

MARCH 2006 **No.45**

1 **ECLAC Proposes for Latin America and the Caribbean a Social Protection Covenant**

2 **OPINION**
Shaping the Future of Social Protection

4 Reform Agenda in Health

5 Pension System Reforms Should Expand Coverage

6 Resolutions approved during **ECLAC's** Thirty-first Session

7 Social Programmes Help to Offset the Region's Poverty but Still Face Major Challenges

8 Human Rights and Development to the Centre of Debate on Migration

9 Challenges and Opportunities for Migration Governance

10 Prospects for Growth

11 **STATISTICAL APPENDIX**

12 **RECENT TITLES**

12 **CALENDAR**

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UNITED NATIONS



Economic Commission for Latin America and the Caribbean

ECLAC PROPOSES FOR LATIN AMERICA AND THE CARIBBEAN A SOCIAL PROTECTION COVENANT

At its *Thirty-first Session*, ECLAC proposed establishing a new social protection covenant to ensure that social rights are respected and inequalities and budgetary restrictions treated as limitations that must be recognized and resolved.

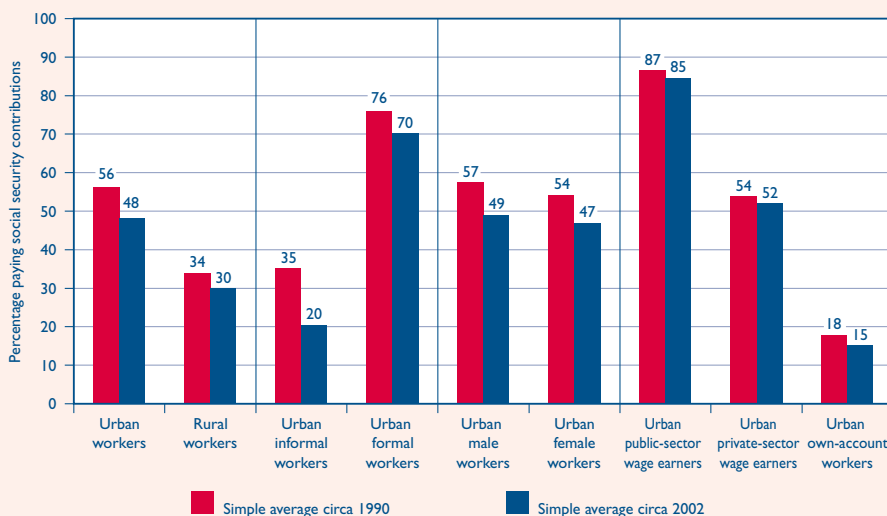
Barely four of every ten people employed in Latin America and the Caribbean contribute to some form of social security system. This makes improving the coverage of health-care, pension and anti-poverty programmes essential to advance toward more solidarity-based societies.

The *Thirty-first Session* of the Economic Commission for Latin America and the Caribbean (ECLAC) was held in Montevideo, Uruguay, from 20 to 24 March.

The President of Uruguay, **Tabaré Vázquez**, and the Executive Secretary of the Economic Commission for Latin America and the Caribbean (ECLAC), **José Luis Machinea**, agreed in Montevideo on the importance of a development path based on social rights.

(continued on page 3 ➡)

Latin America (9 Countries): Trends in the Contributory Coverage of Some Categories of the Urban Employed Population (CIRCA 1990-2002)



Source: ECLAC, on the basis of household surveys conducted in the relevant countries.

SHAPING THE FUTURE OF SOCIAL PROTECTION: ACCESS, FINANCING AND SOLIDARITY

JOSÉ LUIS MACHINEA

Social protection in Latin America and the Caribbean has reached a historical turning point, requiring a change of focus in response to the new global order and its repercussions for our societies. Universalizing and improving social protection is a challenge that has become the subject of academic and policy debates, filling headlines and disturbing the conscience of people throughout Latin America and the Caribbean. Many men and women are haunted by uncertainty about their future in terms of work, health, social security and family incomes.

The reforms begun in the 1990s did not solve the problems of financing and coverage inherent in our social protection systems. The report that ECLAC presented to its Thirty-First Session in Montevideo proposes a policy agenda to improve access, financing and solidarity within social protection systems in the region's countries, and to build bridges between social rights and policy criteria to reinforce their demandability. Better social protection systems strengthen the positive synergies between social equity, participatory democracy and economic growth.

The main element that leads to rethinking the mechanisms for accessing social protection is the labour market. The region's economies do not generate enough work and existing jobs do not


guarantee social protection when it is based on contributions from wages, because of the high degree of informality and low wages. While it is imperative to promote policies that will create more and better jobs, in the short and medium terms it is impossible to expect work alone to be a sufficient mechanism for ensuring social protection for the majority of the population.

This leads us to redefine social protection within a framework of integrated solidarity, combining

“Better social protection systems strengthen the positive synergies between social equity, participatory democracy and economic growth”.

contributory and non-contributory mechanisms. This also requires a combination of two rationales, one involving wage contributions and benefits (in health and pensions) and the other tax-based financing for these benefits. An agreement is therefore necessary on a new social pact, which will treat social rights as the normative horizon and economic inequalities and restrictions as limitations that must be recognized and dealt with.

Proposals deal with social protection in the fields of health care, social welfare, and anti-poverty programmes. In the case of the region's health care systems, expansion of coverage and solidarity should involve integrating public and social security systems, expanding insurance systems that offer both universal and compulsory coverage, and defining guaranteed service packages available on demand. Likewise, primary care should be reinforced. Pension reforms should expand coverage of the non-contributory component, improve the solidarity involved in the contributory component through a model that integrates both, maintain incentives to contributions, and guarantee short- and long-term financial viability. On social programmes, it is essential to complement short-term poverty relief with efforts to eliminate more structural causes, through incentives to encourage human capital formation and break the cycle of poverty transmission from one generation to the next.

The viability of these proposals ultimately requires a new social pact that defines levels and sources of financing, solidarity mechanisms, and guaranteed and demandable rights. Altogether these changes can ensure genuine progress toward truly universal social protection. 

The author is ECLAC Executive Secretary.

Michelle Bachelet, President of Chile, visited **ECLAC's Thirty-first Session**. She expressed the interest of her government in support of interregional cooperation and acknowledged the historical role of **ECLAC** for the countries of Latin America and the Caribbean.

The Session was well attended, with participants including nine governmental ministers, four deputy ministers, distinguished experts and delegations from 30 member and two associate states. Governmental delegates approved 17 resolutions, which establish the Commission's programme of work in several areas.

During the meeting **ECLAC**, presented the report *Shaping the Future of Social Protection: Access, Financing and Solidarity*.

The report notes that reforms in the 1990s did not resolve the problems with financing and coverage in social protection systems. This was because reform design did not take into account the reality of the region's labour markets, the limited and volatile growth, slow job creation and the rise in informal employment, which reached 47% of total employment by the start of this decade.

Solidarity-based and non-contributory mechanisms must be reinforced

The report underlines the importance of promoting policies that generate more and better jobs. Employment alone, however, cannot be the sole mechanism for protecting the majority of the population in the short- and medium-term.

Therefore, solidarity-based and non-contributory mechanisms must be reinforced. Currently, the latter are limited because of scarce fiscal resources, leaving much of the population beyond the reach of formal protection systems. Moreover, the demographic transition, epidemiological factors, and changing family structures and relationships have increased pressures on social protection systems.

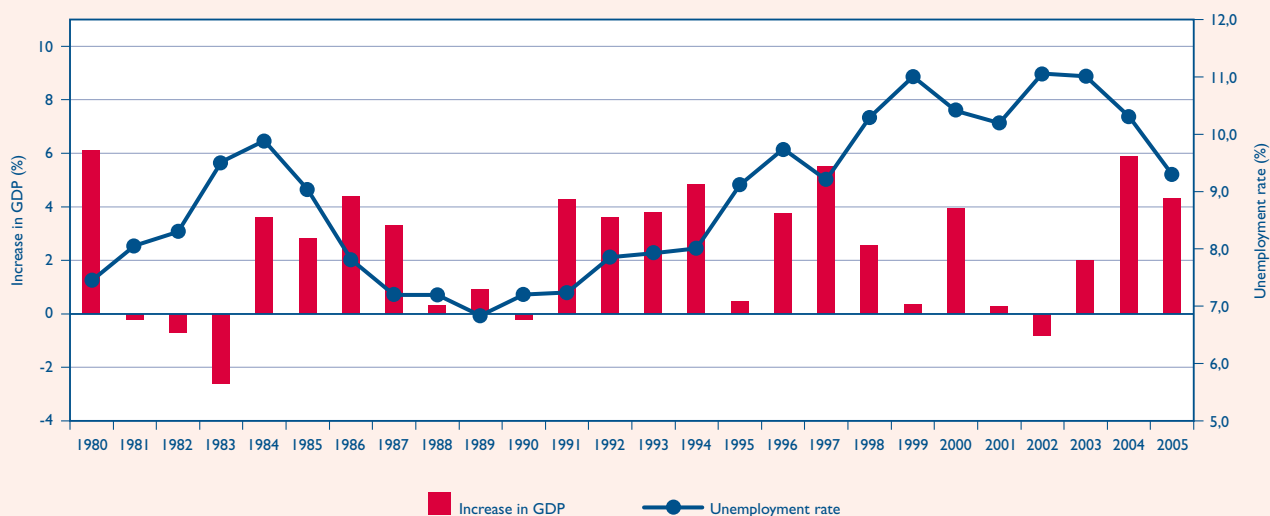
ECLAC has pointed out the need to reach a better balance between incentives and solidarity in social protection systems. This must include contributory (based on employee and employer contributions) and non-contributory (financed through general revenues) mechanisms. It is important to ensure efficiency in resource use, to expand coverage and improve service quality, particularly for low-income sectors.

Topics deal with the processes for reforming and designing health-care and pension systems, based on countries' labour markets and tax possibilities. Support programmes for the poorest groups in society are also under review to identify more precisely the issues that must be covered by a new, right-based social covenant.

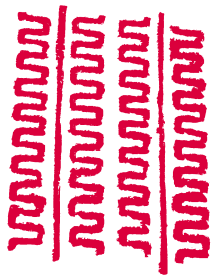
The document seeks to bring together social rights and policy criteria designed to ensure their enforceability in terms of greater access, better financing and more solidarity.

There is no single, ideal solution, according to **ECLAC**. Although countries face financial restrictions, a respect for rights should guide public policies and drive agreements to mobilize the necessary resources. 🦸

Latin America and the Caribbean: Growth and Unemployment



Source: **ECLAC**, *Economic Survey of Latin America and the Caribbean, 2004-2005* (LC/G.2279-P/E), Santiago, Chile, August 2005. United Nations publication, Sales No. E.05.II.G.2.



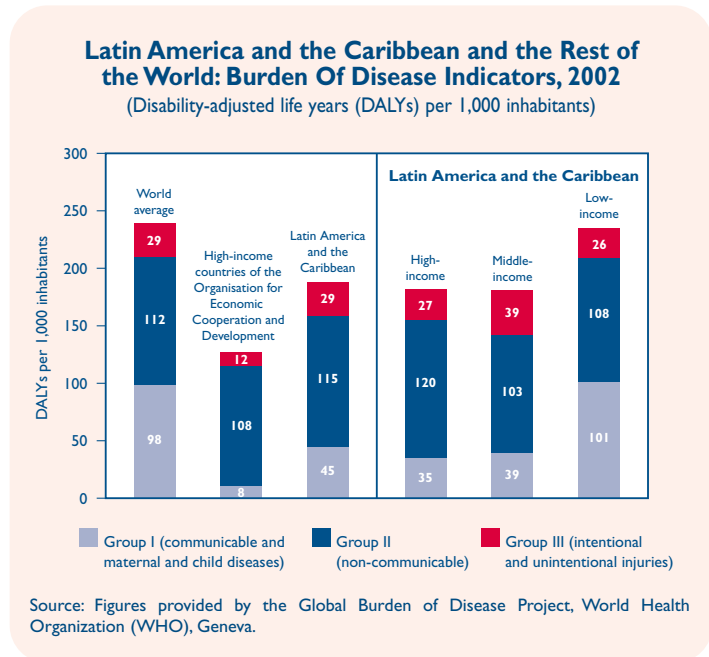
REFORM AGENDA IN HEALTH: TOWARDS GUARANTEED UNIVERSAL COVERAGE

Universalization of social protection in health care is a pending challenge throughout the region, ECLAC notes in its report, *Shaping the Future of Social Protection: Access, Financing and Solidarity*, presented at its *Thirty-first Session*.

Per capita spending on health care in Latin America and the Caribbean countries (US\$438) is below the world average (US\$640) and well behind that of high-income countries (US\$2,514). Moreover, these costs are borne significantly by families themselves (37%), creating important inequity in access. The region is rapidly approaching developed countries in terms of non-communicable diseases which are more costly to treat. Meanwhile it has not yet resolved the problem of communicable diseases, typical of less developed countries. This “epidemiological lag” is most evident in low income countries.

In the region’s health care systems of public sector, social security and the private sector tend to co-exist without adequate coordination, generating inefficiencies and limiting solidarity.

ECLAC proposes extending health care coverage to the whole population, through solidarity-based mechanisms that guarantee genuine access to necessary services, regardless of the ability to pay or individual contributions. To do so, ECLAC’s reform agenda includes:



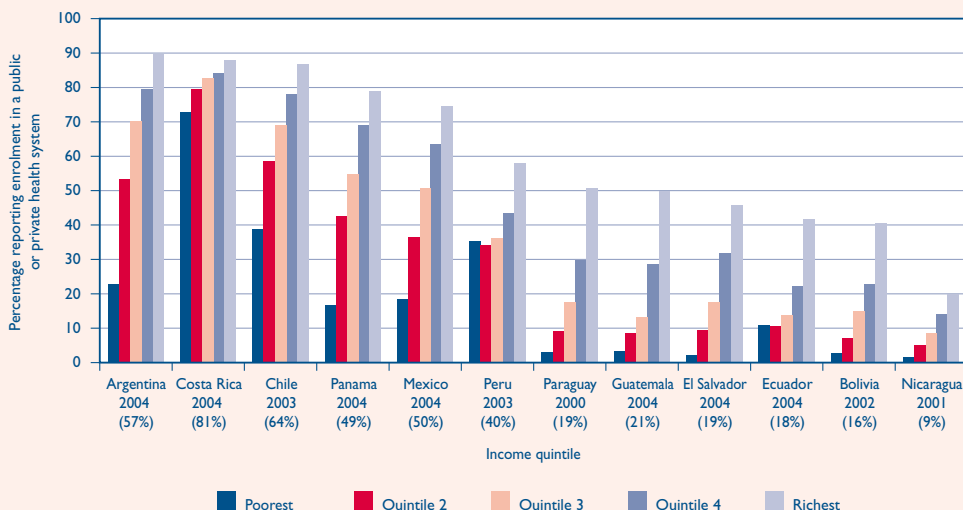
- **Insurance and financing policies:** moving towards the integration of public and social security system, to attain greater solidarity.

- **Public health care policies and expansion of primary care:** to promote better access to health care services, primary care must be reinforced through population-wide programs that reflect each country’s sanitary needs. There have been many innovative

experiences in this region, based on better integrating different levels of complexity and care, and through original mechanisms for service provision (for example, through non-governmental organizations).

- **Service provision and organization policies:** the functions of financing and providing health care services should be separated. At the same time, efficiency can be improved through better payment mechanisms, greater integration of the supplier network, and optimizing the public-private mix.

Percentage of Households Reporting Affiliation to Social Security or Private Health Insurance Schemes



Source: ECLAC, on the basis of household surveys for the relevant countries.



PENSION SYSTEM REFORMS SHOULD EXPAND COVERAGE

Despite multiple efforts and reforms to pension systems in the region's countries, just four out of every 10 people over 70 years of age directly receive some type of income through retirement or other pensions in Latin America and the Caribbean, according to the report *Shaping the Future of Social Protection: Access, Financing and Solidarity*, presented at ECLAC's *Thirty-first Session*, in Montevideo, Uruguay.

One of the main lessons from recent decades is that the reality of the region's countries makes it impossible to develop pension reforms based solely on traditional models of social security, using contributions by those formally employed.

The pensions provided by these systems depend on the ability to make contributions throughout the life cycle, a condition that has excluded broad sectors, especially those employed in seasonal, informal or low productivity activities, ECLAC notes.

The introduction of fully funded pension systems in some countries have not brought an increase in contributory participation. Moreover, the introduction of individual accounts has eliminated much of the solidarity inherent in pay-as-you-go systems.

Also pressuring social protection systems in Latin America and the Caribbean is the region's ageing process, one of the world's most rapid. The coming demographic changes will further pressure financing of all pension systems, but countries using distributive schemes will have to significantly change their parameters.

System reforms must move toward expanding coverage of non-contributory pensions (that is, those that are paid out

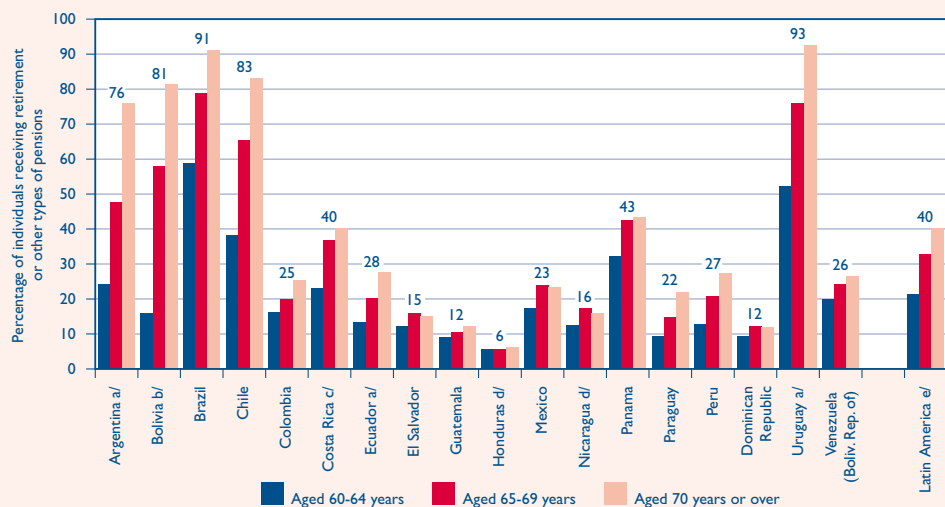
regardless of contributions paid in) and improving the solidarity of contribution-based programmes, using a model that combines both schemes, maintains incentives to contributions, and guarantees short- and long-term financial viability.



The need to find a workable way

The ECLAC study proposes that countries find a workable way to combine the distributive component, individual capitalization, guaranteed non-contributory pensions for

Latin America: Receipt of Incomes Through Retirement or Other Pensions



Source: ECLAC, on the basis of household surveys conducted in the relevant countries. a/ Corresponds to surveys undertaken in urban zones. b/ Includes Bolívia and Bonosol. c/ Only includes pension income. d/ Retirement or other pensions received by a family member. e/ Simple average of the countries.

impoverished older adults, and solidarity-based rules for contributors with insufficient pensions.

They should also move toward pension system unification, since the coexistence of separate schemes tend to become an important source of inequity and additional financial pressures. Separate systems absorb major resources and benefit relatively small portions of the population.

ECLAC estimates that providing non-contributory pensions to bring the income of everyone over 65 up to the poverty cut-off line would significantly reduce the poverty associated with old age, and cost around 1% of GDP.



RESOLUTIONS APPROVED DURING ECLAC'S THIRTY-FIRST SESSION

During the *Thirty-first Session* of the Economic Commission for Latin America and the Caribbean (ECLAC) that took place in Montevideo, Uruguay, last March, governmental delegates approved 17 resolutions, which establish the Commission's programme of work in several areas.

The **Montevideo Resolution** accepted the observations in the document *Shaping the Future of Social Protection: Access, Financing and Solidarity*, prepared by ECLAC, considering it a timely examination of conditions in the countries of Latin America and the Caribbean at their current stage of development. Delegates approved the document's proposals, which emphasized the need to harmonize social rights agendas and financial restrictions in a period such as this one, characterized by the need to expand competitiveness and strengthen integration into the world economy.

Another resolution supported the United Nations' stabilization mission in Haiti, which was set up by the UN Security Council in 2004. This resolution recognized ECLAC's work on Haiti's behalf, in response to a mandate from the previous session, and called for a renewal of this participation, particularly in the areas of economic and social development, in the spirit of Security Council Resolution 1658 (2006). Similarly, the plenary recommended continuing and expanding cooperation with Haiti, in conjunction with the Haitian government.

Governmental delegates approved the programme of work for the ECLAC system from 2008-2009, with the following priorities: steady consolidation of macroeconomic stability, improved integration into the international economy, increasing social cohesion, increasing the region's productive potential, perfecting sustainable development policies, incorporating the gender perspective in all aspects of public policy, and strengthening global institutions.

With Japan's integration as a full member and the Turks and Caicos Islands as associates, ECLAC now has 43 member and eight associate states.

With regard to the *Millennium Development Goals*, the plenary requested that ECLAC continue to research and provide technical assistance to governments in two areas, in cooperation with the United Nations system. The first involves coordinating annual regional reports, and the second, coordinating the inter-institutional report summarizing achievements from 2006-2010, scheduled for 2010.

A resolution on monitoring the regional Action Plan on the Information Society in Latin America and the Caribbean underlined the importance of promoting a regional vision of the information society. Delegates requested that ECLAC support the region's countries in their efforts to meet the 30 goals included in the Rio Plan of Action (eLAC 2007).

ECLAC's next Session will be held in Santo Domingo, the Dominican Republic, in 2008.

Latin America: Cost of Granting Targeted and Universal Pensions and the Impact on Poverty

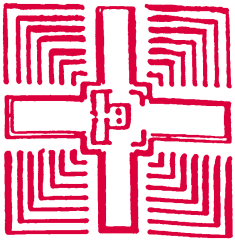
Impact on Poverty
(Older adult poverty index)



Cost of Targeted and Universal Pensions
(Percentages of GDP)



Source: ECLAC, on the basis of household surveys applied in 2002, except in Paraguay (2000), Brazil, Nicaragua and El Salvador (2001), and Chile (2003).
a/ Urban surveys.



SOCIAL PROGRAMMES HELP TO OFFSET THE REGION'S POVERTY BUT STILL FACE MAJOR CHALLENGES

Four of every ten people in Latin America and the Caribbean live in poverty, according to

ECLAC in its study, *Shaping the Future of Social Protection: Access, Financing and Solidarity*.

Living in poverty refers to more than insufficient income to cover basic needs, however: it also means facing social exclusion and being unable to participate fully in society.

ECLAC argues that there is a need for social programmes that will both mitigate the immediate effects of poverty and remove its structural causes, by promoting human capital formation to prevent its transmission from one generation to the next.

In this context, the document analyses the latest initiatives in social programmes in the region, highlighting those which have had the broadest coverage in recent years: employment-related emergency programmes, created to relieve the devastating effects of economic crises and natural disasters; and conditional transfer programmes, which combine short-term poverty relief (through transfers) with long-term objectives, by simultaneously developing the different components of human capital (education, health, nutrition).

On employment programmes, **ECLAC** points to the constant challenge to endow beneficiaries with new productive skills and avoid simply providing unrequited subsidies. It recommends

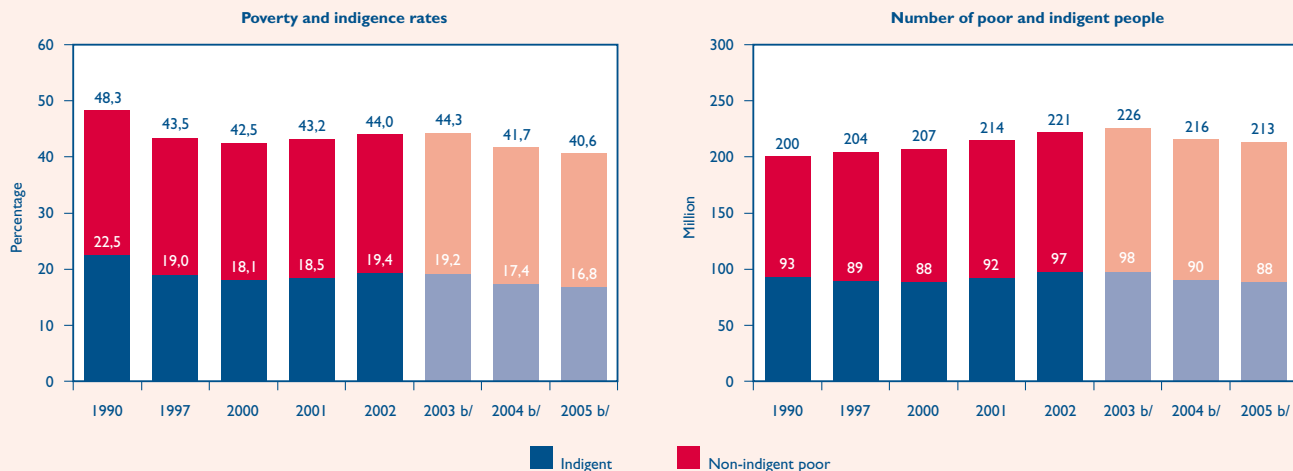
reinforcing vocational training components, development of skills and work habits, and better linkages with productive policies.

An initial evaluation of conditional transfer programmes (which transfer funds to poor families provided they meet certain education, health and nutrition targets) is favourable, given the extensive coverage achieved in some countries and the positive impact in terms of educational attainment and the number of preventive visits to health care centres. **ECLAC** therefore recommends expanding these initiatives.

The report also puts forward a series of challenges to be met, however: the State should play a more active role in incorporating new beneficiaries; ensuring an adequate supply of basic services of a type and quality appropriate to the resulting demand for more education or health care; inclusion of explicit exit rules; and promotion of productive policies to complement human capital formation.

The **ECLAC** study underlines the importance of creating an institutional framework that ensures continuity over time (avoiding constant replacements and allowing the consolidation of key initiatives), facilitate coordination among and integration of the sectors affected (to achieve positive synergies and avoid overlapping initiatives), and encourage transparency in the State's actions (for example, by evaluating the effectiveness of interventions).

Latin America: Trend of Poverty and Indigence, 1990-2005 a/



Source: **ECLAC**, *Social Panorama of Latin America, 2005. Briefing Paper*, Santiago, Chile, 2005.

a/ Estimate for 18 of the countries of the region, plus Haiti. The numbers superimposed on the orange-coloured sections of the bars represent the percentage and total number of poor people (indigent plus non-indigent poor). b/ Projections.

HUMAN RIGHTS AND DEVELOPMENT TO THE CENTRE OF DEBATE ON MIGRATION IN LATIN AMERICA AND THE CARIBBEAN

The number of migrants in this region rose from 21 million people in 2000 to almost 25 million in 2005, accounting for 13% of the world total. This figure reveals the need to put forward measures for the governance of international migration from a Latin American perspective, facilitating mobility, positive externalities, and protecting the human rights of all migrants, ECLAC argues.

The document, *“International Migration, Human Rights and Development in Latin America and the Caribbean”* was presented to government delegates meeting at ECLAC’s *Thirty-first Session* in Montevideo, this 20-24 March. It offers orientation to deal with the challenges and opportunities for development posed by migration, from the perspective of the human rights of migrants and their families.

Mexico, the Caribbean Community and Colombia have the most emigrants, more than a million people in each case. Another nine countries have over 500,000 (Argentina, Brazil, Cuba, Ecuador, El Salvador, Guatemala, Haiti, Peru and The Dominican Republic) each. Several Caribbean countries have over 20% of their population abroad, while in Latin America the highest percentages affect Cuba (8.7%), El Salvador (14.5%), Mexico (9.4%), Nicaragua (9.6%), the Dominican Republic (9.3%) and Uruguay (8.3%).

The United States remains the favourite destination. Toward 2004, there were 18 million migrants from the region and along with their descendents born there they are already the country’s largest ethnic minority. Their characteristics include the strong links they maintain with their countries of origin. Almost half of the migrants from Latin Americans and the Caribbean are there without proper documentation.

The ECLAC study also found that migration destinations had expanded and diversified. Since the 1990s, the number of Latin Americans heading to Europe (especially Spain), Japan and Canada has risen and is estimated at 3 million people. Spain is the second most popular destination for the region’s migrants, with 1.2 million people in 2004.

Argentina, Costa Rica and Venezuela remain the main destinations of migration within the region, although there are several countries that now combine their condition as receivers and senders, transition points along the way or for those returning (several Caribbean islands, Mexico, Central America and some within the Southern Cone). These migrants add up to 3 million people who move between neighbouring countries or those that are relatively close to each other. This coincides with initiatives to facilitate mobility within Caricom, Mercosur and the Andean Community of Nations.



Gender, The Brain Drain and Remittances

Today, half the region’s international migrants are women, who often travel alone in search of jobs and end up working as domestic labour.

Skilled migration is causing a brain drain in countries of origin and potential benefits provided professionals circulate and then return do not seem to have materialized. Nonetheless, several

Latin America and the Caribbean: Immigrants and Emigrants as a Percentage of the Total Population, by Country of Residence and of Birth, Around 2000

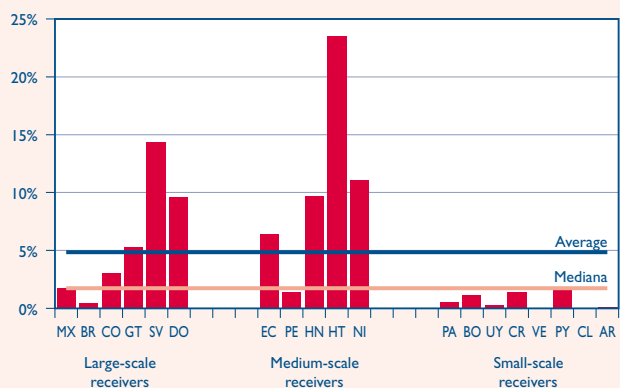
(Minimum estimates in thousands of persons and in percentages)

Country	Total Population	Immigrants		Emigrants	
		Number	Percentage of country's population	Number	Percentage of country's population
Region total a/	523 463	6 001	1,0	21 381	3,8
Latin America	511 681	5 148	1,0	19 549	3,5
Argentina	36 784	1 531	4,2	507	1,4
Bolivia	8 428	95	1,1	346	4,1
Brazil	174 719	683	0,4	730	0,4
Chile	15 398	195	1,3	453	2,9
Colombia	42 321	66	0,2	441	3,4
Costa Rica	3 925	296	7,5	86	2,2
Cuba	11 199	82	0,7	973	8,7
Dominican Rep.	8 396	96	1,1	782	9,3
Ecuador	12 299	104	0,8	585	4,8
El Salvador	6 276	19	0,3	911	14,5
Guatemala	11 225	49	0,4	532	4,7
Haiti	8 357	26	0,3	534	6,4
Honduras	6 485	27	0,4	304	4,7
Mexico	98 881	519	0,5	9 277	9,4
Nicaragua	4 957	20	0,4	477	9,6
Panama	2 948	86	2,9	124	4,2
Paraguay	5 496	171	3,1	368	6,7
Peru	25 939	23	0,1	634	2,4
Uruguay	3 337	46	1,4	278	8,3
Venezuela (Bolivarian Rep. of)	24 311	1 014	4,2	207	0,9
Caribbean	11 782	853	1,9	832	15,5
Bahamas	303	30	9,9	28	9,2
Barbados	267	25	9,4	68	25,5
Belize	240	17	7,1	43	17,9
Dominica	78	4	5,1	8	10,3
French Guiana	164	—	—	1	0,6
Granada	81	8	9,9	56	69,1
Guadeloupe	428	83	19,4	2	0,5
Guyana	759	2	0,3	311	41,0
Jamaica	2 580	13	0,5	680	26,4
Martinique	386	54	14,0	1	0,3
Netherlands Antilles	215	55	25,6	118	54,9
Puerto Rico	3 816	383	10,0	6	0,2
Saint Lucia	146	8	5,5	22	15,1
Suriname	425	6	1,4	186	43,8
Trinidad and Tobago	1 289	41	3,2	203	15,7
Others b/	605	124	20,5	99	16,4

Source: Latin American and Caribbean Demographic Centre (CELADE) – Population Division of ECLAC, Investigation of International Migration in Latin America project (IMILA); Cuba, Haiti and Caribbean: United Nations Population Division.

Note: Data on immigrants in Colombia, El Salvador, Nicaragua, Peru and Uruguay correspond to the 1990 censuses. a/ In the cases of Cuba, Haiti and the Caribbean, the figures are from the United Nations Population Division. b/ Includes Anguilla, Antigua and Barbuda, Aruba, Bermuda, Cayman Islands, Turks and Caicos, the British and United States Virgin Islands, Montserrat, Saint Kitts and Nevis, and Saint Vincent and the Grenadines. Estimates of emigrants are minimum, since they cover a limited number of countries in Europe and Oceania.

Latin America: Remittances as a share of gross domestic product, 2000-2004



Source: Latin American and Caribbean Demographic Centre (CELADE) – Population Division of ECLAC, based on information from the Social Indicators and Statistics Database (BADEINSO) and the International Monetary Fund.

CHALLENGES AND OPPORTUNITIES FOR MIGRATION GOVERNANCE

Early in the 21st century, international migration ceased to be a domestic affair within each country and became important at the community, local, regional and transnational levels.

The document *International Migration, Human Rights and Development in Latin America and the Caribbean*, by the Latin American and Caribbean Demographic Centre (CELADE), ECLAC's Population Division, offers the region's governments orientation on how to deal with the challenges and make the most of the opportunities posed by migration, particularly with regard to the human rights of migrants and their families.

The Latin American countries are promoting joint positions on migration. The region has valuable experience regarding migratory governance that can be presented as good practices to the United Nations High-Level Dialogue on International Migration and Development, scheduled for 2006.

Some ECLAC recommendations in this document:

- All migrants should be protected under international law. Such protection has not yet been achieved on a systematic basis, although several countries in the region have ratified the Protocol to Prevent, Suppress and Punish Trafficking in Persons, especially Women and Children. A programme specifically designed to protect migrants has been adopted within the framework of the OAS and the Summit of the Americas. Countries that have already signed the International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families include: Belize, Bolivia, Chile, Colombia, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Peru and Uruguay.

- Migration should be made easier, given that restrictions on human mobility contrast with the ease of circulation of financial flows, trade, information and ideas. ECLAC estimates that bilateral and subregional agreements on specific migratory issues (such as professional accreditation and temporary work) are very important in this sense.

- The contributions made by migrants to the competitiveness and prosperity of their countries of destination should also be made known to a wider audience. Action in this area would lend greater legitimacy to their integration and would help promote respect for cultural diversity, the regularization of the status of migrants who have been residing in a country of destination for some time, and the adoption of new temporary work agreements to regulate migration appropriately.

- Sustained efforts must be made to promote linkages among dispersed populations and, especially in the case of professionals, of scientific and technological networks to deal with the loss of human resources in countries of origin.

- It is essential to foster the further empowerment of women migrants. Their contributions to their families, communities and countries of origin and of destination must be recognized, and situations which prevent their empowerment and perpetuate gender inequalities identified.

countries have created links with emigrant communities and supported scientific networks associated with these groups. Emigration of professionals, especially nurses and teachers, from countries with smaller economies are particularly worrisome. The most populated countries are also experiencing significant losses of specialists and the constant flow is threatening the critical mass of knowledge.

Another innovative feature of migration is the enormous growth in remittances, which have become a major source of external financing for the region. Mexico, Brazil and Colombia receive more than 60% of the region's remittances and 20% is captured by Guatemala, El Salvador and the Dominican Republic.

Remittances reflect the link with migrant workers and their contribution to domestic economies pose a challenge to public policies. In countries such as Haiti, Nicaragua and Honduras they represent 24%, 11% and 10% of GDP, respectively, and in the larger economies, such as El Salvador and the Dominican Republic, 14% and 10%. Their use, measurement, transfer costs, productive potential are the subject of considerable debate. A recent study by ECLAC found that their impact in terms of the overall poverty of the population is not very significant, although for the households receiving these funds they are a strategic income.

Along with escaping from unemployment and the lack of opportunities, international migration involves growing risks and vulnerability. The human rights of many migrants, whether during their journeys, their integration into destination societies or a repatriation process, tend to be violated in alarming ways, ECLAC points out.

Today, Latin America and the Caribbean have accumulated significant experience in terms of migration governance, which can be useful to adopting joint positions and promoting best practices at the United Nations High-Level Dialogue on International Migration and Development, planned for this year.

ECLAC PROJECTIONS: LATIN AMERICA AND THE CARIBBEAN'S GROSS DOMESTIC PRODUCT TO GROW 4.6% IN 2006

The Gross Domestic Product (GDP) of countries in Latin America and the Caribbean will grow 4.6% in 2006, up slightly from last year (2005). For 2007, growth is expected to slow a little to around 4%.

This is the projection from the Economic Commission for Latin America and the Caribbean (ECLAC) in its report *América Latina y el Caribe: proyecciones 2006-2007 (Latin America and the Caribbean: Projections 2006-2007)*, published by the Economic Projections Centre, as N° 42 in its *Estudios estadísticos y prospectivos series*.

Ongoing favourable international conditions will favour growth in 2006, according to ECLAC. Strong world trade, led by the Asian economies, has kept commodity prices high. These conditions, combined with active domestic demand, will remain the main drivers behind Latin America's growth.

ECLAC estimates that inflation will remain similar to 2005 levels of 5% to 7% throughout the region. These historic lows are expected in a context in which energy prices will remain high.

Growth by Countries and Subregions

In 2006, growth rates for Latin American countries will range from 3% to 6%, except for Argentina and Venezuela, which will grow by more than 6%. As in previous years, the Southern Cone (Argentina, Chile, Paraguay, Uruguay) and the Andean Community posted the most growth, at 6.9% and 5.7%, respectively.

Argentina, with growth expected to reach 7.5% in 2005, will lead in the Southern Cone, thanks to strong domestic demand, especially from investment. In Brazil, lower interest rates, reflecting less restrictive monetary policy, should stimulate a significant response from domestic demand, taking growth to 3.5%.

The 7% growth forecast for Venezuela should boost the average for the Andean Community overall.

Meanwhile, as in past years, in 2006 growth in Mexico and Central America will be lower than the average for Latin America, although the gap should close somewhat, since the subregion's economy is expanded to grow about 3.6%.

International Economy

ECLAC estimates that growth in the United States will be slightly below the 3.5% achieved last year, probably approaching 3%. In contrast, European countries are expected to see growth rise steadily in the second half of the year. Asia, once again, will be the strongest performer, with Japan's growth approaching 3% and China and India continuing to enjoy high growth, of around 9% and 7% respectively, toward year's end.

Information from this report is summarized, in Spanish, in the *Atlas de Crecimiento* (Growth Atlas) prepared by ECLAC's Projections Centre, at: http://www.eclac.cl/deype/atlas_crecimiento/index.htm.

Latin America and the Caribbean: GDP Growth, 2004-2007
(annual growth, percentage)

	2004	2005	2006			2007		
			Scenario			Scenario		
			Low	Project.	High	Low	Project.	High
Latin America and the Caribbean	5.9	4.5	3.7	4.6	5.0	3.1	4.1	4.7
South America	6.9	5.1	3.8	5.0	5.6	3.0	4.4	5.1
Brazil	4.9	2.3	2.0	3.5	4.0	2.0	3.7	4.5
Southern Cone	8.4	8.3	6.0	6.9	7.3	4.3	5.4	5.9
Andean Community	9.5	7.0	4.8	5.7	6.5	3.1	4.4	5.1
Mexico and Central America	4.2	3.1	3.3	3.6	3.8	3.3	3.6	3.8
Central America	4.0	4.0	3.5	4.2	4.8	3.5	4.2	4.9
Mexico	4.2	3.0	3.3	3.5	3.7	3.3	3.5	3.7
Caribbean	4.0	4.2	5.2	5.9	6.1	3.6	4.3	5.0

Source: Economic Projections Centre, ECLAC, 2006.

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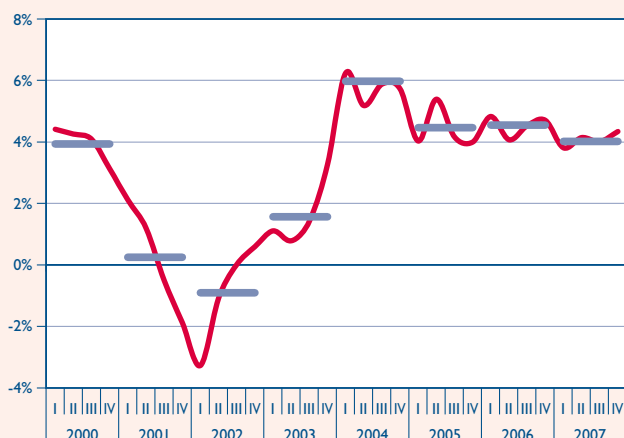
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The symbols used in this newsletter represent the various indigenous cultures of the Americas and some of the milestones in the region's history. The symbols are engraved on the outside of the conference rooms at ECLAC headquarters in Santiago, Chile.



Latin America and the Caribbean: Prospects for Growth, 2000-2007

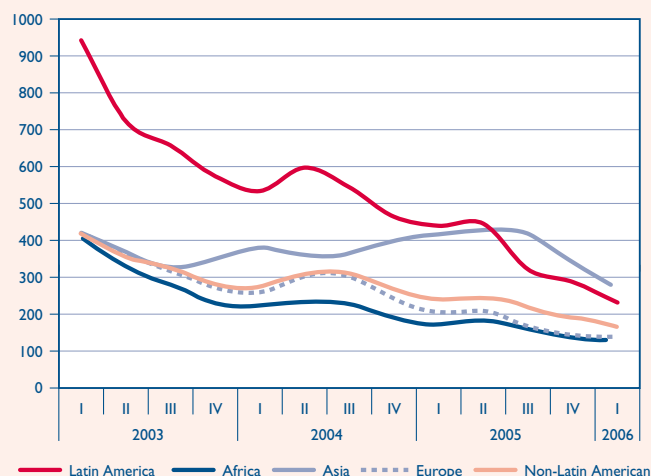
(annual change)



Source: Economic Projections Centre, ECLAC, 2006.

Sovereign Debt Interest Rate Differentials, by Zone

(basis points)



Source: Economic Projections Centre, based on the EMBI Index and JP Morgan.

Note: The Non-Latin American index includes the following groups of countries. Africa: Egypt, Morocco, Nigeria, and South Africa; Asia: Azerbaijan, The Philippines, Kyrgyzstan, Turkey, Russia, the Ukraine, Uzbekistan; Europe: Belarus, Bulgaria, Poland.

Latin America and the Caribbean: GDP Growth, 2004-2007

(annual change, percentage)

Country	2004	2005	2006	2007
Argentina	9.0	9.2	7.5	5.5
Bolivia	3.6	4.1	3.3	3.0
Brazil	4.9	2.3	3.5	3.7
Chile	6.1	6.3	5.7	5.5
Colombia	4.0	5.1	4.8	4.5
Costa Rica	4.2	4.1	3.7	3.5
Dominican Rep.	2.0	9.3	6.0	5.0
Ecuador	7.6	3.9	3.0	2.5
El Salvador	1.5	2.8	3.5	3.4
Guatemala	2.7	3.2	4.0	4.0
Haiti	-3.5	1.8	2.3	2.5
Honduras	5.0	4.2	4.0	4.0
Mexico	4.2	3.0	3.5	3.5
Nicaragua	5.1	4.0	4.0	4.0
Panama	7.6	6.4	6.0	6.5
Paraguay	4.0	2.7	3.0	3.0
Peru	4.8	6.7	5.6	5.0
Uruguay	12.3	6.6	4.5	4.0
Venezuela	17.9	9.3	7.0	4.5
The Caribbean	4.0	4.2	5.9	4.3
Total	5.9	4.5	4.6	4.1

Source: Economic Projections Centre, ECLAC, 2006.

Latin America and the Caribbean: Projected Inflation, 2005-2006

(annual change, percentage)

Country	2005	2006 Scenario	
		Low	High
Argentina	12.3	10.7	14.7
Bolivia	4.9	3.1	5.1
Brazil	5.7	4.4	6.4
Chile	3.7	2.5	3.5
Colombia	4.9	3.1	5.1
Costa Rica	14.1	11.0	13.0
Dominican Rep.	7.4	10.6	12.6
Ecuador	3.1	2.8	4.8
El Salvador	4.3	2.6	4.6
Guatemala	8.6	6.0	8.0
Honduras	7.7	6.3	8.3
Mexico	3.3	3.2	4.2
Nicaragua	9.6	9.0	11.0
Panama	3.4	1.5	2.5
Paraguay	9.9	8.8	10.8
Peru	1.5	2.3	3.3
Uruguay	4.9	5.2	7.2
Venezuela	14.4	10.5	14.5
Jamaica	12.9	10.0	12.0
Trinidad and Tobago	7.2	7.3	9.3
Bahamas	2.1	1.6	2.6
Barbados	7.0	3.2	5.2
Haiti	14.8	14.1	18.1
Belize	3.7	3.0	5.0
Guyana	8.2	6.2	8.2
Dominica	2.0	1.2	2.2
St. Vincent and the Grenadines	3.9	2.1	4.1
Total	6.1	5.1	6.9

Source: Economic Projections Centre, ECLAC, 2006.

1 *Destinatarios y usos de remesas. ¿Una oportunidad para las mujeres salvadoreñas? (Recipients and Uses of Remittances: An opportunity for Salvadoran Women?)* by Diana Santillán and María Eugenia Ulfe. *Mujer y Desarrollo* series No. 78, January 2006, Spanish (LC/L.2455-P). Women benefit more from remittances sent by migrants, but this study reveals the complexity of the relationship between remittances and women's empowerment, which depends on the context in which funds are sent and received. [www](#)

2 *Problemas de empleo, tendencias subregionales y políticas para mejorar la inserción laboral (Problems of Employment, Subregional Trends and Policies to Improve Workforce Participation)*, by Jürgen Weller. *Macroeconomía del desarrollo* series No. 40, December 2005, Spanish (LC/L.2409-P). This report



reviews the recent, unsatisfactory performance of labour markets, noting the differences between the three subregions in Latin America and analyzing the contributing factors. [www](#)

3 *Foreign Investment in Latin America and the Caribbean, 2005*, April 2006, Spanish and English (LC/G.2309-P/E). This complete annual analysis includes a regional overview, a chapter on investment promotion agencies, and studies on the

internationalization, through direct investment, of Latin America firms, known as trans-Latins. [www](#)

4 *Agglomeraciones en torno a los recursos naturales en América Latina y el Caribe: Políticas de articulación y articulación de políticas (Natural Resource Clusters in Latin America and the Caribbean: Policies for Articulation and the Articulation of Policies)*. *ECLAC* book series No. 88, November 2005, Spanish (LC/G.2285-P/E). Based on a critical reading of studies on this subject, this report concludes that the function of public policy is to encourage interactions between companies and institutions with an eye to developing the capacity for innovation and adaptation to constantly changing markets, within a long-term perspective. [www](#)

5 *Impactos diferenciados de la liberalización comercial sobre la estructura en América Latina (Differentiated Impacts of*

Trade Liberalization on Structure in Latin America), by Monica Rodrigues. *Desarrollo productivo* series No. 167, February 2006, Spanish (LC/L.2421-P/Rev.1). This study identifies opportunities and threats posed by trade liberalization as it affects the agricultural sectors in Brazil, Chile, Nicaragua and Peru. These countries share interests and concerns for commercial issues, but differ in terms of their degree of unilateral openness to trade, participation in free trade agreements, and positions taken in multilateral forums. [www](#)

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MONTH	EVENT	PLACE
MARCH		
9	Conversation on Democracy, Parity and Affirmative Action. Women and Development Unit. ECLAC	ECLAC
16	Workshop on the use of specialized trade data bases. ECLAC	ECLAC Subregional headquarters, Mexico
20-24	Thirty-first Session, ECLAC	Montevideo, Uruguay
22	Visit from the President of Uruguay, Tabaré Vázquez, to the ECLAC Session	Montevideo, Uruguay
22	Visit from the President of Chile, Michelle Bachelet, to the ECLAC Session	Montevideo, Uruguay
APRIL		
3	Task Force on International Merchandise Trade Statistics, Statistics and Economic Projections Division, ECLAC	ECLAC
3	Regional meetings on the international comparison programme. Statistics and Economic Projections Division, ECLAC	ECLAC
10	Working Meeting on "Integration of Policies, Sustainability and Agriculturization of the Argentine Pampa and Adjacent Areas," Sustainable Development and Human Settlements Division, ECLAC	ECLAC
11	Seminar "Strategies for Inclusion in Higher Education," ECLAC	ECLAC
12	Press Conference to present the report "Foreign Investment in Latin America and the Caribbean, 2005," ECLAC	ECLAC
26	Official opening of art exhibit, "We the People of the United Nations, 60 Years of International Solidarity," Polish Embassy in Chile/ ECLAC	ECLAC

