THE NUMBER OF POOR PEOPLE IN LATIN AMERICA HAS FALLEN BY 13 MILLION SINCE 2003

Estimates from ECLAC’s flagship report, *Social Panorama of Latin America, 2005*, indicate poverty declined by 13 million people between 2003 and 2005. It nonetheless remains high, affecting 213 million people (40.6%), of which 88 million (16.8%) are indigents.

Improving economic conditions, remittances from emigrants, and increased social expenditures have all helped to turn around the rising trend that prevailed in the region from 1990 on, notes ECLAC. New measures indicate that poverty declined in most countries. In 2004, it fell 16 percentage points in urban Argentina, while indigence was down 9.8 points since 2002. In Mexico, poverty has been declining since 1996, and in 2004 it dropped a further 2.4 percentages points from overall levels in 2002, with a decline in indigence of 0.9 percentage points, mainly in rural areas. Likewise, indigence was down 2.8 percentage points in Peru.

Forecasts for this year show that the region has met 51% of the first Millennium Goal, which requires halving the extreme poverty levels posted in 1990 by 2015.

ECLAC considers this encouraging news, but notes that since 15 of the 25 years have already passed (60% of the time period), the region is still not on target.

The most common deficiencies involve housing deficits, the report concludes. More than 30% of the population in nine (of a total of 14) countries live in overcrowded conditions, with three or more people per room. A similar percentage lack any connection to public water mains (or a septic system in rural areas), in 13 of 17 countries.

(continued on page 3  )

FIRST ROUND OF “EXPERIENCES IN SOCIAL INNOVATION” COMPETITION SUCCESSFULLY CONCLUDES

With awards presented to five community projects in Latin America and the Caribbean in November, the first round (2004-2005) of the competition “Experiences in social innovation”, organized by the Economic Commission for Latin America and the Caribbean (ECLAC), with support from the W.K. Kellogg Foundation, successfully concluded.

The purpose of this competition was to identify and reward worthy innovative initiatives in the field of social development, in order to analyze, systematize and extract lessons from them that could be useful elsewhere in the region. By making these achievements as widely known as possible, ECLAC and the Kellogg Foundation hope to improve social policies and practices, and thereby benefit the population of all the region’s countries.

After two days of presentations by the 20 finalist projects at ECLAC’s headquarters in Santiago, Chile, the commission of experts evaluating the initiatives selected the project “Milk Agogó”, by Veterimed, representing Haiti, for first place.

(continued on page 6  )
THE INFORMATION SOCIETY IN LATIN AMERICA AND THE CARIBBEAN: PROGRESS AND CHALLENGES

JOSÉ LUIS MACHINEA

he World Summit of the Information Society, the second phase of which occurred in Tunis in mid-November, is tremendously important for Latin America and the Caribbean. The region’s countries have been working for several years on political consensuses regarding the information society. These culminated in the Rio de Janeiro Commitment, approved in June of this year, and the eLAC2007 Plan of Action, which includes initiatives to encourage the region’s digital development in order to facilitate growth, strengthen equality and stimulate democracy.

Latin America and the Caribbean have progressed in terms of connectivity, but somewhat unevenly. For example, between 1999 and 2004, the number of mobile telephones grew four-fold, to connect 32 of every 100 of the region’s inhabitants to mobile communications. In contrast, Internet use has only reached 11.5%. The figures reveal that the beneficiaries of this progress are primarily high-income sectors and large and medium-sized companies. How can we guarantee access to those living in the most isolated areas with the least infrastructure and low-income groups in large urban areas?

In terms of electronic government, use of information and communications technologies (ICTs) in the public sector has become a new factor encouraging the development of the information society. Almost every country in the region has an electronic government programme. Argentina, Brazil, Colombia, Chile and Mexico are among the 25 most advanced countries in the world in this field.

It is not surprising that in such an unequal region rapid progress made by some central government services contrasts with conditions prevailing among local governments in poor and more isolated regions. Today, less than one of every five municipal governments in Central America can be contacted by e-mail. The same is true in the health care and pension sectors, with little progress in the judiciary. In fact, it is precisely in the areas most crucial to equity that the most serious lags are apparent in government use of ICTs.

But we must keep in mind that the new technologies will not automatically generate more growth and equity. On the contrary, they may simply reinforce the inequalities already typical of the region. Without suitable public policies and institutions, the distance between large and small firms could widen; social inequalities, such as those involving gender, deepen; and the distance between metropolitan regions and the rest of the country grow. The problem goes beyond the technological issues.

We need a combination of public policy instruments to expand the options for access open to middle class and disadvantaged sectors and to ensure coherent standards and legal regulations. Priority should be given to providing collective access, with the extension of telecentre and infocentre networks in schools, high schools, libraries, city offices, neighbourhoods and towns.

Estimations by ECLAC indicate that while the region’s wealthiest 20% of the population has almost US$1,000 a year to spend on ICTs, half the population, on lower incomes, has less than US$2 per week. The quarter of the population with the lowest income has just US$60 per year. Bridging the digital divide requires finding sustainable access models that take into account the realities prevalent in the region. Subsidies are one rather limited way of going about this. For now it would seem that public access models are the best option for ensuring the widest possible access to broadband.

Because of this, the eLAC 2007 Plan of Action, with its 30 goals, is a good framework for this regionwide effort. Moreover, it offers an opportunity to advance toward political and trade integration, which is vital to the region, through, for example, reducing the transaction costs inherent in intraregional trade, introducing economies of scale into the infrastructure network, exchanging information and electronic transactions among governments, as well as expanding networks for scientific and technological cooperation.

The presence of almost all the region’s countries at this Summit offered a unique opportunity to consolidate, through concrete actions for integration, the Rio commitment and the eLAC 2007 Plan. These actions require a combined effort from all countries and the concerted cooperation of multilateral agencies interested in improving equity and productivity in this region, as part of its economic and social development.

The author is ECLAC Executive Secretary.
The importance of remittances

Remittances of funds from abroad made it possible for 2.5 million Latin Americans to escape poverty in 2002. These remittances have a major influence on the level and distribution of the incomes of receiving families, by allowing many to escape poverty and improve their situation compared to others, ECLAC notes.

In 2004 remittances flowing into Latin America and the Caribbean reached an estimated US$45 billion, about the same amount as foreign direct investment and more than official development aid.

In several countries, remittances amount to about 10% of Gross Domestic Product (GDP), suggesting enormous dependency on these flows as motors for economic growth, according to ECLAC. The highest percentages occur in Haiti (29%), Nicaragua (18%), Guyana and Jamaica (17%), and El Salvador (16%).

Remittances from abroad generally constitute a major source of income for low-income households. In nine of the 11 countries analyzed, half of those in receiving households would be under the poverty line without this support.

Increase in public spending on social welfare

A steady increase in public spending on social welfare in 21 countries of Latin America and the Caribbean since the early 1990s is the sign of the growing priority assigned to this area by the region’s governments. Suitable social strategies will make it possible to move away from the current inequality in income distribution, according to ECLAC’s study.

In recent years, the region’s spending on social welfare has remained very pro-cyclical. Now, however, there is a clear tendency to sustain social programmes over time, thereby assisting the sectors most affected by declining growth and rising unemployment, according to ECLAC.

The overall improvement to social spending throughout the region has boosted its share of Gross Domestic Product (GDP) from an average 12.8% in 1990-1991 to 15.1% in 2002-2003. By 2002-2003, the per capita resources going to education, health care, housing, security and social assistance had risen 39% since the early 1990s.

Higher public spending on social welfare in recent years has not, however, changed the enormous differences among and within Latin American countries, and the poorest sectors continue to receive a much smaller fraction of GDP than the highest income sectors, according to figures from ECLAC.

While Argentina, Brazil, Costa Rica, Cuba and Uruguay spend over 18% of their GDP on social welfare, Ecuador, El Salvador, Guatemala and the Dominican Republic spend less than 7.5% of GDP.

Moreover, the resources assigned to social sectors in countries with the most extreme poverty remain insufficient to cover their needs and meet the Millennium Development Goals.

The ECLAC study suggests that both the focus and the level of public spending on social programmes are important, since when these two aspects are combined, the benefits to low-income groups can go far beyond what might be expected for these amounts.

It also notes that except for Uruguay, in the countries where social spending is highest (Argentina, Brazil and Costa Rica) its effect on reducing income concentration is most significant. In Argentina, social spending contributes around 31% to households’ primary incomes, in Brazil 30%, and in Costa Rica 26%.

Social spending has a very significant impact on household income in the poorest sectors. While for all households overall, social spending boosts primary income by an average 17%, in the case of the poorest quintile, it increases their income by 86%. (See graph)

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

Source: ECLAC, based on special tabulations of household surveys from the respective countries.
a/ Estimates for 18 countries in the region, plus Haiti. The figures in the green bars represent the percentage and total number of poor people (indigents plus non-indigent poor). b/ Projections.
A comparison of energy intensity in Latin America and the Caribbean and the OECD reveals that the region’s countries have been unable to separate energy consumption from economic growth. This contrasts with the OECD countries, which reduced energy intensity by 24% between 1980 and 2004. Energy intensity is a ratio that measures energy consumption per unit of Gross Domestic Product.

The region of Latin America and the Caribbean has been unable to improve productivity since 1980, while energy intensity accumulated a rise of less than 2% in the past 24 years. (Figure 1)

Energy reforms in the 1990s did not encourage energy efficiency or the development of renewable energy sources. By 2004, the region’s CO2 emissions were up 75% over 1980 levels.

This behaviour reflected contradictory trends

On the down side, energy consumption by sector contributed negatively. The transportation sector, which is the poorest performer among consuming sectors, has grown steadily since the 1970s, surging ahead between 1980 and 2004 in particular, to account for 37% of total consumption. Manufacturing, meanwhile, remained relatively stable (34%), while residential and tertiary sectors saw their energy consumption decline.

More positively, the breakdown of consumption by source managed to offset this inefficiency somewhat. Biomass fell from 24% in 1980 to 14% in 2004, reflecting the fact that some low-yield sources have been replaced by medium-yield sources, such as hydrocarbons, and high-yield sources, such as electric power, which rose from 9% in 1980 to almost 16% in 2004.

In the more developed economies of Latin America, structural changes in manufacturing have been relevant, since they reflect the “technological or intensity” effect. In this sense, Brazil and Mexico reflect two related trends.

In the case of Brazil, the energy intensity index for the pulp and paper industry (which accounts for 11% of total consumption by this industry) rose constantly in the past decade. By 2004, overall energy intensity (measured against units of added value) had risen 30% over 1992 levels, whereas in terms of specific consumption (measured against tons of output) it had risen just 7%. This suggests that the shifts in this indicator were not driven by “technological change” but rather values (trends in international paper prices) or changes in the export product (previously Brazil exported paper, but now it is exporting paste or wood pulp).

The energy intensity of Mexico’s manufacturing sector plunged 32% from 1994 to 2004. This reflected the model applied from 1988 onward, in which non-oil exports became the main economic driver. These exports included maquila-style assembly plants, which involve power energy use rather than caloric uses, and therefore reflect more reliance on electricity rather than fuel. This tendency reflected the replacement of less efficient energy sources and applications with others offering better yields.
Without the right kind of policies, it will be hard to turn around environmentally unfriendly trends

Emission trends, as revealed by comparing emissions per GDP unit to changes in per capita GDP, remain unclear: from 1980 to 1990, this indicator was negative, although it fluctuated somewhat, as income per capita fell while emissions rose; it performed more evenly from 1990 to 1994, and then began to fluctuate more, as emissions rose again from 1994 to 2004. (Figure 2)

This indicator’s behaviour followed energy consumption structures (by both sector and source) and changes in the region’s productive structures in the 1990s, as described above.

These trends will be difficult to turn around without active, concrete policies.

The share held by fossil fuels will grow in future, according to analyses from different specialized bodies, among them the International Energy Agency. The main changes expected include rises in the percentage supplied by electric power stations and natural gas consumption. These worldwide trends are also applicable to this region, particularly South America.

Use of the combined cycle as the main technology behind electric power generation has encouraged integration of productive chains based on electric power and natural gas, through the participation of electric companies in the building of gas pipelines.

This has been reinforced by public and private oil companies’ growing participation in the natural gas-electricity chain, encouraged by favourable oil prices and business opportunities that have arisen amongst the alternatives for dealing with the investment crisis in the electric power generation sector.

The electric subsector faces serious challenges that could be overcome through greater subregional energy integration and harmonized regulations to encourage investment and ensure stable game rules. Greater integration of the electric and hydrocarbon chains could help to overcome investment problems. However, efforts in this sense will do nothing to reverse the environmentally damaging trends apparent to date.

Perhaps this is the cost the region will have to pay to overcome the investment crisis, in the absence of a regional energy policy, which, based on its comparative advantages, could help to mitigate global climate change.

These conditions also suggest that the region’s limited use of hydroelectric power, which in 2004 accounted for just 15% of available energy, is not all that surprising. Hydroelectric power, which in the 1970s accounted for 55% of total installed power, has not fulfilled its promise. Its share of energy peaked at 63% in 1990 and it has fallen steadily ever since, reaching 56% in 2004.

The author is chief of ECLAC’s Natural Resources and Energy Unit.
Under very difficult conditions this project has achieved extraordinary changes in the production and marketing of milk, by linking technical know-how with peasant wisdom, generating benefits not only for the local community but also for the country.

Second prize went to the Argentine project “Integrated Programme for Andean Crops, C.A.U Que.Va”, while third prize went to the project “Preventing drugs and ‘mara’ in marginal urban and rural areas”, from Guatemala.

Fourth place went to the “Eco-Organic Cooperative of Organic Family Producers”, Brazil, while fifth place went to “Community Health Actions in Floresta Nacional de Tapajós”, also Brazil.

The winning project received an award of US$ 10,000, the second US$ 8,000, the third US$ 5,000, the fourth US$ 3,000 and the fifth US$ 2,000. All 20 finalists received honorary mentions.

The awards ceremony took place in ECLAC headquarters, Santiago, Chile, and was headed by José Luis Machinea, Executive Secretary of this regional United Nations commission, and Hanmin Liu, Chairman of the Board of the W.K. Kellogg Foundation. Also present were James E. McHale, Senior Vice-President of programs, W.K. Kellogg Foundation; and Francisco B. Tancredi, Regional Director for Latin America and the Caribbean of the W.K. Kellogg Foundation.

The 20 projects that participated in the final phase of the competition were from nine countries in Latin America and the Caribbean: Argentina (3), Bolivia (1), Brazil (9), Chile (1), Colombia (2), Guatemala (1), Haiti (1), Paraguay (1) and Peru (1). All were presented to the community during the second week of November at ECLAC headquarters, as part of an Innovation Fair. There, each showed their activities, innovative practices and achievements, along with the challenges they had to face and overcome.

All these initiatives have made an important contribution to the fight against poverty and inequality in their respective countries, contributing innovative approaches to improve health care, education, nutrition, agricultural production and incomes, particularly of the poorest and most excluded sectors in society. Four projects working with indigenous populations were also included. Two involved progress toward more recognition of the traditional medicines of these original peoples.

This ECLAC/Kellogg competition reflects these institutions’ conviction that local governments, civil society, religious and community organizations have developed innovative models of assistance, in response above all to the budgetary restrictions that the region has experienced and the search for more responsive, effective social systems.

Moreover, in a globalized world, this sort of entrepreneurial spirit can make all the difference, giving countries, regions and specific locations a competitive advantage.

This first round of the competition received a total of 1600 applicants from different countries, all regional members of ECLAC. Particularly noteworthy was the presence of a majority of non-governmental organizations among the finalists, followed by social or community organizations, cooperatives, municipal authorities, and educational institutions.

On 9 September, the invitation to participate in the second year of this competition (2005-2006) closed.

THE INFORMATION SOCIETY OFFERS THE CHANCE TO GROW WITH EQUITY AND SOCIAL INCLUSION

"W"e are dealing with the emergence of a new kind of public policy, which seeks to use digital technologies and networks to strengthen strategies for growth with equity and social inclusion,” José Luis Machinea, Executive Secretary of ECLAC said during the World Summit on the Information Society (WSIS), that took in Tunis from 16-18 November.

During the parallel event, Toward implementation of eLAC2007, Working Agendas and Priorities, Machinea explained that for several years the countries of Latin America and the Caribbean have been working on political consensuses regarding the building of information societies, the results of which are included in the Rio de Janeiro Commitment (Compromiso de Río de Janeiro), signed in June of this year.

The Commitment includes an Information Society Plan of Action for Latin America and the Caribbean, eLAC2007, containing 30 goals and 70 concrete actions, to be monitored over the next two years.

eLAC2007 covers five main areas: digital inclusion and access, creation of skills and know-how, public efficiency and transparency, instruments to reinforce the coordination of digital development policies, and actions to create an empowering environment in the region.

Uneven progress

Noting the region’s evident progress toward greater connectivity, ECLAC’s Executive Secretary also warned that it has been uneven. From 1999 to 2004, the number of mobile telephones per 100 inhabitants quadrupled, but in the case of telephones with land lines, the increase was just 38%. The number of Internet users rose six times, to 62 million, but the stock of computers rose just 2.5 times, suggesting they remain expensive and financing mechanisms are insufficient.

The population with the most income and large and medium-sized firms are joining the information society at a brisk pace. The challenge now is to reach the most isolated areas and those with the least infrastructure, along with medium- and low-income sectors of the population.

Several studies show that low-income groups, which form the majority of the region’s populations, cannot follow the usual pattern of individual consumption and access to the Internet and its services.

Because of this, eLAC2007 pays considerable attention to digital inclusion and access, and considers public policy instruments to be of high priority, among them:

1. Adjusting telecommunications regulations to reduce access costs, especially to broadband, as well as encouraging further private investment.

2. Making progress toward a second generation of universal access policies, to channel funds not only into public or rural telephone services, but also to ensure access via infocentres and wireless communications.

3. Policies to stimulate demand through cheap financing to buy personal computers or access information, which should be combined with easy, inexpensive access to public sector information and transactions.

4. Encouraging massive digital training and education policies, using national networks of infocentres.

5. Developing broadband infrastructure for the public sector, which should connect city governments, schools, public clinics and post offices.

Another area covered by eLAC2007 is electronic government, which is just taking off. Almost every country has some programmes in this regard, but only a small number offer a significant proportion of administrative transactions and other actions via Internet. More rapid progress in terms of municipal services in poor regions is particularly important.

This is where international agencies and governments must work together, said Machinea, adding that ECLAC will contribute technical know-how to these efforts. Finally, he underlined the valuable contribution that information and communications technologies (ICT) can make to regional integration.

The purpose of the World Summit on the Information Society (WSIS) was to guarantee that the benefits of ICTs are accessible to all, and to encourage special initiatives in some fields, among them business, governance, health care, education, literacy, cultural diversity, gender equity, and sustainable development environmental protection strategies. The Summit was divided into two phases, of which this is the second. The first took place in Geneva, in December 2003, and the second, in Tunis.
### RECENT TITLES


2. **Informe sobre la industria automotriz Mexicana (Report on Mexico’s Car Industry)**, by Michael Mortimore and Faustino Barron, Desarrollo Productivo series No. 162 (LC/L.2304-P, August 2005, Spanish). This report offers an analysis of one of the great Latin American success stories, which today faces the challenge of doubling its production of vehicles. [www](#)


4. **La volatilidad de los precios del petróleo y su impacto en América Latina (The Volatility of Oil Prices and Their Impact on Latin America)**, by Fernando Sánchez-Albavera and Alejandro Vargas, in Recursos Naturales e Infraestructura series No. 100 (LC/L.2389-P, September 2005, Spanish). [www](#)

5. **Estadísticas del medio ambiente en América Latina y el Caribe**

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