external financing (which has been volatile) and on the prices of the raw materials it exports. Furthermore, it is highly vulnerable to natural disasters, which have repeatedly disrupted the development process in many countries.

The region's high level of external debt is a problematic structural factor that undermines its chances of embarking on a sustainable development path. The fact that the cost of the debt is prone to fluctuation is a major source of vulnerability for the region, since it heightens investment risk, making financial resources harder to attract. The burden of debt service on the public purse (about 2.8% of GDP in 2003)³⁸ seriously impairs these countries' capacity to carry out social policies.

These difficulties are not fully reflected in indicator 44, which measures countries' capacity to pay in foreign currency rather than the true cost of debt service in terms of the public-sector resources that must be diverted from other priorities or the magnitude of the countries' difficulties in financing policies geared to achieving the Millennium Development Goals. Although the region's total debt service dropped back to 29% in 2003 thanks to an expansion in exports, its debt stock increased steadily throughout the 1990s, from under US\$ 500 billion to over US\$ 750 billion in 2003, while its debt-to-GDP ratio rose to 49.6% (and to an average of over 50% in the Caribbean countries). Although the region's countries continue to make strenuous efforts to put their public accounts in order, it cannot be denied that the resources they spend on debt service seriously limit their capacity to implement social policies aimed at reducing poverty.

³⁸ Refers to public debt in 2003.

The Heavily Indebted Poor Countries (HIPC) Initiative represents an important means of enabling less developed countries to attain financial stability and implement their national sustainable development strategies. In the Latin American and Caribbean region, Bolivia, Guyana, Nicaragua and Honduras have been declared eligible for debt relief under the Initiative, in that they have reached the completion point. In 2004, these four countries were therefore granted debt service relief of 25%, 183%, 101% and 12% of their GDP, respectively. Apart from the need to improve the approach and the scope of the Initiative, the situation of the many low- and middle-income countries in the region that are heavily indebted but do not qualify for debt relief calls for further efforts to implement and enhance the Initiative to help these countries to make their debt truly sustainable and, hence, compatible with the achievement of the Millennium Development Goals. Moreover, internationally agreed mechanisms should be developed to prevent financial crises from recurring in the future, and innovative sources of financing for development (such as those proposed in the joint statement issued in Brasilia on 11 February 2005 by Brazil, Chile, France, Germany and Spain) should be designed and adopted. The measures currently being explored include taxes on financial transactions, the arms trade and tax havens; the establishment of an international financial facility; the issuance of special drawing rights (SDRs) to finance development; measures to reduce tax evasion; voluntary contributions through credit cards; measures to enhance the benefits of remittance flows; and socially responsible private-sector investment through the creation of ethical funds, among other modalities.

Foreign investment has been the largest component of the financial flows received by the region in the past decade. The economic benefits of foreign direct investment (FDI) are not, however, generated in the short term, and some countries (often the poorest and smallest ones) do not receive all the resources they need. Thus, official development assistance (ODA) plays a crucial complementary role, since it is essential for sustaining public-sector development programmes until the benefits of private investment have fully materialized and for supporting the neediest countries that lack sufficient access to this form of financing.

Together with emigrants' remittances (estimated at US\$ 45.8 billion in 2004, or over 2% of regional GDP), ODA has become one of the most stable and least procyclical resource flows received by the poorest countries and areas. Moreover, ODA is available even when political or economic difficulties arise or when natural disasters strike. Although tied or partially untied ODA has gradually declined as a proportion of the total, ODA flows to the region have tended to dwindle (see table VIII.1) and now account for only 8% of the total. This trend can also be observed in the assistance provided to the groups of countries considered priorities in terms of the Millennium Development Goals. Despite a minor turnaround in 2002, only the landlocked developing countries have slightly higher figures than in 1990, owing mainly to the proportion received by Bolivia.

Table VIII.1
LATIN AMERICA AND THE CARIBBEAN: TOTAL OFFICIAL DEVELOPMENT ASSISTANCE (ODA) IN PRIORITY AREAS
(Percentages of regional GNI)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Landlocked developing countries	6.04	5.79	6.49	5.56	4.83	5.50	5.42	4.66	4.17	4.08	3.50	5.43	5.62	7.21
Heavily indebted poor countries	17.14	18.96	17.45	12.50	12.82	13.72	15.41	10.44	9.44	12.21	8.68	13.19	9.14	11.77
Small island developing States ^a	3.94	3.12	2.67	2.36	3.64	4.36	3.07	2.79	2.46	1.94	1.48	1.28	1.35	1.45
Latin America and the Caribbean	0.50	0.49	0.42	0.32	0.26	0.32	0.29	0.25	0.28	0.40	0.35	0.30	0.35	0.40

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of World Bank, World Development Indicators (WDI) database [online], and Organisation for Economic Co-operation and Development (OECD), Creditor Reporting System (CRS) online database on aid activities.

Note: Total ODA/OA includes grants, grant-like flows, loans and equity investments. It does not include other official flows or other grants.

^a Does not include Netherlands Antilles or Cuba.

In 2003, net ODA received by the region amounted to US\$ 6.1 billion (0.4% of the region's GNP), or US\$ 11 per capita. Thus, even if the region's entire share were set aside for the segment of its population that lives in poverty, in per capita terms this group would receive less than the total populations of other developing regions (see chapter VII).

Most of the country reports submitted on progress towards the Millennium Development Goals have already indicated that, without the ongoing support of ODA, the countries concerned will not be in a position to make the investments needed in order to meet the Goals. Although the share of ODA for social services and social infrastructure accounts for 50% of total assistance, there has been no increase in the share of resources allocated to basic social services. The region's heavily indebted poor countries, which are the main recipients of assistance in Latin America and the Caribbean, allocate almost 30% of the ODA they receive to debt reduction. Given that the initial debt was impossible to repay, the assistance received is not enough to free up resources for tackling urgent social and infrastructure problems. The most extreme case is that of Haiti, which will not be able to achieve even a minimal degree of institutional stability or to take the first steps towards development unless it is solidly supported by this type of financing.

Notwithstanding this situation, ODA pledges remain unfulfilled and the downturn in ODA (which averaged only 0.25% of GNP in 2003) has just recently begun to reverse itself in the wake of the International Conference on Financing for Development (Monterrey, 2002). A number of developed countries have, however, pledged to increase their ODA. At the May 2005 meeting of the OECD Ministerial Council, seven European countries committed themselves to reaching the target of 0.7% of GNP by a specific date, although only five of them have met the target thus far. However, meeting the Millennium Development Goals will not require donors to pledge additional ODA, but only to honour the commitments they have already made, since needs in this regard are estimated at 0.44% to 0.54% of donors' GNP (United Nations Millennium Project, 2005). Donors, for their part, should coordinate their methods of calculating ODA for developing countries and should base these calculations on the financing shortfalls that are preventing those countries from meeting the Millennium Development Goals and pursuing their national poverty reduction strategies.

Lastly, the international community should tackle problems associated with global public goods and services by designing mechanisms to ensure that resources earmarked for these concerns are additional to other forms of assistance, thereby preventing the diversion of assistance allocated to traditional development objectives (including the Millennium Development Goals).

GOAL 8: DEVELOP A GLOBAL PARTNERSHIP FOR DEVELOPMENT

Other development indicators:

Youth employment, access to essential drugs and access to information and communication technologies

Target 16:	In cooperation with developing countries, develop and implement strategies for decent and productive work for youth
Indicator 45:	Unemployment rate of young people aged 15-24 years (both sexes and total)
Target 17:	In cooperation with pharmaceutical companies, provide access to affordable essential drugs in developing countries
Indicator 46:	Population with access to affordable essential drugs on a sustainable basis
Target 18:	In cooperation with the private sector, make available the benefits of new technologies, especially information and communications
Indicator 47:	Telephone lines and cellular subscribers (per 100 population)
Indicator 48:	Personal computers and Internet users (per 100 population)

In Latin America and the Caribbean, young people are still the age group with the highest unemployment rates. On average, the open unemployment rate among 15- to 29-year-olds rose from 12.8% to 16.1% during the 1990s; this is more than twice the rate for the population aged 30 or over.³⁹ Youth unemployment is highest among young people living in low-income households; in fact, in most countries youth unemployment in the poorest income quintile is triple the rate among young people in the richest quintile. Unemployment rates are also higher among young women than among young men, even though the former enter the labour market with higher levels of education.

Young people's higher unemployment rates reflect the difficulties they face in joining the workforce for the first time and also their tendency to change jobs frequently, in part because many of them do not have stable employment contracts. Young people's vulnerability in terms of employment has increased, as shown by the fact that the quality of the jobs they hold has declined. In the 1990s and in the early years of the current decade, the vast majority of the new jobs available to young people have been generated in the informal sector, with the result that rates of social insurance coverage among young people have decreased. In addition, a very high proportion of the new jobs are part-time positions.

Young people are not the only population group that suffers because of the dearth of high-quality jobs. ILO has repeatedly stressed that unless improvements are made in terms of employment, the countries will be unable to eradicate extreme poverty and hunger or to reduce inequalities in income distribution in the region. Even though employment is vitally important, it is given short shrift in the Millennium Development Goals; for example, the Goals do not include indicators that cover the wide range of labour-related issues.

In recent years ILO has been promoting a strategy of growth with quality employment and has developed the concept of decent work, which seeks to give meaning and coherence to employment, labour rights, social protection and representation. In accordance with this concept, generating quality employment involves implementing a regulatory framework for employment activity and labour relations. It also requires that workers be provided with adequate levels of protection in case of accident or illness and in old age, and that they have the opportunity to represent others or be represented and have a voice in processes of social dialogue at the national and regional levels and within businesses.

The approach proposed by ILO highlights the main features that growth strategies should have in order to contribute to the generation of decent work through quality employment in modern sectors of the economy and improvements in underdeveloped sectors. It also stresses that these policies should be supplemented with active employment programmes and policies and targeted social expenditure (ILO, 2004, p. 50).

Target 17 under Goal 8 refers to the need to provide people in developing countries with affordable access to essential drugs. The World Health Organization (WHO) has found that, in addition to immunization strategies, access to essential drugs is the primary means of increasing the effectiveness of health services. In the mid-1990s, annual sales of such drugs in the region's pharmacies amounted to a per capita average of US\$ 35, compared to an average of US\$ 203 in developed countries (IDB, 2004, pp. 209-210).

In many countries of the region, much of the population still lacks access to these essential goods. In the late 1990s, only 64% of the region's inhabitants had regular access to essential drugs; this was close to the average for developing countries (65%) and far below the average in the developed world (91%). In addition, in 1999 seven countries in the region had access levels defined

³⁹ According to unemployment figures for 1990-2003 published by the International Labour Organization (ILO) Regional Office for Latin America and the Caribbean, urban unemployment increased significantly in 11 of the 18 countries considered, held steady in 4 and declined in 3. See ILO (2004).

as low by WHO (less than 50%), and only five had the very high levels found in the most advanced countries.

In Latin America and the Caribbean, the main problem in this regard is that access to essential drugs is insufficient and unequal, both within and between countries. Among the causes are a lack of government policies for distributing drugs to low-income groups and, in many cases, a lack of regulations based on policies concerning essential or generic drugs.

In a report on the Millennium Development Goals in Latin America and the Caribbean, IDB outlined the main challenges in this area: (i) regulation, selection and rational use of drugs; (ii) sustainable financing and affordable prices; and (iii) the creation of reliable health-care systems. In relation to the first issue, the main challenge is to introduce policies explicitly requiring that drugs be prescribed generically. With regard to the second, there is a need to increase the equity, efficiency and regulation of the processes of acquiring and distributing drugs and to define policies on patents and the application of intellectual property rights in accordance with international rules. The challenge in terms of health-care systems is to broaden the coverage of health-care networks, as a precondition for implementing a policy on essential drug distribution and access in the region.

The final target under the Millennium Development Goals is to give people access to the benefits of new technologies, particularly information and communication technologies (ICTs). Although access to telephone and Internet services has grown exponentially over the last decade, Latin America and the Caribbean lags behind developed countries in terms of ICTs. In 2002 the number of fixed-line and cellular telephones in the region averaged less than one third of the number in developed regions, proportionally speaking, while the number of personal computers averaged less than one sixth and the number of Internet connections, just under one fifth.

Despite the efforts made to close these gaps and the significant sums invested in the stock of ICT-related capital and technology use, the region's situation is considerably different from that of the developed countries. In 2001, Latin America and the Caribbean spent US\$ 400 per capita on ICTs, compared to figures of US\$ 2,000 to US\$ 3,000 in the developed countries (see chapter VII).

The diffusion and productive use of ICTs is a significant component of strategies for boosting innovation and competitiveness. The countries of the region face the challenge of increasing and improving the incorporation of these new technologies into production. To do so, they require an adequate digital platform and human resources trained to use it. This process of acquiring, adapting and developing technology should go hand in hand with a drive to increase capital investment and create an enabling environment in terms of regulation and legal security.

The agreements adopted at the World Summit on the Information Society and related regional commitments, particularly the Bávaro Declaration, reveal three priority areas for Latin America and the Caribbean: (i) correcting the discriminatory, unequal patterns of ICT access prevailing in the region, which have created new forms of inequality; (ii) developing the skills required to progress from merely using information to creating knowledge; and (iii) ensuring transparency and efficiency in the public sector, which should lead the development of the information society and provide the rest of society with incentives to adopt the new forms of interaction.

Given the region's low level of per capita income in comparison to industrialized countries, the progress of ICT-based digitization depends on the development of community access points to make ICTs more accessible to middle- and low-income groups. For young people, schools should become the focal points for ICT diffusion and ICT-based learning.

B. Main challenges and policy directions

One of the main challenges that must be met in order to achieve the Millennium Development Goals is to increase domestic and external resources, especially in countries where the population's level of well-being is most in need of improvement. As pointed out in chapter VII, progress towards the Goals and targets, and especially towards wider development objectives, can only be made through greater national efforts and increased official development assistance (ODA), including external debt relief.

In 2001, the World Bank and the United Nations estimated that about US\$ 50 billion in additional resources would be needed each year in order to achieve the Goals worldwide. This is almost double the amount of ODA provided by the 23 countries members of the Development Assistance Committee of the Organisation for Economic Co-operation and Development (OECD) (IDB, 2004).

According to 2003 figures, the region currently receives some US\$ 5.4 billion per year in assistance, which is mainly concentrated in the small group of countries (Bolivia, Guyana, Honduras and Nicaragua)⁴⁰ that have benefited from the Heavily Indebted Poor Countries (HIPC) Initiative, in addition to Colombia and Peru (see table VIII.2).

This section presents information on the level of domestic resources that the Latin American and Caribbean countries allocate to social sectors and on the volume and distribution of the external resources received in the form of ODA. Special reference is made to the situation of the poorest countries, whose domestic resources are insufficient for making the necessary investments to achieve the Millennium Development Goals. These resources would still be insufficient even if public revenues and social spending increased significantly and if, over the next decade, these countries achieved improvements such as faster economic growth, a higher tax burden and higher social spending (compatible with fiscal revenues). Accordingly, these countries need to make greater efforts to increase their own resources, complemented by a larger share of international aid. Countries in this situation include not only the ones that have qualified for debt relief under the HIPC Initiative, but also other countries that have received much less ODA in the form of either fresh resources or debt cancellations.

As shown in figure VIII.9, the per capita amount of public resources allocated to social expenditure is extremely low, not only in countries that have qualified for the HIPC Initiative,⁴¹ but also in countries that have been classified here as having low or even intermediate levels of development. Annual per capita social spending in the Dominican Republic, Ecuador, El Salvador, Guatemala and Paraguay is US\$ 170 or less, whereas the regional average stood at US\$ 540 at the beginning of the current decade.⁴² These very small amounts reflect these countries' low per capita incomes and relatively low tax burdens, as well as the fact that, in most cases, social spending represents a smaller proportion of total public expenditure. As a result, their public social expenditure accounts for a small proportion of GDP (less than 10%). Bolivia and Nicaragua are exceptions among the less developed countries, as they allocated a relatively high proportion of GDP to social expenditure in 2000-2001 (17.9% and 13.2%, respectively), thereby approaching or exceeding the Latin American average of 13.8%. In absolute terms, however, these countries' per capita social expenditure was very low, as it represented only one third (Bolivia) and one ninth (Nicaragua) of the average amount spent by the more developed countries. In Honduras, social expenditure (10%) was similar to the regional average recorded in the early 1990s⁴³ and was higher than the proportion in some of the region's more developed countries.

⁴⁰ In 2003, these four countries received 41.3% of total net ODA disbursements to the region.

⁴¹ Social expenditure figures are not available for Guyana, but the annual amount per capita at the beginning of the decade was probably similar to that of the less developed countries and possibly below US\$ 100 per year. Figures are also unavailable for Haiti, whose per capita income is about 60% of that of Guyana, and for Suriname, whose per capita income is double the figure for Guyana.

⁴² During the 1990s, social expenditure as a percentage of GDP rose significantly in the region (from 10.1% to 13.8%), reflecting considerable increases in almost all the Latin American countries.

⁴³ Simple average of 18 countries.

Table VIII.2
LATIN AMERICA AND THE CARIBBEAN: RESOURCE INDICATORS

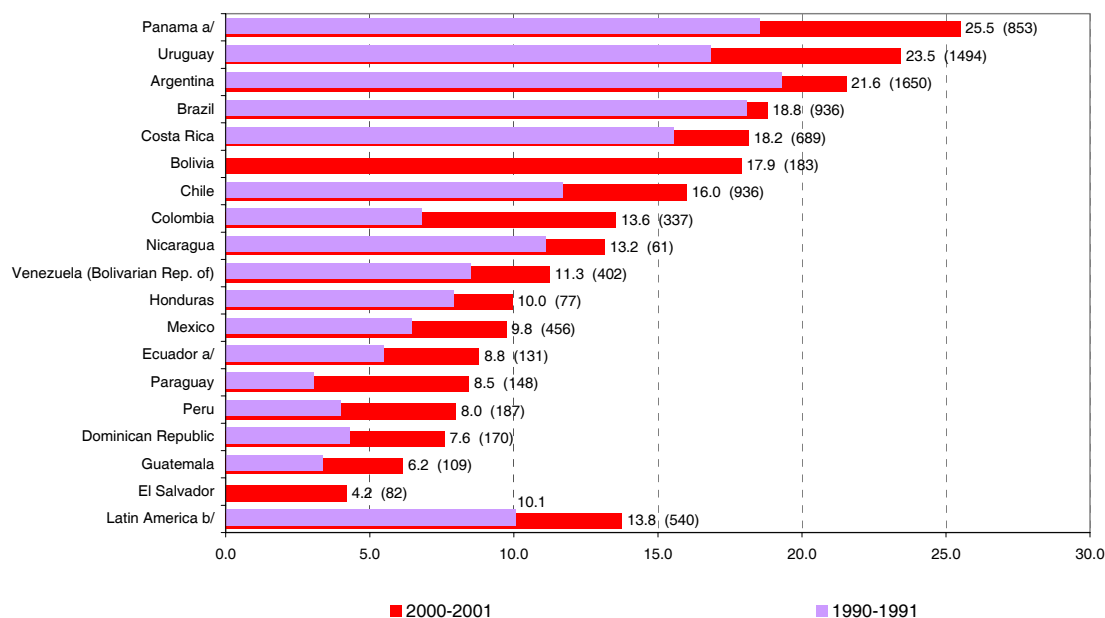
Country	Per capita gross domestic product (1995 dollars) ^{a/}	Public debt as a percentage of GDP		Debt servicing as a percentage of exports	Tax burden as a percentage of GDP ^{d/}		Public social expenditure		Official development assistance (net disbursements)		Foreign direct investment					
		2003	2004		Without social security	With social security	As a percentage of GDP	Per capita (1997 dollars)	Millions of dollars	Per capita (2003 \$)	Millions of dollars	Percentage share (total)	Millions of dollars	Percentage share (total)		
Latin America and the Caribbean	3,978	49.6	170.0	31.5	18.5	25.4	15.5	671	4,768.8	11	100.0	5,422.7	10	100.0	36,556.0	100.0
Countries with low and medium-low human development	987	53.0	226.0	13.4	12.4	9.0	10.2	114	1,695.5	54	36.1	2,598.8	60	47.9	695.1	1.8
Haiti	399	46.2	274.9	8.6 ^{c/}	9.0	9.0	6.2	109	168.5	24	3.6	199.8	22	3.7	13.2 ^{g/}	0.0
Guatemala	1,613	18.4	110.7	7.5	10.3	10.6	13.2	302.1	202.1	23	4.3	247.0	20	4.6	15.8	0.3
Nicaragua	955	164.6	661.4	11.7	15.8	19.0	10.0	61	332.4	94	9.1	633.2	195	15.4	201.3	0.5
Honduras	754	73.6	192.4	12.3	15.3	16.2	10.0	49.2	369.0	54	9.5	388.0	54	7.2	196.0	0.5
Bolivia	375	64.1	289.3	27.7	14.5	14.5	17.9	163	547.3	82	11.6	523.7	101	17.1	168.8	0.4
Countries with medium human development	2,169	46.9	191.8	21.2	12.7	14.5	7.8	158	1,068.3	22	22.7	987.9	16	18.2	3,436.4	8.9
El Salvador	1,785	31.5	117.6	7.7	11.6	13.4	4.2	82	347.7	88	7.4	191.8	28	3.5	103.7	0.3
Ecuador	1,977	61.0	233.8	28.7	12.1	15.2	8.8 ^{e/}	131 ^{e/}	160.9	16	3.4	176.2	14	3.2	1,554.7	4.0
Dominican Republic	2,162	30.9	66.6	6.4	14.5	15.0	7.6	170	102.0	14	2.2	89.0	8	1.3	309.9	0.8
Paraguay	1,271	49.1	100.7	10.5	9.9	10.8	8.5	148	57.5	14	1.2	50.7	8	0.9	90.8	0.2
Peru	2,555	48.9	278.6	32.8	13.0	14.6	8.0	187	400.2	18	8.5	500.2	18	9.2	1,377.3	3.6
Countries with medium-high human development	3,896	47.4	240.5	54.1	19.8	32.1	17.7	778	422.1	2	9.0	1,210.8	5	22.3	15,340.2	39.8
Colombia	2,435	49.2	246.0	40.2	15.4	19.7	13.6	337	89.5	3	1.9	802.1	18	14.8	1,746.2	4.5
Brazil	4,399	47.8	281.8	68.9	21.4	35.9	18.8	936	155.5	1	3.3	296.0	2	5.5	10,143.5	26.3
Venezuela (Bolivarian Republic of)	2,897	37.4	115.4	25.6	9.6	10.1	11.3	402	77.5	4	1.6	82.2	3	1.5	2,659.0	6.9
Panama	3,656	58.7	85.5	19.7	9.0	13.6	25.5 ^{e/}	853 ^{e/}	99.6	41	2.1	30.5	10	0.6	791.5	2.1
Countries with high human development	5,480	52.3	135.3	23.2	18.3	20.5	14.5	807	767.7	5	16.3	403.2	2	7.4	17,629.9	45.7
Mexico	4,888	22.4	79.0	23.2	15.4	17.0	9.8	456	159.3	2	3.4	103.2	1	1.9	11,372.7	29.5
Cuba	4,402	34.0 ^{b/}	226.6 ^{b/}		37.1	41.4		52.0	52.0	5	1.1	70.0	6	1.3	274.6	0.7
Uruguay	5,537	77.1	282.7	40.0	17.0	23.1	23.5	1494	53.1	17	1.1	16.8	5	0.3	576.8	1.5
Costa Rica	4,092	21.5	46.3	8.9	18.2	19.4	18.2	689	229.5	75	4.9	28.3	7	0.5	576.8	1.5
Chile	6,402	57.2	199.3	32.8	18.9	20.5	16.0	936	103.9	8	2.2	75.6	5	1.4	4,386.4	11.4
Argentina	7,192	112.2	438.1	18.3	20.4	23.2	21.6	1,650	169.9	5	3.6	109.4	3	2.0	1,020.4	2.6
Caribbean countries	3,249	40.4	59.0	9.6				751.3	120	120	16.0	222.1	35	4.1	1,454.4	3.8
Anguilla	13.2							3.8	424	0.1	3.9	3.9	0.1	0.1		
Antigua and Barbuda	8,265	83.1						4.7	74	0.1	5.0	5.0	0.1	0.1		
Netherlands Antilles								58.1	310	1.2	1.2	1.2	0.6	0.6		
Aruba	20.3							30.0	455	0.6	0.6	0.6	0.6	0.6		
Bahamas	5.6		13.8					3.5	14	0.1	0.1	19.9	73	0.4	249.6 ^{g/}	0.6
Barbados	6,974	25.9	54.9					2.9	11	0.1	0.1	12.1	46	0.2	16.1 ^{g/}	0.0
Belize	3,904	75.8	91.0	36.5				30.4	164	0.6	0.6	10.9	138	0.2		
Dominica	2,869	87.6	68.7	7.9				19.7	274	0.4	0.4	11.7	146	0.2		
Grenada	3,803	79.9		13.6				13.8	163	0.3	0.3					
Guadelupe																
French Guayana																
Guyana	747	172.0	180.2	10.7				168.8	231	3.6	3.6	86.6	113	1.6		
Cayman Islands								3.0	115	0.1	0.1	2.2	102	0.0		
Turks and Caicos Islands								11.8	984	0.3	0.3					
United States Virgin Islands																
British Virgin Islands																
Jamaica	2,075	56.5	123.7	18.4				5.6	328	0.1	0.1	3.4	1	0.1	720.7	1.9
Martinique								271.0	114	5.8	5.8					
Montserrat								8.4	759	0.2	0.2	36.5	9,123	0.7		
Puerto Rico	6,321	86.6		22.6				8.1	198	0.2	0.2	0.0	0	0.0		
Saint Kitts and Nevis	2,216	51.4	109.3	7.5				15.4	140	0.3	0.3	6.3	53	0.1		
Trinidad and Tobago	2,730	46.9	47.4	7.2				12.4	94	0.3	0.3	14.8	99	0.3		
Suriname	1,501	27.2						61.7	154	1.3	1.3	10.9	25	0.2	-148.0 ^{g/}	-0.4
Trinidad and Tobago	6,548	13.8	33.6	5.7				18.2	15	0.4	0.4	-2.3	-2	0.0	616.0 ^{g/}	1.6

Source:

Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures. Per capita GDP: *Preliminary Overview of Latin America and the Caribbean, 2004* (LC/G.2265-P), Santiago, Chile, December 2004. United Nations publication, Sales No. E.04.II.G.147. Public debt: chapter VII of the present document (debt/GDP and debt/X: Dec.; Service: Millennium Development Goals). Tax burden: Economic Commission for Latin America and the Caribbean (ECLAC)/Latin American and Caribbean Institute for Economic and Social Planning (ILPES), public finance database [online] <http://www.cepal.org>. Social expenditure: Economic Commission for Latin America and the Caribbean (ECLAC), *Social Panorama of Latin America, 2004* (LC/G.2259-P), Santiago, Chile, 2005, in press. Official development assistance: *Sectoral Distribution of Bilateral Official Development Assistance Commitments by Purpose – Part I (Developing Countries)*, 2004 [online database]. Foreign direct investment: Economic Commission for Latin America and the Caribbean (ECLAC), *Foreign Investment in Latin America and the Caribbean, 2004 Report* (LC/G.2269), Santiago, Chile, 2005, in press. United Nations publication, Sales No. E.05.II.G.32, and Statistical Yearbook for Latin America and the Caribbean, 2004 (LC/G.2264-P), Santiago, Chile, April 2005. United Nations publication, Sales No. E/S.05.II.G.1.

^a Preliminary figures. ^b 2002. ^c 1998. ^d In Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Costa Rica, Cuba and Mexico, the figures refer to General Government. The figures for Chile and Ecuador are from 2002, those for Colombia from 2001 and those for Mexico from 2000. ^e 2000. ^f Figures subject to change. ^g Figures for Barbados. Figures expressed in millions of United States dollars per year.

Figure VIII.9
LATIN AMERICA (18 COUNTRIES): PUBLIC SOCIAL EXPENDITURE AS A PERCENTAGE OF GDP, 1990-1991 AND 2000-2001



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from the Commission's social expenditure database.

Note: The figures in parentheses refer to per capita public expenditure in 2000-2001, expressed in dollars at 1997 prices.

^a The figure for the 2000-2001 bar refers to 2000.

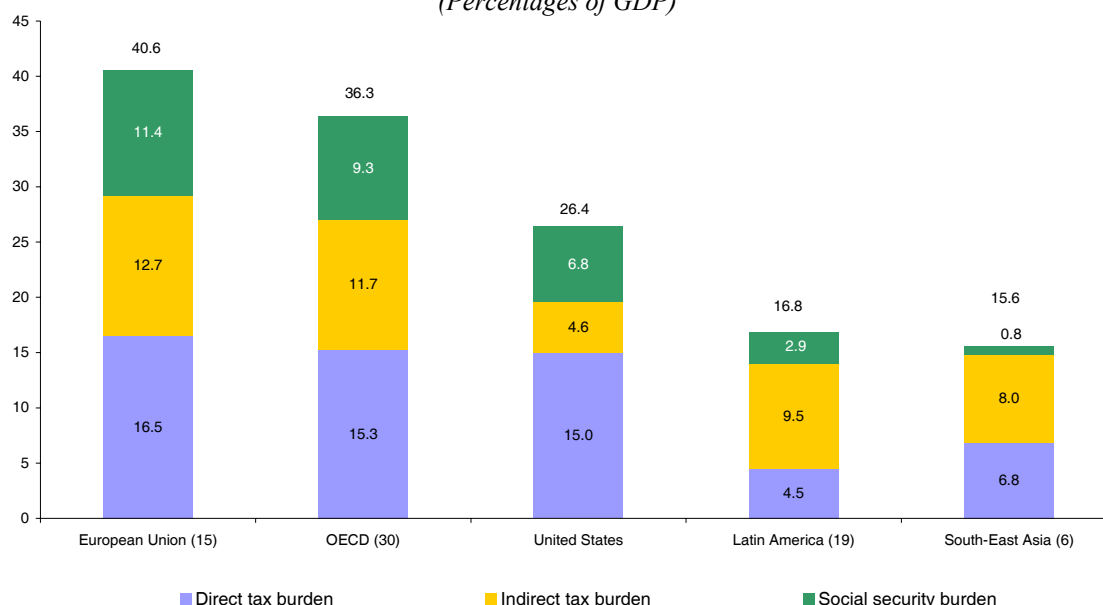
^b Simple average of the countries, excluding Bolivia and El Salvador, as they lacked information for 1990-1991. If these two countries are included, the simple average for the region is 13.5% of GDP and US\$ 494 per capita, while the weighted averages are 15.5% and US\$ 671, respectively.

The low levels of per capita and total public resources allocated for social expenditure⁴⁴ are also due to low tax receipts. Compared to the rest of the world, the region's countries have lower fiscal revenues (expressed as a percentage of GDP), particularly in relation to countries where the State is extremely active in promoting social equity. As shown in figure VIII.10, if social security is included, the average tax burden in 19 countries of the region is low, especially in terms of income from direct taxes. Figure VIII.11 shows that the tax burden in the Bolivarian Republic of Venezuela, Ecuador, El Salvador, Guatemala, Haiti, Panama and Paraguay is fairly low in comparison to the levels found in the rest of the world, and also falls short of the regional average of 16.8%.

Thus, as pointed out by ECLAC (1998a), the countries need to draw up a fiscal covenant that provides for an increase in the tax burden as a whole, in the interest of boosting public revenues and, at the same time, enabling the authorities to spend a higher proportion of this income on social programmes, which should be implemented in the framework of a social policy based on the general principles outlined in chapter I.

⁴⁴ Public social expenditure includes spending on health, education, housing, security and social welfare.

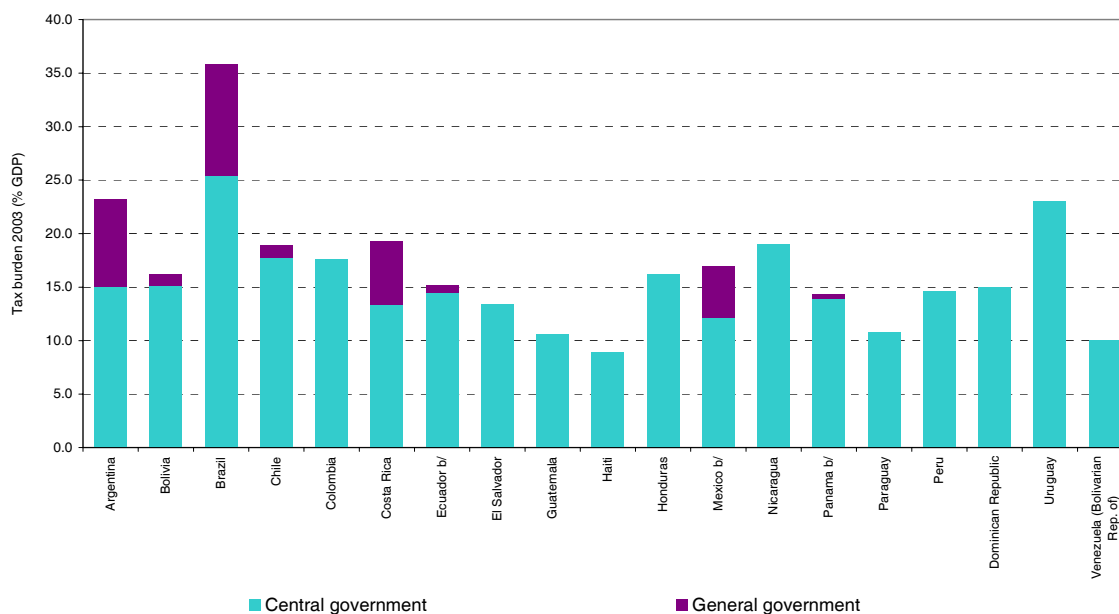
Figure VIII.10
TAX BURDENS IN SELECTED COUNTRIES AND REGIONS, 2003
(Percentages of GDP)



Source: OECD countries: Organisation for Economic Co-operation and Development (OECD), *Revenue Statistics of OECD Member Countries*, Paris, 2003; South-East Asia: International Monetary Fund (IMF), *Government Finance Statistics*, Washington, D.C., various issues; Latin America: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures from the countries.

Note: The numbers in parentheses refer to the number of countries in each group.

Figure VIII.11
LATIN AMERICA (19 COUNTRIES): TAX BURDEN AS A PERCENTAGE OF GDP, 2003^a



Source: Latin American and Caribbean Institute for Economic and Social Planning (ILPES)/Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official data.

^a The tax burden includes social security contributions.

^b The data for Ecuador refer to 2002, while those for Mexico and Panama refer to 2000.

Efforts to increase public revenues and allocate the extra resources to social programmes send positive signals that encourage the population to support public action, to the extent that the spending increase is financed through a more progressive tax structure that reduces income inequalities. This is particularly apparent when these resources are concentrated in social programmes that enjoy broad support or that target the poorest groups. Efforts to increase the tax burden may create better conditions for supplementing such extra resources with the necessary ODA, especially in countries with low per capita income.

All of the above indicates that higher economic growth rates that are closer to the ones needed to reach the target on extreme poverty, combined with a gradual increase in the tax burden, would significantly increase the countries' public resources. This, in turn, would create the necessary conditions for redirecting public expenditure, preferably towards social investment.

In order to illustrate the potential quantity of additional resources, estimates were made on the basis of a hypothetical annual GDP growth rate of 4% with a gradual increase in the tax burden (by half a percentage point per year, for instance), with a view to raising the percentage of GDP used for social expenditure to 10% (which was the regional average in the early 1990s). In all of the six countries in which the proportion is currently below 10% (Dominican Republic, Ecuador, El Salvador, Guatemala, Paraguay and Peru), the combination of stronger growth, an increased tax burden and higher macroeconomic priority for social expenditure would result in increases of between US\$ 700 million and US\$ 1.3 billion per year after six years. In Bolivia, Honduras and Nicaragua, where social expenditure exceeds 10% of GDP, growth alone—with no increase in the tax burden— would result in smaller annual increases in social expenditure of about US\$ 80 million in Nicaragua, US\$ 137 million in Honduras and just over US\$ 400 million in Bolivia.⁴⁵ In all of the above-mentioned countries, these additional resources would amount to a total of some US\$ 5 billion per year.

Yet the process would be slow in some countries, given that it would involve not only growth but also an increased tax burden. This second factor, though indispensable, cannot be achieved without a broad-based social consensus. This underscores the importance of considerably increasing ODA flows to the region. To illustrate this point, the Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras and Paraguay will not be able to increase social expenditure to 10% of GDP (which is still a good deal lower than the regional average of 13.8%) unless they receive about US\$ 3 billion a year in additional resources. This is equivalent to 56% of the ODA currently received by the region.

As the preceding chapters have indicated, this additional social expenditure should be channelled into programmes that generate synergies between different Millennium Development Goals and targets, transfer resources to the neediest sectors and build human capital. Examples of such programmes include incentives to keep children in school at the primary and secondary levels, school feeding programmes and nutrition and primary and preventive health-care programmes, especially for pregnant women and newborns. Some countries have developed highly successful conditional transfer programmes based on school attendance and the use of health-care facilities.

As for the scale of the efforts needed, in order to reduce the poverty gap ratio to zero for the entire population living in extreme poverty, the Latin American and Caribbean countries as a whole would need a total of US\$ 12.8 billion (see figure II.2). Taking only the 10 poorest countries into account (Bolivia, Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Nicaragua, Paraguay and Peru), the figure amounts to US\$ 3.8 billion.⁴⁶ This does not include the resources needed to address pockets of extreme poverty in middle-income countries, which could

⁴⁵ These figures are expressed in 1997 dollars.

⁴⁶ This figure, which does not include administrative costs, is based on the assumption that the resources would be perfectly targeted to provide the amount needed by each family to move above the extreme poverty line, as indicated in chapter II.

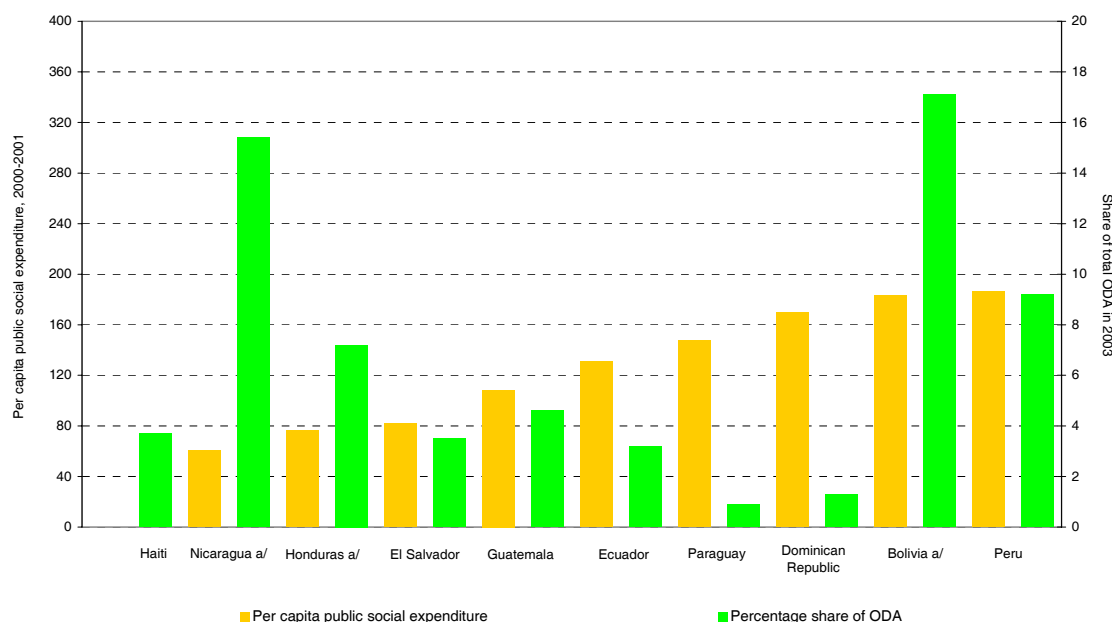
benefit from international cooperation programmes designed to tackle the problems of specific regions.

Another example is the approximate cost of a universal school feeding programme, such as the one for which estimates were provided in box VIII.2, for 10 of the region's poorest countries. In 2006, the annual cost of such a programme would be about US\$ 1.64 billion, which represents only a 29% increase in the total development assistance received by the countries in the region.

Investment in water and sanitation should be a priority in terms of expenditure and ODA, given its potential impact on quality of life and the reduction of child mortality. The World Bank has estimated that US\$ 5 billion a year, or 0.21% of the region's GDP, would be required between 2005 and 2010 (Lucioni, 2004).

Figure VIII.12 compares 10 of the countries in the region that have the lowest levels of human development in terms of per capita social expenditure and percentage shares of net ODA disbursements. Although assistance has been concentrated in the countries that qualify for debt relief under the HIPC Initiative, a number of low-income countries receive a relatively small share of total ODA flows to the region. Moreover, in countries whose initial debt burdens were impossible to repay, debt relief does not necessarily result in an increase in new resources that can be allocated to social expenditure.

Figure VIII.12
LATIN AMERICA AND THE CARIBBEAN (SELECTED COUNTRIES): PER CAPITA PUBLIC SOCIAL EXPENDITURE AND PERCENTAGE SHARE OF OFFICIAL DEVELOPMENT ASSISTANCE (NET DISBURSEMENTS IN 2003), 2000-2001



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from the Commission's social expenditure database, official figures from the countries and Organisation for Economic Co-operation and Development (OECD), Sectoral Distribution of Bilateral Official Development Assistance Commitments by Purpose - Part I (Developing Countries), 2004 [online database].

^a Countries benefiting under the Heavily Indebted Poor Countries (HIPC) Initiative.

Findings, general principles and policy challenges

This chapter will conclude with a brief summary of the main findings, followed by a series of public policy guidelines, some of which refer to areas that are critical to the success of social policies. Against the backdrop of these two elements, the main challenges to be addressed are as follows:

Findings

- Latin America and the Caribbean remains the most unequal region in the world. This results from the unequal distribution of assets —land, capital, education and technology— in these countries, and limits their chances of achieving the Millennium Development Goals.
- Among the region's most pressing problems is a shortage of jobs, particularly quality jobs. Open unemployment rose from 6.9% in 1990 to 10% in 2004, and low-productivity agricultural activities and the urban informal sector account for more than half the region's employment. The Millennium Development Goals do not pay due attention to this problem, which is of prime importance in the region.
- Poverty remains high in Latin America and the Caribbean. Of the region's 222 million poor people (42.9% of the total population), 96 million live in extreme poverty (18.6% of the population).
- Not enough progress has been made towards the target of halving extreme poverty. An analysis based on national poverty lines calculated by ECLAC indicates that only one country in the region has reached the target, while another five have made substantial headway and are likely to achieve it by the deadline. All the other countries have made too little progress or, in some cases, have experienced setbacks.
- The region is, however, on track to meet the target on hunger. In fact, 15 out of 24 countries have reduced undernourishment. It is nonetheless disturbing to note that most of the countries that started out with the highest levels of hunger have not been progressing fast enough to stay on track to meet this target.
- The amount of progress made towards some of the targets (including those for gender equity in education, access to an improved water source and the reduction of child mortality) indicates that the region is on track to meet them.
- Not enough progress has been made towards reducing maternal mortality and halting the spread of HIV/AIDS in the region. However, the measures implemented in countries that have made progress towards both Goals illustrate promising ways to meet these targets. For example, the fight against HIV/AIDS in Brazil has proved to be a success, and some Caribbean countries have also achieved solid progress.
- The degradation of the natural and built environments, which has adverse effects on the poor population in both urban and rural areas, is serious and is growing worse.
- The region can satisfy at least 10% of worldwide demand for the reduction of carbon dioxide emissions; participating in this market could generate income of over US\$ 2 billion.

General principles and policy guidelines

In a document concerned with a group of countries as heterogeneous as those of Latin America and the Caribbean, it is only possible to give basic and general policy guidelines, particularly on issues that determine the success of social policies.

- Human rights, including both civil and political rights, on the one hand, and economic, social and cultural rights, on the other, should constitute the ethical framework for formulating policies aimed at achieving the Millennium Development Goals.
- Achieving the Goals in the region will require fundamental reforms of social policy and social protection systems, with a view to reflecting the principles of universality, inclusion and solidarity.
- In many cases, targeted policies have taken precedence over universal policies, and this bias should be corrected. Targeted policies should be an instrument of a social policy that seeks to facilitate universality and social integration, among other objectives.
- Public policies to respond to social needs must be implemented in a context of good economic and political governance that takes into account and progressively satisfies the broadest possible spectrum of interests. This requirement is particularly important in societies where the distribution of income and assets is highly unequal.
- The public sector can implement its social policies in partnership with the private sector, or even give the private sector exclusive responsibility in this regard, reserving only the right to define these policies and guide their implementation by means of appropriate regulatory mechanisms.
- Priority should be given to integrated clusters of public policies and social programmes, in a more comprehensive approach that takes advantage of the synergies among these policies and programmes; avoids policy fragmentation, resource dispersion and programme proliferation or overlap; and ensures their continuity over time.
- Special emphasis should be placed on cooperation between the countries of the region in order to strengthen intraregional trade and disseminate best practices in terms of policies and programmes, while providing technical support to those countries that are furthest behind.
- Employment and social protection policies should be key elements of strategies to reduce poverty and unequal income distribution. Achieving these aims will require efforts to boost small and medium-sized enterprises and microenterprises and the adoption of the measures suggested by the World Trade Organization (WTO) to promote the creation of decent jobs.
- Priority should be given to measures aimed at eliminating or weakening mechanisms for the intergenerational transmission of poverty and inequality. This involves giving priority to early human capital investment (in infancy and childhood) and ensuring equal-opportunity access to health care and quality education. The other essential component of such policies is the consideration of the multiculturalism arising from each country's different ethnic groups and the need to eliminate inequalities based on ethnic background.
- Health is a multidimensional issue that calls for the application of cross-sectoral strategies implemented as part of a wider framework for development and poverty reduction. In the region, programmes carried out at the municipal level have had extremely positive effects in terms of improving the health of the most vulnerable population groups in accordance with sustainability criteria, while providing for broad-based citizen participation in the decision-making process.

- In addition to primary and preventive health care, special emphasis should be placed on the provision of free health services to families that lack the resources to enjoy this basic right. Public policies on the regulation, selection and rational use of drugs should be implemented to give low-income groups access to affordable essential drugs. The region's experience shows that joint efforts in the health and education sectors can help reduce infant and maternal mortality rates. Sexual and reproductive health issues also call for concerted action involving the labour and justice sectors, among others.
- Education plays a key role in halting the intergenerational reproduction of poverty. This can only be achieved if all boys and girls complete a full course of primary schooling, preschool education is significantly expanded and secondary completion rates are increased among young people of both sexes. Another important aim in this area is to offer quality education to all strata of the population.

Main policy challenges

The main challenges facing the region can be grouped into four key areas. The first refers to macroeconomic conditions, which are essential determinants of the extent to which the Millennium Development Goals can be achieved. The second encompasses the main challenges that arise in the field of social policy. The third includes issues that do not strictly belong to the social sphere, but are relevant to it and to development in general. The fourth relates to the challenges faced by developed countries in the context of the Millennium Development Goals, mainly in terms of resources for ODA, debt relief and market access.

Macroeconomic challenges

- In order to halve extreme poverty and hunger by 2015, the region will have to achieve rapid and sustained economic growth, amounting to at least 2.9% in per capita terms, over the next 10 years. In the poorer countries that have made the least progress in the past 14 years, an average annual growth rate of 4.4% will be required. It is therefore essential to give equal priority to reducing the volatility of growth, given its asymmetrical social effects.
- Economic growth is a necessary but insufficient condition for reducing poverty in the region. The countries must also reduce inequality, meaning that their economic policies should take this dimension into account, especially in the design of financial and fiscal measures and income policies. Reducing inequalities in access to productive assets is particularly important. Moreover, it should be borne in mind that a strategy for achieving growth with social equity involves placing social policy at the centre of development policy.
- The countries should draw up a fiscal covenant providing for higher public social expenditure and the continuity of essential social programmes. In some countries, this spending increase could be funded with a higher tax burden, complemented by additional ODA, including external debt relief. In addition to finances, the fiscal covenant as defined by ECLAC covers other areas mentioned in different parts of this summary.

Social policy challenges

- In addition to reducing poverty and hunger, social policies should be a vehicle for investing in human capital. Priority areas for these investments include social programmes that provide conditional monetary transfers contingent on primary and secondary school attendance, school feeding programmes and nutrition and primary and preventive health-care programmes, especially for pregnant women and newborns. The most successful social programmes in the region, especially conditional transfer programmes, have been those in which women play a central role.
- In policies and programmes for providing free or subsidized health-care, educational and other social services, priority should be given to reducing geographical inequalities, urban-rural inequalities and, especially, inequalities related to ethnic background.
- It is vital to continue to broaden women's participation in decision-making processes in the public and private sectors and to continue to facilitate women's parliamentary representation.
- Creating or strengthening social institutions is a prerequisite for guaranteeing coordination, transparency, efficiency and accountability with respect to social expenditure. Civil-society involvement in monitoring social expenditure is a necessary component of this process.

Other major issues and challenges

- The countries should boost investment in infrastructure (in the areas of transport, energy, communications and water and sanitation) so that disadvantaged areas can escape the poverty trap through the generation of employment and the promotion of private investment and trade. Investment in water and sanitation, particularly in rural areas, is particularly important because of its synergies with efforts to reduce morbidity and mortality rates, especially among children.
- To reduce poverty in rural areas, the countries should increase output and improve the efficiency of marketing chains by developing infrastructure, providing access to technology and promoting the formation of partnerships among producers.
- The countries of the region face the challenge of increasing and improving the assimilation of information and communication technologies (ICTs). To do so, they require an adequate digital platform and human resources trained to use it. This process of acquiring, adapting and developing technology should go hand in hand with a drive to increase capital investment and create an enabling environment in terms of legal security. Given the region's low income levels and unequal income distribution, a basic requirement for ensuring widespread access to such technologies is to establish community access centres and, in particular, to take advantage of the potential offered by schools.
- It is also essential to reduce the pressure being exerted on energy resources, water, forests and protected areas by means of appropriate taxes and regulations that take negative externalities into account.
- The region's extreme vulnerability to natural disasters gives rise to a need for surveillance and early warning systems, especially in island States, and for efforts to reduce the number of people living in slums and other precarious settlements.

External resources and the global partnership for development

- It is imperative that the Doha Development Round be successfully concluded and that it results in solid progress in reducing subsidies in developed countries and increasing the region's access to their markets, especially for agricultural products. This should take the form of special and differential treatment, meaning that market access concessions should not necessarily be reciprocal and that developing countries' policies with respect to their own markets should retain some degree of flexibility and discretionality.
- While it is clear that developing countries themselves bear the primary responsibility for financing their own development, in accordance with the principle of common but differentiated responsibilities, developed countries should at least double their official development assistance. To enable the developing countries to achieve the Millennium Development Goals, donor countries will have to contribute an estimated 0.44% to 0.54% of their GNP; the 2003 figure was barely 0.25%. Similar increases in ODA are needed in Latin America and the Caribbean.
- The ODA provided to the region's poorest countries, especially Bolivia, Dominican Republic, Ecuador, El Salvador, Guatemala, Guyana, Haiti, Honduras, Nicaragua, Paraguay and Suriname, should be increased in order to supplement their domestic resources. As pointed out in the Millennium Declaration, priority should also be given to small island States and landlocked countries.
- In addition to increasing and improving levels of assistance, it is also crucial to develop financing mechanisms and devise innovative sources of financing for development and for hunger and poverty reduction, and to guarantee the stability of these external flows. One proposal in this regard was put forward by Brazil, Chile, France, Germany and Spain in 2005, and includes taxes on financial transactions, the arms trade and transactions originating in or directed to tax havens; socially responsible corporate contributions; the establishment of an international financial facility; the issuance of special drawing rights (SDRs) to finance development; and measures to increase the benefits of remittance flows.
- Given that the region's average debt-to-export ratio exceeds 1.5, which is higher than the ratios in other developing regions, more debt relief measures should be adopted, especially for countries where debt service accounts for an extremely high percentage of GDP and exports. Initiatives such as debt-for-education swaps would serve the dual purpose of lightening the burden of fiscal obligations and directing resources towards investment in human capital.

Statistical annex

Table 1
LATIN AMERICA AND THE CARIBBEAN: HUMAN DEVELOPMENT INDICATORS AND RANKING IN THE HUMAN DEVELOPMENT INDEX FOR 2002

Country	Life expectancy at birth	Literacy rate in the population aged 15 years and over	Combined primary, secondary and tertiary gross enrolment rate	Per capita GDP	Simple average per HDI classification/group	HDI ranking	Population
	2002	Percentages 2002	Percentages 2001-2002	PPP in dollars 2002	Position 2002	Group 2002	Percentages 2002
Latin America and the Caribbean	69.3	87.4	79.5	7 190	50		100.0
Countries with low and medium-low levels of human development	63.0	72.2	63.4	2 769	124		7.7
Haiti	49.4	51.9	52.0	1 610	153	Low	
Guatemala	65.7	69.9	56.0	4 080	121	Medium	
Nicaragua	69.4	76.7	65.0	2 470	118	Medium	
Honduras	68.8	80.0	62.0	2 600	115	Medium	
Bolivia	63.7	86.7	86.0	2 460	114	Medium	
Countries with medium levels of human development	69.7	86.2	79.1	4 893	95		11.2
El Salvador	70.6	79.7	66.0	4 890	103	Medium	
Ecuador	70.7	91.0	72.0	3 580	100	Medium	
Dominican Republic	66.7	84.4	77.0	6 640	98	Medium	
Paraguay	70.7	91.6	72.0	4 610	89	Medium	
Peru	69.7	85.0	88.0	5 010	85	Medium	
Countries with medium-high levels of human development	69.4	88.1	85.3	7 268	69		46.7
Colombia	72.1	92.1	68.0	6 370	73	Medium	
Brazil	68.0	86.4	92.0	7 770	72	Medium	
Venezuela (Bolivarian Republic of)	73.6	93.1	71.0	5 380	68	Medium	
Panama	74.6	92.3	73.0	6 170	61	Medium	
Countries with high levels of human development	73.9	93.2	78.7	9 193	46		32.2
Mexico	73.3	90.5	74.0	8 970	53	High	
Cuba	76.7	96.9	78.0	5 259	52	High	
Uruguay	75.2	97.7	85.0	7 830	46	High	
Costa Rica	78.0	95.8	69.0	8 840	45	High	
Chile	76.0	95.7	79.0	9 820	43	High	
Argentina	74.1	97.0	94.0	10 880	34	High	
Caribbean countries	72.1	92.1	72.7	6 713	71		2.2
Anguila						...	
Antigua and Barbuda	73.9	85.8	69.0	10 920	55	High	
Netherlands Antilles						...	
Aruba						...	
Bahamas	67.1	95.5	74.0	17 280	51	High	
Barbados	77.1	99.7	88.0	15 290	29	High	
Belize	71.5	76.9	71.0	6 080	99	Medium	
Dominica	73.1	76.4	74.0	5 640	95	Medium	
Grenada	65.3	94.4	65.0	7 280	93	Medium	
Guadeloupe						...	
French Guyana						...	
Guyana	63.2	96.5	75.0	4 260	104	Medium	
Cayman Islands						...	
Turks and Caicos Islands						...	
United States Virgin Islands						...	
British Virgin Islands						...	
Jamaica	75.6	87.6	75.0	3 980	79	Medium	
Martinique						...	
Montserrat						...	
Puerto Rico						...	
Saint Kitts and Nevis	70.0	97.8	97.0	12 420	39	High	
Saint Vincent and the Grenadines	74.0	83.1	64.0	5 460	87	Medium	
Saint Lucia	72.4	94.8	74.0	5 300	71	Medium	
Suriname	71.0	94.0	74.0	6 590	67	Medium	
Trinidad and Tobago	71.4	98.5	64.0	9 430	54	High	

Source: United Nations Development Programme (UNDP), *Human Development Report 2004*, New York, Oxford University Press, 2004.

Table 2
**LATIN AMERICA AND THE CARIBBEAN: PROGRESS TOWARDS
 THE MILLENNIUM DEVELOPMENT GOALS^a**

Goal 1. Eradicate extreme poverty and hunger															
Country	Target 1. Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day						Target 2. Halve, between 1990 and 2015, the proportion of people who suffer from hunger								
	Indicator 1 Population whose income is below \$1 purchasing power parity (PPP) per day ^c			Indicator 2 Poverty gap ratio			Indicator 3 Share of poorest quintile in national consumption			Indicator 4 Prevalence of underweight children under five years of age			Indicator 5 Proportion of population below minimum level of dietary energy consumption		
	Level 1990	Level 2004	Progress by 2004	Level 1990	Level 2002	Level 2002	Level 1981-1993	Level 1995-2002	Progress by 1995-2002	Level 1990-1992	Level 2000-2002	Progress by 2000-2002			
Latin America and the Caribbean	22.5	18.6	34.2	9.8	8.1	4.3	10.3	7.5	55.0	13	10	47.8			
Countries with low and medium-low levels of human development	46.5	39.7	29.3	20.9	19.4	5.5	23.0	16.4	57.4	32	28	24.8			
Haiti		60.4	...						26.8	17.3	70.9	65	47	55.4	
Guatemala	41.8	32.3	45.5	18.5	10.7	10.7	33.2	24.2	36.7	16	24	-100.0			
Nicaragua	51.4	42.4	34.9	24.3	19.0	3.8	11.9	9.6	58.0	30	27	20.0			
Honduras	60.6	53.8	22.5	31.5	26.6		20.6	16.6	19.5	23	22	8.7			
Bolivia	39.5	37.0	12.7	9.7	19.5	2.2	13.2	7.6	80.2	28	21	50.0			
Countries with medium levels of human development	26.7	22.2	33.3	7.7	10.3	4.3	11.7	8.8	50.7	27	13	107.0			
El Salvador	27.7	22.9	34.4	9.1	9.5	4.1	16.1	11.8	41.7	12	11	16.7			
Ecuador ^b	26.2	17.9	63.6	9.2	6.9	5.1	16.5	14.8	-8.1	8	4	100.0			
Dominican Republic		21.4	...		9.2	3.4	10.4	5.3	102.2	27	25	14.8			
Paraguay	35.0	33.3	9.5	3.6	15.4	3.8	3.7	5.0	-70.3	18	14	44.4			
Peru	25.0	21.7	26.8		9.2	4.3	10.7	7.1	77.9	42	13	138.1			
Countries with medium-high levels of human development	23.0	17.0	52.0	9.4	7.3	3.4	7.6	5.8	48.8	13	11	33.5			
Colombia	26.1	25.2	6.8	9.8	10.0	3.5	10.1	6.7	62.0	17	13	47.1			
Brazil	23.4	14.2	78.3	9.7	5.8	3.2	7.0	5.7	30.6	12	9	50.0			
Venezuela (Bolivarian Republic of)	14.6	22.7	-111.1	5.0	9.3	4.3	7.7	4.4	85.7	11	17	-109.1			
Panama	22.9	16.0	60.2	7.3	3.3	3.3	7.0	6.8	21.3	21	26	-47.6			
Countries with high levels of human development	15.1	12.2	38.0	5.2	4.8	5.6	9.9	6.4	70.3	5	4	36.4			
Mexico	18.8	12.3	69.1	5.9	3.5	5.9	13.9	7.5	83.5	5	5	0.0			
Cuba			...					4.1	...	8	3	125.0			
Uruguay ^b	3.4	1.9	87.6	0.9	0.6	8.8	7.4	4.5	63.8	6	4	66.7			
Costa Rica	9.8	7.5	47.7	4.8	3.9	4.2	2.8	5.1	-164.3	6	4	66.7			
Chile	12.9	4.3	133.8	4.3	1.7	4.9	0.9	0.8	50.7	8	4	100.0			
Argentina ^b	8.2	16.9	-212.1	1.6	7.5	5.1	1.9	5.4	-277.5	2	2	49.1			
Caribbean countries			...				8.8	7.5	27.9	15	10	58.3			
Anguila			...						...			...
Antigua and Barbuda			...						9.5			...			
Netherlands Antilles			...						...			...
Aruba			...						...			...
Bahamas			...						...			...
Barbados			...				5.9		...			...
Belize			...				5.7	6.2	...			...
Dominica			...					5.0	...			...
Grenada			...						...			...
Guadeloupe			...						...			...
French Guyana			...						...			...
Guyana			...				18.3	13.6	69.2	21	9	114.3			
Cayman Islands			...						...			...
Turks and Caicos Islands			...						...			...
United States Virgin Islands			...						...			...
British Virgin Islands			...						...			...
Jamaica			...				7.2	6.4	15.1	14	10	57.1			
Martinique			...						...			...
Montserrat			...						...			...
Puerto Rico			...						...			...
Saint Kitts and Nevis			...						...			...
Saint Vincent and the Grenadines			...					19.5	...			...
Saint Lucia			...				13.8		...			...
Suriname			...					13.3	...	13	11	30.8			
Trinidad and Tobago			...				6.7	5.9	2.7	13	12	15.4			

Source: See annex at the end of this section for sources.

^a The indicators are presented in numerical order; those for which there is no information have not been included. Unless otherwise stated, the figures correspond to percentages of the population. The sources, years and other details for each indicator are provided at the end of the annex.

^b The figures for indicators 1, 2 and 3 refer to urban areas.

^c The percentages of extreme poverty for 2004 correspond to a projection of each country's statistics for 2001 or 2002 (see chapter II).

Table 2 (continued)

Goal 2. Achieve universal primary education									
Target 3. Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling									
Country	Indicator 6 Net enrolment ratio in primary education			Indicator 7 Pupils completing primary schooling according to ISCED-97			Indicator 8 Literacy rate of 15-24-year olds		
	Level 1990	Level 2002	Progress by 2002	Level 1992	Level 2002	Progress by 2002	Level 1990	Level 2000-2004	Progress by 2000-2004
Latin America and the Caribbean	87.4	95.5	64.6	83.6	88.1	27.5	92.7	94.8	29.0
Countries with low and medium-low levels of human development	77.4	89.0	51.5	59.2	68.3	22.3	74.0	82.7	33.6
Haiti	22.1	...	...	...	...	...	54.8	66.2	25.2
Guatemala	64.0	87.3	64.6	52.2	60.8	18.0	73.4	80.1	25.2
Nicaragua	72.2	85.5	47.8	60.2	64.5	10.8	68.2	86.2	56.6
Honduras	89.9	87.4	-24.4	61.7	68.4	17.5	79.7	88.9	45.3
Bolivia	90.8	95.1	46.8	67.1	81.6	44.1	92.6	97.3	63.5
Countries with medium levels of human development	84.4	97.1	81.5	82.6	86.1	20.3	92.6	95.0	31.9
El Salvador	72.8	90.4	64.8	69.0	74.3	17.1	83.8	88.9	31.5
Ecuador	97.8	99.5	78.2	89.8	90.8	9.8	95.5	96.4	20.0
Dominican Republic	58.2	96.4	91.4	76.3	81.9	23.6	87.5	91.7	33.6
Paraguay	92.8	89.3	-48.4	78.3	80.8	11.5	95.6	96.3	15.9
Peru	87.8	99.7	97.9	85.4	89.4	27.4	94.5	96.6	38.2
Countries with medium-high levels of human development	83.0	94.7	68.9	83.5	88.3	29.5	92.8	95.1	32.5
Colombia	68.1	87.4	60.5	85.6	89.7	28.5	94.9	97.2	45.1
Brazil	85.6	97.3	81.1	82.2	87.6	30.3	91.8	94.2	29.3
Venezuela (Bolivarian Republic of)	88.1	90.8	22.4	88.3	90.2	16.2	96.0	98.2	55.0
Panama	91.5	99.6	95.4	89.3	91.5	20.6	95.3	97.0	36.2
Countries with high levels of human development	97.0	97.8	24.9	89.7	93.8	39.5	96.4	97.4	29.0
Mexico	100 b/	99.4	...	86.7	92.6	44.4	95.2	96.6	29.2
Cuba	91.7	93.5	21.7	...	...	...	99.3	99.8	71.4
Uruguay	91.9	90.4	-19.3	96.2	96.3	2.6	98.7	99.1	30.8
Costa Rica	87.3	90.4	24.6	84.6	88.7	26.6	97.4	98.4	38.5
Chile	87.7	86.5	-10.0	95.5	97.0	33.3	98.1	99.0	47.4
Argentina	93.8	100.0	100.0	97.1	96.6	-17.2	98.2	98.6	22.2
Caribbean countries	91.5	94.7	37.8	...	...	...	95.1	96.6	29.8
Anguila	...	95.2	...	...	...	...	...	...	...
Antigua and Barbuda	...	...	...	...	...	...	...	...	...
Netherlands Antilles	...	88.4	...	...	...	...	97.5	98.3	32.0
Aruba	...	99.0	...	...	...	...	...	...	...
Bahamas	89.6	86.4	-31.2	...	...	...	96.5	...	...
Barbados	80.1	100.0	99.8	...	...	...	99.8	99.8	...
Belize	94.0	99.2	86.4	...	...	...	96.0	84.2	-295.0
Dominica	...	81.3	...	...	...	...	...	...	...
Grenada	...	84.2	...	...	...	...	...	...	...
Guadeloupe	...	...	...	...	...	...	...	...	...
French Guyana	...	...	...	...	...	...	...	...	...
Guyana	88.9	99.2	93.1	...	...	...	99.8	...	...
Cayman Islands	...	...	...	...	...	...	...	...	...
Turks and Caicos Islands	...	73.5	...	...	...	...	...	...	...
United States Virgin Islands	...	...	...	...	...	...	...	...	...
British Virgin Islands	...	93.7	...	...	...	...	...	...	...
Jamaica	95.7	94.6	-26.3	...	...	...	91.2	94.5	37.5
Martinique	...	...	...	...	...	...	...	99.8	...
Montserrat	...	...	...	...	...	...	...	...	...
Puerto Rico	...	...	...	...	...	...	96.1	97.7	41.0
Saint Kitts and Nevis	...	100.0	...	...	...	...	...	...	...
Saint Vincent and the Grenadines	...	90.0	...	...	...	...	...	...	...
Saint Lucia	95.1	99.4	88.0	...	...	...	...	...	...
Suriname	78.4	97.0	86.1	...	...	...	...	...	...
Trinidad and Tobago	90.9	90.6	-3.5	...	...	...	99.6	99.8	50.0

^a The indicators are presented in numerical order; those for which there is no information have not been included. Unless otherwise stated, the figures correspond to percentages of the population. The sources, years and other details for each indicator are provided at the end of the annex.

^b The source for indicator 6 reports 100.3%; therefore, it was not possible to calculate progress towards the Goal.

Table 2 (continued)

LATIN AMERICA AND THE CARIBBEAN: PROGRESS TOWARDS THE MILLENNIUM DEVELOPMENT GOALS^a

Goal 3. Promote gender equality and empower women

Target 4. Eliminate gender disparity in primary and secondary education preferably by 2005, and at all levels by 2015

Country	Indicator 9 Ratio of girls to boys enrolled in:			Indicator 9 ^b Ratio of female to male completion rates in primary education, according to ISCED-97			Indicator 10 Ratio of literate women to men			Indicator 11 Share of women in wage employment in the non-agricultural sector		Indicator 12 Proportion of seats held by women in national parliaments							
	Primary education	Secondary education	Tertiary education	Primary education	Secondary education	Tertiary education	Primary education	Secondary education	Tertiary education	1990	2001	1990	2003						
	Level 1990	Level 2002	Progress by 2002	Level 1990	Level 2002	Progress by 2001	Level 1990	Level 2001	Progress by 2001	Level 1990	Level 2001	Level 1990	Level 2003						
Latin America and the Caribbean	1.01	1.00	100.0	1.08	1.07	100.0	0.97	1.17	100.0	1.01	1.03	100.0	1.06	1.01	100.0	37.7	41.9	8	14
Countries with low and medium-low levels of human development	0.95	0.99	81.1	1.05	1.06	100.0	0.90	1.18	100.0	0.90	1.01	100.0	1.60	0.98	100.0	39.0	41.5	9	13
Haiti	0.94	...	...	0.96	...	...	...	...	...	...	...	...	1.05	1.01	100.0	...	...	...	4
Guatemala	0.88	0.97	71.9	...	0.95	...	...	...	...	0.72	0.88	57.4	1.73	0.86	-10.0	36.8	39.2	7	9
Nicaragua	1.06	1.00	107.2	1.37	1.18	100.0	1.06	1.06	100.0	1.09	1.21	100.0	0.97	1.06	100.0	...	...	...	15
Honduras	1.05	1.02	100.0	...	...	...	0.77	1.28	100.0	1.06	1.13	100.0	0.89	1.05	100.0	48.1	51.7	10	6
Bolivia	0.91	1.00	100.0	0.85	0.98	87.5	...	0.55	...	0.89	0.98	81.2	2.88	0.98	100.0	35.2	36.4	9	19
Countries with medium levels of human development	0.99	1.00	71.2	1.05	1.04	100.0	0.78	1.29	100.0	0.96	1.02	100.0	1.76	0.99	101.1	33.0	36.0	7	15
El Salvador	1.01	1.00	102.0	1.06	1.02	100.0	0.71	1.23	100.0	0.96	1.02	100.0	1.17	0.98	100.0	32.3	31.2	12	10
Ecuador	0.99	1.01	100.0	1.03	...	...	...	...	...	0.99	1.01	100.0	1.28	1.00	100.0	37.3	41.4	5	16
Dominican Republic	1.02	0.95	-4.0	1.34	...	...	...	...	...	1.09	1.12	100.0	0.90	1.02	100.0	35.5	34.3	8	17
Paraguay	0.97	1.00	100.0	1.04	1.06	100.0	0.88	1.37	100.0	0.96	1.09	100.0	1.17	1.00	100.0	40.5	38.4	6	3
Peru	0.97	1.00	100.0	...	...	...	0.97	0.98	...	0.90	0.96	63.6	2.53	0.98	100.0	28.9	34.6	6	18
Countries with medium-high levels of human development	1.10	1.00	100.0	1.21	1.12	100.0	1.07	1.25	100.0	1.05	1.05	100.0	0.74	1.02	100.0	39.7	45.6	5	10
Colombia	1.15	0.99	-1.0	1.13	1.10	100.0	1.07	1.10	100.0	1.03	1.04	100.0	0.78	1.01	100.0	39.9	49.1	5	12
Brazil	0.94	...	...	1.08	...	...	1.06	1.28	100.0	1.05	1.05	100.0	0.72	1.03	100.0	40.2	45.7	5	9
Venezuela (Bolivarian Republic of)	1.03	1.01	100.0	1.38	1.16	100.0	1.42	...	...	1.05	1.06	100.0	0.74	1.01	100.0	35.2	39.6	10	10
Panama	0.96	0.99	82.0	1.07	1.11	100.0	1.67	...	...	1.01	1.01	100.0	1.21	0.99	100.0	44.3	41.7	8	10
Countries with high levels of human development	0.99	1.01	100.0	1.03	1.04	100.0	0.82	0.98	88.4	0.98	1.01	100.0	1.18	1.00	100.0	36.0	38.6	12	22
Mexico	0.98	1.01	100.0	1.01	1.04	100.0	0.74	0.96	84.4	0.97	1.01	100.0	1.38	1.00	100.0	35.3	37.2	12	16
Cuba	0.97	0.99	55.7	1.14	1.00	102.2	1.41	1.25	100.0	...	...	...	1.09	1.00	100.0	37.1	37.9	34	36
Uruguay	0.99	1.00	100.0	1.10	...	...	...	1.78	...	1.01	1.01	100.0	0.53	1.01	100.0	41.9	46.5	6	12
Costa Rica	0.99	1.02	100.0	1.05	1.09	100.0	1.15	...	...	1.00	1.03	100.0	0.80	1.01	100.0	37.2	40.1	11	35
Chile	0.98	0.99	25.2	1.08	1.01	100.0	0.92	...	...	1.01	1.01	100.0	0.80	1.00	100.0	36.2	36.6	...	13
Argentina	1.04	1.00	100.0	1.06	...	...	1.48	...	...	1.01	1.02	100.0	0.81	1.00	100.0	37.3	42.9	6	31
Caribbean countries	0.99	1.00	100.0	1.08	1.09	100.0	0.81	1.84	100.0	...	...	...	0.56	1.03	100.0	45.3	41.7	12	16
Anguilla	...	1.02	...	...	0.98	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Antigua and Barbuda	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Netherlands Antilles	1.05	...	...	1.12	...	...	1.48	...	...	...	...	...	0.85	1.00	100.0	43.1	48.0	...	...
Aruba	0.99	...	...	1.09	...	...	1.48	...	...	...	...	...	...	...	...	...	...	...	...
Bahamas	1.03	1.03	100.0	1.04	...	...	...	...	...	...	...	...	0.54	...	...	49.2	48.4	4	20
Barbados	1.00	1.00	100.0	1.00	...	...	1.26	2.55	100.0	...	...	...	1.00	1.00	100.0	45.5	46.6	4	11
Belize	0.98	1.02	100.0	1.15	1.05	100.0	...	...	...	...	...	...	0.73	1.01	100.0	37.4	41.0	...	7
Dominica	0.95	...	...	1.14	...	...	...	...	...	...	...	...	...	...	...	...	...	10	19
Grenada	0.90	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Guadeloupe	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
French Guyana	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Guyana	0.98	0.98	...	1.06	1.08	100.0	...	...	...	...	...	...	1.00	...	...	...	...	37	20
Cayman Islands	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Turks and Caicos Islands	0.98	...	...	1.02	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
United States Virgin Islands	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
British Virgin Islands	0.98	...	...	1.17	...	...	2.34	...	...	...	...	...	...	...	...	...	...	...	...
Jamaica	0.99	1.00	100.0	1.06	1.04	100.0	0.73	1.86	100.0	...	...	...	0.37	1.07	100.0	49.6	45.8	5	12
Martinique	...	...	...	...	...	...	...	...	...	...	...	...	0.55	1.00	100.0	...	...	...	...
Montserrat	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Puerto Rico	...	...	...	...	...	...	...	...	...	...	...	...	0.65	1.01	100.0	46.5	39.0	...	...
Saint Kitts and Nevis	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	7	13
Saint Vincent and the Grenadines	0.99	0.99	35.3	1.24	1.09	100.0	...	...	...	...	...	...	...	...	...	...	...	10	23
Saint Lucia	0.94	1.01	100.0	1.45	1.25	100.0	1.38	3.40	100.0	...	...	...	...	...	...	...	...	...	11
Suriname	1.00	1.02	100.0	1.15	1.38	...	...	1.69	...	...	...	...	...	...	...	39.1	33.9	8	18
Trinidad and Tobago	0.99	0.99	5.6	1.05	1.08	100.0	0.79	1.50	100.0	...	...	...	1.00	...	...	35.6	39.9	17	19

^a The indicators are presented in numerical order; those for which there is no information have not been included. Unless otherwise stated, the figures correspond to percentages of the population. The sources, years and other details for each indicator are provided at the end of the annex.

Table 2 (continued)

**LATIN AMERICA AND THE CARIBBEAN: PROGRESS TOWARDS
THE MILLENNIUM DEVELOPMENT GOALS^a**

Country	Goal 4. Reduce child mortality						Goal 5. Improve maternal health			
	Target 5. Reduce by two thirds, between 1990 and 2015, the under-five mortality rate						Target 6. Reduce by three quarters, between 1990 and 2015, the maternal mortality ratio			
	Indicator 13 Under-five mortality rate (per 1,000 live births)			Indicator 14 Infant mortality rate (per 1,000 live births)			Indicator 15 Proportion of 1-year-old children immunized against measles		Indicator 16 Maternal mortality ratio (per 1,000 live births)	Indicator 17 Proportion of births attended by skilled health personnel
	Level 1990	Level 2003	Progress by 2003	Level 1990	Level 2003	Progress by 2003	Level 1990	Level 2002	Level 2000	Level 2000
Latin America and the Caribbean	55.7	33.0	61.2	42.9	25.6	60.5	76	93	87	85
Countries with low and medium-low levels of human development	97.4	60.4	57.0	69.1	44.2	54.0	62	75	252	46
Haiti	133.5	97.0	40.9	89.1	61.1	47.1	31	53	523	24
Guatemala	85.0	47.6	66.1	61.0	38.1	56.4	68	75	153	41
Nicaragua	75.8	39.9	71.1	56.5	29.7	71.2	82	98	100	82
Honduras	66.8	44.1	51.0	48.3	31.6	52.0	90	97		
Bolivia	113.0	70.3	56.7	82.6	54.6	50.8	53	64	230	52
Countries with medium levels of human development	74.0	45.3	58.2	54.5	31.0	64.6	72	89	142	70
El Salvador	64.1	34.4	69.5	47.1	25.9	67.5	98	93		
Ecuador	65.3	29.4	82.4	49.9	24.5	76.2	60	80	90	69
Dominican Republic	70.7	47.6	49.1	50.4	34.1	48.5	96	82	77	96
Paraguay	55.8	44.8	29.5	45.0	36.7	27.7	69	82	152	86
Peru	85.7	55.2	53.4	61.8	32.9	70.0	64	95	185	59
Countries with medium-high levels of human development	54.9	31.6	63.6	43.0	25.5	61.1	77	95	58	94
Colombia	52.3	32.7	56.2	38.3	25.2	51.1	82	89	105	86
Brazil	59.6	33.1	66.8	47.5	27.0	64.6	78	99	45	97
Venezuela (Bolivarian Republic of)	30.3	21.0	46.0	25.0	17.3	46.0	61	83	60	
Panama	35.8	26.5	39.0	28.3	20.4	42.1	73	79	61	90
Countries with high levels of human development	37.2	20.7	66.5	30.8	17.1	67.0	81	96	62	90
Mexico	44.3	24.3	67.8	36.3	20.1	66.9	75	96	79	85
Cuba	19.0	7.6	90.2	15.6	6.0	92.5	94	98	34	100
Uruguay	18.6	12.2	51.8	16.0	10.4	51.8	90	94	36	96
Costa Rica	25.0	15.3	58.1	21.4	13.0	58.7	97	92	11	
Chile	19.3	9.6	75.1	16.3	7.9	76.9	82	99	19	100
Argentina	30.0	17.3	63.4	25.8	14.8	63.6	93	97	35	98
Caribbean countries	21.8	...	...	22.4	16.2	41.6	75	88	113	94
Anguilla	...	...	...	...	...	...	...	...	...	...
Antigua and Barbuda	...	...	...	...	...	...	89	99	65	100
Netherlands Antilles	14.8	...	...	16.7	13.1	32.4	...	...	...	...
Aruba	...	...	...	...	...	...	...	...	...	99
Bahamas	15.8	...	...	21.5	13.6	55.4	86	94	...	...
Barbados	13.0	...	...	14.6	10.7	40.2	87	91	81	98
Belize	40.8	...	...	35.2	30.3	20.7	86	89	68	100
Dominica	...	...	...	...	...	...	88	98	...	100
Grenada	...	...	...	...	...	...	85	96	...	100
Guadeloupe	9.9	...	...	15.6	7.2	80.4	...	...	...	...
French Guyana	15.8	...	...	22.5	13.9	56.9	...	...	...	...
Guyana	67.1	...	...	64.6	48.5	37.4	73	93	133	90
Cayman Islands	...	...	...	...	...	...	...	...	...	...
Turks and Caicos Islands	...	...	...	...	...	...	...	...	...	88
United States Virgin Islands	10.9	...	...	15.6	9.4	59.2	...	...	...	...
British Virgin Islands	...	...	...	...	...	...	...	...	...	...
Jamaica	20.9	...	...	21.9	14.8	48.5	74	86	...	...
Martinique	8.9	...	...	9.8	7.1	41.4	...	...	...	...
Montserrat	...	...	...	...	...	...	...	...	...	...
Puerto Rico	11.9	...	...	12.7	9.8	34.0	...	...	...	...
Saint Kitts and Nevis	...	...	...	...	...	...	99	99	...	...
Saint Vincent and the Grenadines	30.5	...	...	32.3	25.3	32.6	96	99	...	...
Saint Lucia	19.8	...	...	18.5	14.8	30.0	82	98	35	100
Suriname	30.6	...	...	34.9	25.3	41.3	65	69	153	91
Trinidad and Tobago	18.9	...	...	18.2	13.6	37.8	70	87	...	...

^a The indicators are presented in numerical order; those for which there is no information have not been included. Unless otherwise stated, the figures correspond to percentages of the population. The sources, years and other details for each indicator are provided at the end of the annex.

Table 2 (continued)

**LATIN AMERICA AND THE CARIBBEAN: PROGRESS TOWARDS
THE MILLENNIUM DEVELOPMENT GOALS^a**

Country	Goal 6. Combat HIV/AIDS, malaria and other diseases			
	Target 7.	Target 8. Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases		
	Indicator 18a HIV/AIDS prevalence among 15- to 24-year olds	Indicator 21a Prevalence rate associated with malaria (per 100,000 population)	Indicator 23a Prevalence rate associated with tuberculosis (per 100,000 population)	Indicator 23b Death rates associated with tuberculosis (per 100,000 population)
	Nivel 2004	Nivel 2000	Nivel 2002	Nivel 2002
Latin America and the Caribbean	0.7	222	91	9
Countries with low and medium-low levels of human development	1.8	333	206	24
Haiti	5.6	15	392	51
Guatemala	1.1	386	108	12
Nicaragua	0.2	402	83	9
Honduras	1.8	541	98	8
Bolivia	0.1	378	312	34
Countries with medium levels of human development	0.7	282	190	21
El Salvador	0.7	11	83	9
Ecuador	0.3	728	210	27
Dominican Republic	1.7	6	125	15
Paraguay	0.5	124	109	13
Peru	0.5	258	246	24
Countries with medium-high levels of human development	0.7	299	85	7
Colombia	0.7	250	69	7
Brazil	0.7	344	94	8
Venezuela (Bolivarian Republic of)	0.7	94	54	5
Panama	0.9	36	50	4
Countries with high levels of human development	0.4	7	43	5
Mexico	0.3	8	44	5
Cuba	0.1		14	1
Uruguay	0.3		37	3
Costa Rica	0.6	42	19	2
Chile	0.3		20	2
Argentina	0.7	1	61	6
Caribbean countries	2.0	1421	29	3
Anguila			39	4
Antigua and Barbuda			8	1
Netherlands Antilles			18	2
Aruba				
Bahamas	3.0		60	6
Barbados	1.5		20	3
Belize	2.4	657	55	4
Dominica			23	3
Grenada			8	1
Guadeloupe				
French Guyana		2073		
Guyana	2.5	3074	157	18
Cayman Islands				1
Turks and Caicos Islands				3
United States Virgin Islands				2
British Virgin Islands				3
Jamaica	1.2		9	1
Martinique				
Montserrat			14	2
Puerto Rico			9	1
Saint Kitts and Nevis				1
Saint Vincent and the Grenadines			41	5
Saint Lucia			21	2
Suriname	1.7	2954	103	12
Trinidad and Tobago	3.2	1	19	2

^a The indicators are presented in numerical order; those for which there is no information have not been included. Unless otherwise stated, the figures correspond to percentages of the population. The sources, years and other details for each indicator are provided at the end of the annex.

Table 2 (continued)

**LATIN AMERICA AND THE CARIBBEAN: PROGRESS TOWARDS
THE MILLENNIUM DEVELOPMENT GOALS^a**

Goal 7. Ensure environmental sustainability											
Target 9. Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources											
Country	Indicator 25 Proportion of land area covered by forest		Indicator 26 Areas protected to maintain biological diversity	Indicator 27 Energy use (kg oil equivalent) per \$1 gross domestic product (GDP) (purchasing power parity (PPP))		Indicator 28a Consumption of ozone-depleting CFCs (ODP tons)		Indicator 28b Carbon dioxide emissions (metric tons per 1,000 population)		Indicator 29 Proportion of population using solid fuels (fuelwood, sugar cane products and other raw materials)	
	Level 1990	Level 2000		Level 1997	Level 1990	Level 2000	Level 1990	Level 2000	Level 1990	Level 2000	Level 1990	Level 2001
Latin America and the Caribbean	49.7	47.4	10	0.18	0.19	81.1	101.6	5868	3072	0.07	0.06
Countries with low and medium-low levels of human development	47.2	44.5	16	0.18	0.20	2.7	3.8	188	148	0.20	0.16
Haiti	5.7	3.2		0.12	0.17	0.1	0.2		169	0.11	0.11
Guatemala	31.2	26.3	20	0.16	0.18	0.6	0.9	357	265	0.30	0.27
Nicaragua	36.7	27.0	13	0.29	0.27	0.7	0.7	87	35	0.22	0.22
Honduras	53.4	48.1	10	0.23	0.21	0.5	0.7	115	122	0.25	0.16
Bolivia	50.4	48.9	16	0.22	0.27	0.8	1.3	76	77	0.09	0.02
Countries with medium levels of human development	52.4	49.7	12	0.16	0.15	5.0	8.0	594	221	0.11	0.08
El Salvador	9.3	5.8		0.15	0.16	0.5	1.1	423	117	0.17	0.16
Ecuador	43.1	38.1	55	0.36	0.22	1.6	2.1	604	207	0.05	0.03
Dominican Republic	28.4	28.4	25	0.17	0.18	1.4	3.0	274	486	0.08	0.06
Paraguay	61.9	58.8	3	0.17	0.18	0.5	0.7	240	116	0.27	0.18
Peru	53.0	50.9	5	0.13	0.11	1.0	1.1	801	189	0.11	0.07
Countries with medium-high levels of human development	63.9	61.2	11	0.17	0.20	10.3	11.8	6809	4890	0.06	0.04
Colombia	49.6	47.8	8	0.14	0.13	1.6	1.4	2000	1200	0.10	0.04
Brazil	66.3	63.6	6	0.15	0.16	1.4	1.8	8500	6200	0.05	0.04
Venezuela (Bolivarian Republic of)	58.6	56.1	61	0.42	0.45	6.0	6.5	3300	2500		
Panama	45.6	38.6	20	0.15	0.16	1.3	2.1	252	180	0.13	0.13
Countries with high levels of human development	20.9	19.4	7	0.19	0.17	15.8	17.7	7450	2081	0.08	0.07
Mexico	32.2	28.9	8	0.21	0.18	4.5	4.3	12000	2200	0.07	0.06
Cuba	18.9	21.4	17			3.0	2.8	778	504		
Uruguay	4.5	7.4		0.11	0.11	1.3	1.6	416	102	0.10	0.09
Costa Rica	41.6	38.5	24	0.12	0.11	0.9	1.4	267	145	0.16	0.01
Chile	21.0	20.7	19	0.20	0.19	2.7	3.9	662	470	0.14	0.18
Argentina	13.7	12.7	3	0.17	0.15	3.4	3.7	2100	3300		
Caribbean countries	45.9	42.1	9	0.55	0.63	47.3	60.3	225	46	0.09	0.10
Anguilla											
Antigua and Barbuda	20.5	20.5	15			4.8	4.9	421	3		
Netherlands Antilles			10								
Aruba											
Bahamas	84.1	84.1	11			7.6	5.9	66	66		
Barbados	4.7	4.7				4.2	4.4	21	12		
Belize	74.7	59.1	40			1.7	3.3	16	28		
Dominica	66.7	61.3	23			0.8	1.3	1	1		
Grenada	14.7	14.7	2			1.4	2.6	4	4	0.04	0.05
Guadeloupe											
French Guyana											
Guyana	80.8	78.5				1.5	2.1	19	20	0.28	0.29
Cayman Islands											
Turks and Caicos Islands											
United States Virgin Islands											
British Virgin Islands											
Jamaica	35.0	30.0	9	0.36	0.47	3.4	4.2	424	49	0.03	0.04
Martinique											
Montserrat											
Puerto Rico											
Saint Kitts and Nevis	11.1	11.1	10			1.6	2.4	6	3		
Saint Vincent and the Grenadines	17.9	15.4	21			0.7	1.4	2	7		
Saint Lucia	23.0	14.8	18			1.2	2.3	11	3		
Suriname	90.5	90.5	5			4.5	5.0			0.08	0.09
Trinidad and Tobago	54.8	50.5	4	0.73	0.78	13.9	20.5	138	79		

^a The indicators are presented in numerical order; those for which there is no information have not been included. Unless otherwise stated, the figures correspond to percentages of the population. The sources, years and other details for each indicator are provided at the end of the annex.

Table 2 (continued)

**LATIN AMERICA AND THE CARIBBEAN: PROGRESS TOWARDS
THE MILLENNIUM DEVELOPMENT GOALS^a**

Country	Goal 7. Ensure environmental sustainability												Target 11	
	Target 10. Halve, by 2015, the proportion of people without sustainable access to safe drinking water and basic sanitation													
	Indicator 30 Proportion of population with sustainable access to an improved water source, urban areas			Indicator 30 Proportion of population with sustainable access to an improved water source, rural areas			Indicator 31 Proportion of population with access to improved sanitation, urban areas			Indicator 31 Proportion of population with access to improved sanitation, rural areas			Indicator 32 Percentage of urban population living in slums	
	Level 1990	Level 2002	Progress by 2002	Level 1990	Level 2002	Progress by 2002	Level 1990	Level 2002	Progress by 2002	Level 1990	Level 2002	Progress by 2002	Level 1990	Level 2001
Latin America and the Caribbean	93	95	61.7	58	69	52.4	82	84	21.7	35	44	28.7	35	32
Countries with low and medium-low levels of human development	88	96	128.0	57	76	86.9	58	68	50.2	24	41	44.5	66	61
Haiti	77	91	121.7	43	59	56.1	27	52	68.5	11	23	27.0	85	86
Guatemala	88	99	183.3	69	92	148.4	71	72	6.9	35	52	52.3	66	62
Nicaragua	92	93	25.0	42	65	79.3	64	76	77.8	27	51	65.8	81	81
Honduras	89	99	181.8	78	82	36.4	77	89	104.3	31	52	60.9	24	18
Bolivia	91	95	88.9	48	68	76.9	49	58	35.3	13	23	23.0	70	61
Countries with medium levels of human development	87	91	57.9	51	71	83.1	68	75	44.3	29	44	43.7	51	49
El Salvador	88	91	50.0	47	68	79.2	70	78	53.3	33	40	20.9	45	35
Ecuador	81	92	115.8	54	77	100.0	73	80	51.9	36	59	71.9	28	26
Dominican Republic	97	98	66.7	72	85	92.9	60	67	35.0	33	43	29.9	56	38
Paraguay	80	100	100.0	46	62	59.3	71	94	158.6	46	58	44.4	37	25
Peru	88	87	-16.7	42	66	82.8	68	72	25.0	15	33	42.4	60	68
Countries with medium-high levels of human development	94	97	87.2	60	61	5.0	84	85	13.9	40	39	-2.7	41	35
Colombia	98	99	100.0	78	71	-63.6	95	96	40.0	52	54	8.3	26	22
Brazil	93	96	85.7	55	58	13.3	82	83	11.1	37	35	-6.3	45	37
Venezuela (Bolivarian Republic of)	99	85	...	70	...	...	71	...	...	48	...	...	41	41
Panama	99	99	0.0	...	...	...	...	...	...	...	...	...	31	31
Countries with high levels of human development	93	97	117.7	54	71	74.8	87	92	74.8	33	49	46.0	21	20
Mexico	90	97	140.0	54	72	78.3	84	90	75.0	20	39	47.5	23	20
Cuba	95	95	0.0	...	...	...	99	99	0.0	95	95	0.0	2	2
Uruguay	98	98	0.0	...	...	...	95	95	0.0	85	...	...	7	7
Costa Rica	100	100	100.0	...	...	...	89	...	...	97	97	0.0	12	13
Chile	98	100	100.0	49	59	39.2	91	96	111.1	52	64	50.0	4	9
Argentina	97	97	0.0	73	...	...	...	...	...	...	...	...	31	33
Caribbean countries	96	96	11.5	89	89	8.2	93	95	62.6	77	79	14.5	14	14
Anguilla	...	...	...	...	...	...	99	99	0.0	...	...	...	41	41
Antigua and Barbuda	95	95	0.0	89	...	...	98	98	0.0	...	...	...	7	7
Netherlands Antilles	...	...	...	...	...	...	...	...	...	...	...	...	1	1
Aruba	...	...	...	...	...	...	...	...	...	...	...	...	2	2
Bahamas	98	98	0.0	...	...	...	100	100	100.0	100	100	100.0	2	2
Barbados	100	100	100.0	100	100	100.0	99	99	0.0	100	100	100.0	1	1
Belize	100	100	100.0	...	...	...	...	...	...	...	...	...	54	62
Dominica	100	100	100.0	...	...	...	86	...	...	75	...	...	17	14
Grenada	97	97	0.0	...	...	...	96	96	0.0	97	97	0.0	7	7
Guadeloupe	...	...	...	...	...	...	...	...	...	61	...	...	...	...
French Guyana	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Guyana	...	...	...	...	...	...	...	...	...	...	...	...	5	5
Cayman Islands	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Turks and Caicos Islands	...	...	...	...	...	...	...	...	...	...	...	...	...	...
United States Virgin Islands	...	...	...	...	...	...	...	...	...	...	...	...	...	...
British Virgin Islands	...	...	...	...	...	...	...	...	...	...	...	...	3	3
Jamaica	97	98	66.7	86	87	14.3	85	90	66.7	64	68	22.2	29	36
Martinique	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Montserrat	...	...	...	...	...	...	...	...	...	...	...	...	11	9
Puerto Rico	...	...	...	...	...	...	...	...	...	...	...	...	2	2
Saint Kitts and Nevis	99	99	0.0	99	99	0.0	96	96	0.0	96	96	0.0	5	5
Saint Vincent and the Grenadines	...	...	...	...	...	...	...	...	...	96	96	0.0	5	5
Saint Lucia	98	98	0.0	98	98	0.0	...	...	...	...	...	...	12	12
Suriname	98	98	0.0	...	...	...	99	99	0.0	...	76	...	7	7
Trinidad and Tobago	93	92	-28.6	89	88	-18.2	100	100	100.0	100	100	100.0	35	32

^a The indicators are presented in numerical order; those for which there is no information have not been included. Unless otherwise stated, the figures correspond to percentages of the population. The sources, years and other details for each indicator are provided at the end of the annex.

Table 2 (concluded)

Goal 8. Develop a global partnership for development												
Country	Target 16. In cooperation with developing countries, develop and implement strategies for decent and productive work for youth						Target 18. In cooperation with the private sector, make available the benefits of new technologies, especially information and communications					
	Indicator 45a. Unemployment rate of young people aged 15-24 years, both sexes		Indicator 45b. Unemployment rate of young people aged 15-24 years, men		Indicator 45c. Unemployment rate of young people aged 15-24 years, women		Indicator 47b. Telephone lines and cellular subscribers (per 100 population)		Indicator 48b. Personal computers in use (per 100 population)		Indicator 48d. Internet users (per 100 population)	
	Nivel 1990	Nivel 2000	Nivel 1990	Nivel 2000	Nivel 1990	Nivel 2000	Nivel 1990	Nivel 2002	Nivel 1998	Nivel 2002	Nivel 1996	Nivel 2002
Latin America and the Caribbean	17.9	23.2	16.0	20.6	20.4	26.8	6.4	36.2	0.6	6.8	0.3	8.2
Countries with low and medium-low levels of human development	7.0	8.7	5.2	7.0	11.7	11.7	1.8	10.6	1.0	1.9	0.1	2.5
Haiti							0.7	2.1			0.0	1.0
Guatemala							2.1	16.3	0.8	1.4	0.0	3.3
Nicaragua	11.1	9.1	8.6	7.0	16.7	13.6	1.3	6.0	1.9	2.8	0.1	1.7
Honduras							1.7	8.4	0.8	1.4	0.0	2.5
Bolivia	4.5	8.5	3.1	7.0	8.7	10.4	2.8	15.8	0.8	2.3	0.2	3.2
Countries with medium levels of human development	15.1	13.6	12.1	12.7	18.9	15.1	3.4	18.3	2.4	3.9	0.2	6.2
El Salvador		12.8					2.4	23.6		2.5	0.1	4.7
Ecuador	13.5	13.5	11.1	10.5	17.3	18.1	4.8	17.0	1.9	3.1	0.1	4.2
Dominican Republic		23.1		16.2		34.3	4.8	25.7			0.1	3.6
Paraguay	15.7		15.0		16.5		2.7	25.5	1.0	3.5	0.0	1.7
Peru	15.8	13.6	12.6	13.7	19.7	13.6	2.6	13.7	3.0	4.3	0.3	9.4
Countries with medium-high levels of human development	24.4	31.9	22.2	28.4	26.8	36.1	6.7	35.9	3.1	6.9	0.4	7.3
Colombia	27.1	36.3	23.4	31.9	31.4	40.7	6.9	24.9	3.2	4.9	0.3	4.6
Brazil	6.7		6.7		6.8		6.5	38.5	3.0	7.5	0.5	8.2
Venezuela (Bolivarian Republic of)	19.4	24.3	20.0	22.4	17.9	28.3	7.7	37.1	3.9	6.1	0.3	5.1
Panama		29.0		24.7		36.6	9.3	29.4	2.7	3.8	0.2	
Countries with high levels of human development	13.4	23.6	12.4	20.2	15.0	28.4	7.2	36.8	4.2	8.5	0.3	11.8
Mexico		4.4		4.2		4.7	6.6	35.4	3.7	8.2	0.2	9.9
Cuba							3.2	5.2	0.6	3.2	0.0	
Uruguay	24.9	30.7	22.6	26.6	28.1	36.4	13.4	43.8	9.1		1.9	
Costa Rica	8.3	11.0	7.6	9.1	10.0	14.5	10.1	30.5	7.8	19.7	0.9	19.3
Chile	13.1	19.8	13.4	17.6	12.4	24.0	6.7	56.8	6.3	11.9	0.7	23.8
Argentina	13.0	25.9	11.5	21.9	15.6	31.0	9.3	41.6	5.5	8.2	0.2	11.2
Caribbean countries	31.3	20.4	32.5	22.9	28.6	16.4	18.1	55.2	6.3	8.7	0.4	16.7
Anguilla								69.0				
Antigua and Barbuda							25.3	80.4			2.9	12.8
Netherlands Antilles		27.2		24.9		30.0	24.7				0.2	
Aruba							28.2	85.0			2.7	
Bahamas							28.1	59.9			1.8	19.2
Barbados	30.7	19.1	21.8	16.8	40.5	22.1	28.1	67.9	7.5	10.4	0.4	11.2
Belize							9.2	28.9	8.8	12.7	0.9	10.9
Dominica							16.4	39.8		9.0	1.1	16.0
Grenada							17.8	39.2	10.8	13.2	0.3	14.2
Guadeloupe	29.5		21.1		40.4		30.6	116.6	19.1	25.5	0.0	
French Guyana							26.5	74.9	13.2	16.6	0.4	
Guyana							2.0	17.8	2.4	2.7	0.1	14.2
Cayman Islands							47.0	122.9				
Turks and Caicos Islands												
United States Virgin Islands												
British Virgin Islands							41.8					18.2
Jamaica							4.5	43.5	3.9	5.4	0.6	22.8
Martinique							33.9	118.4	10.6	13.9		
Montserrat							32.7					
Puerto Rico	31.3	20.5	33.3	23.3	27.6	16.0	28.5	63.0			0.3	17.6
Saint Kitts and Nevis							23.8	53.4	11.3	19.2	2.0	21.3
Saint Vincent and the Grenadines							12.4	29.2	8.9	12.0	0.5	6.0
Saint Lucia							12.9	33.4	13.3	15.0	0.7	
Suriname	36.6		29.0		46.2		9.2	37.4			0.2	4.2
Trinidad and Tobago	36.4		33.1		42.5		14.1	43.7	4.7	8.0	0.4	10.6

^a The indicators are presented in numerical order; those for which there is no information have not been included. Unless otherwise stated, the figures correspond to percentages of the population. The sources, years and other details for each indicator are provided at the end of the annex.

Sources used for table 2 of the statistical annex

Weighting criteria for group averages

The averages for Latin America and the Caribbean and subgroups of countries were calculated by weighting each country's population or subpopulation as estimated by the Latin American and Caribbean Demographic Centre (CELADE) – Population Division of ECLAC for the year referred to in the indicator. To measure progress made by the set of countries towards achieving the Millennium Development Goals, calculations were based on countries with data available for the base year and final year, using indicators with an explicit quantitative target. The resulting figure is the percentage progress made between the base year and the year of assessment, with the target value of the indicator being 100%.

Sources

Indicators 1, 2 and 3

Calculated by the Statistics and Economic Projections Division of ECLAC on the basis of national household surveys. The 2004 figure for population living in extreme poverty is a projection. The titles, years and geographical coverage of the surveys are as follows:

Argentina: Permanent Household Survey, coverage of 28 urban agglomerations, 1990 and 2002.

Bolivia: Integrated Household Survey, estimates based on coverage of eight main cities plus El Alto, 1990; Household Survey, 2002, national coverage.

Brazil: National Household Survey (PNAD), national coverage, 1990 and 2001.

Chile: National Socioeconomic Characterization Survey (CASEN), national coverage, 1990 and 2003.

Colombia: National Household Survey for urban areas and the equivalent for rural areas, 1991; Continuous Household Survey, national coverage, 2002.

Costa Rica: Multipurpose Household Survey, national coverage, 1990 and 2002.

Dominican Republic: National Labour Force Survey, 2002, national coverage.

Ecuador: Periodic Urban Employment and Unemployment Survey (1990); Survey of Urban Employment, Unemployment and Underemployment (ENEMDU), 2002.

El Salvador: Multi-purpose Household Survey, national coverage, 1995 and 2001.

Guatemala: National Sociodemographic Survey, national coverage, 1989; National Employment and Income Survey, 2002, also with national coverage.

Honduras: Permanent Multi-purpose Household Survey, 1990; Permanent Household Survey for 2002, both with national coverage.

Mexico: National Household Income and Expenditure Survey, 1989 and 2002, national coverage.

Nicaragua: National Household Survey on Living Standards, 1993 and 2001, national coverage.

Panama: Household Survey, 1991 and 2002, national coverage.

Paraguay: Household Survey (labour), estimate based on the Asunción metropolitan area, 1989; Integrated Household Survey, 2000, national coverage,

Peru: National Household Survey (ENAHO) 1997 and 2001, national coverage.

Uruguay: Continuous Household Survey, 1990 and 2002, urban coverage.

Venezuela (Bolivarian Republic of): Household Sample Survey, 1990 and 2002, national coverage.

Indicator 4

United Nations, Millennium Indicators Database [online] http://millenniumindicators.un.org/unsd/mispa/mi_goals.aspx; Demographic and Health Surveys (DHS), Opinion Research Corporation-ORC Macro (<http://www.measuredhs.com/>); World Bank, World Development Indicators Database (WDI) [online] <http://www.worldbank.org/data/onlinedatabases/onlinedatabases.html>; and UNICEF Global Database on Child Malnutrition [online] <http://www.childinfo.org/eddb/malnutrition/index.htm>.

Indicator 5

Food and Agriculture Organization of the United Nations (FAO), The State of Food Insecurity in the World 2004 [online] http://www.fao.org/documents/show_cdr.asp?url_file=/docrep/007/y5650e/y5650e00.htm.

Indicator 6

UNESCO Institute of Statistics, online database www.uis.unesco.org.

Indicators 7 and 9b

UNESCO methodology based on cohort follow-up, using data from 18 household surveys and 18 countries. The titles, years and geographical coverage of the surveys are the same as for Indicators 1, 2 and 3, except for Chile (National Socioeconomic Characterization Survey (CASEN) for 2000) and the Dominican Republic (National Labour Force Survey, 1997, national coverage).

Indicators 8, 9 and 10

UNESCO Institute of Statistics (UIS), www.uis.unesco.org and United Nations, Millennium Indicators Database http://millenniumindicators.un.org/unsd/mi/mi_goals.asp.

Indicators 11, 21, 23b, 28a, 28e, 30, 31, 32, 45a, 45b, 45c, 47b, 48b and 48d

United Nations, Millennium Indicators Database [online], http://millenniumindicators.un.org/unsd/mi/mi_goals.asp. Data from the Colombian National Administrative Department of Statistics (DANE) on the rural population with access to safe water indicate coverage of 41% in 1993 and 66% in 2003. The United Nations source indicates that coverage was 78% in 1990 and 71% in 2002, as shown in the figure. The data from DANE on the rural population in Colombia with access to basic sanitation indicate coverage of 51% in 1993 and 58% in 2003. The United Nations source indicates that coverage was 52% in 1990 and 54% in 2002, as shown in the figure. The DANE measurement corresponds to households, whereas the United Nations data refer to individuals in the same period.

Indicator 12

Inter-Parliamentary Union (IPU), Women in National Parliaments (www.ipu.org/wmn-e/world.htm).

Indicators 13 and 14

United Nations, World Population Prospects, 2004 Revision (<http://esa.un.org>).

Indicator 15

United Nations Children's Fund (UNICEF), The State of the World's Children, United Nations, Millennium Indicators Database http://millenniumindicators.un.org/unsd/mi/mi_goals.asp.

Indicators 16 and 17

Pan American Health Organization (PAHO), Regional Core Health Data Initiative <http://www.paho.org/English/SHA/coredata/tabulator/newTabulator.htm>.

Indicator 18a

Joint United Nations Programme on HIV/AIDS (UNAIDS), 2004 Report on the Global AIDS Epidemic (July 2004) (<http://www.unaids.org>).

Indicators 19, 20, 22 and 24

These indicators have not been included in the annex as they are not comparable between countries or with the other indicators.

Indicator 23a

World Health Organization (WHO), United Nations, Millennium Indicators Database, http://unstats.un.org/unsd/mispa/mi_series_resultsd.aspx?rowID=617&fID=r15&cgID=&action=print.

Indicator 25

United Nations Human Settlements Programme (UN-Habitat), Human Settlements Statistical Database version 4 (HSDB4-99) (<http://www.unhabitat.org/programmes/guo/documents/tables2.pdf>).

Indicator 26

United Nations, Millennium Indicators Database, http://millenniumindicators.un.org/unsd/mi/mi_goals.asp and World Resources Institute (WRI), 2003, <http://newsroom.wri.org/>.

Indicator 27

World Bank, World Development Indicators (WDI) database [online] <http://www.worldbank.org/data/onlinedatabases/onlinedatabases.html>.

Indicator 29

Economic Commission for Latin America and the Caribbean (ECLAC), calculations carried out for the Sustainability Assessment in Latin America and the Caribbean (ESALC) project, and Latin American Energy Organization (OLADE), <http://www.olade.org.ec/php/index.php?arb=ARB0000168>.

Indicators 33 to 44

These indicators have not been included in the annex as they are not comparable between countries or with the other indicators.

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Acronyms and abbreviations

CELADE	Latin American and Caribbean Demographic Centre-Population Division of ECLAC	OECD	Organisation for Economic Co-operation and Development
DAC	Development Assistance Committee	OLADE	Latin American Energy Organization
DHS	demographic and health survey	PAHO	Pan American Health Organization
ECLAC	Economic Commission for Latin America and the Caribbean	UN-Habitat	United Nations Human Settlements Programme
FAO	Food and Agriculture Organization of the United Nations	UNAIDS	Joint United Nations Programme on HIV/AIDS
GEF	Global Environment Facility	UNCTAD	United Nations Conference on Trade and Development
HIPC	heavily indebted poor countries	UNDP	United Nations Development Programme
HIV/AIDS	human immunodeficiency virus/acquired immunodeficiency syndrome	UNEP	United Nations Environment Programme
ICT	information and communication technology	UNESCO	United Nations Educational, Scientific and Cultural Organization
IDB	Inter-American Development Bank	UNICEF	United Nations Children's Fund
ILO	International Labour Organization	UNIFEM	United Nations Development Fund
ILPES	Latin American and Caribbean Institute for Economic and Social Planning	UNFPA	United Nations Population Fund
IMF	International Monetary Fund	WFP	World Food Programme
ITU	International Telecommunication Union	WHO	World Health Organization
ODA	Official development assistance	WIDER	World Institute for Development Economics Research
		WTO	World Trade Organization