

# **The Millennium Development Goals: A Latin American and Caribbean Perspective**

**Economic Commission for Latin America  
and the Caribbean (ECLAC)**



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## Introduction

This document summarizes the main ideas contained in the inter-agency publication with the same title coordinated by the Economic Commission for Latin America and the Caribbean (ECLAC), which included contributions from all of the international organizations that are present in the region (United Nations, 2005). This book examines the progress made between 1990 and 2004 by the Latin American and Caribbean countries and by the region as a whole in pursuit of the Millennium Development Goals and their respective targets. Together with this review, it analyses the main features of the region's underdevelopment, points out the marked differences in levels of well-being both between countries and within them, and offers general guidelines for the design of policies to address the lags which hinder the countries' economic and social development.

This effort by ECLAC and the other organizations is based on the Millennium Declaration of the year 2000, which has become a kind of 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. So far, the experience has proved fruitful. In fact, in just five 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.

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 Project 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. As emphasized in the final part of the document, this will involve 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.

The main views held by the Commission in relation to the Millennium Development Goals and their respective targets are as the following: first, it considers that the Goals and targets should be considered in their entirety and not as a mere list of tasks or duties. Progress towards their accomplishment should be part of a global development strategy that touches the economic, political and social spheres. The Goals are thus not separate from the process of development but constitute a platform with quantitative and time-bound goals that can only be reached in the context of a comprehensive development process.

Second, human rights —i.e., not only civil and political rights, but economic, social and cultural rights as well— should constitute the ethical framework for formulating policies aimed at achieving the Millennium Development Goals. In addition, public policies to respond to social needs must be implemented in a democratic 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 such as those of Latin America and the Caribbean, where the distribution of income and assets is highly unequal - in fact the most unequal of all the regions of the world.

Third, 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.

Fourth, ECLAC considers that public action in the economic and social field should avoid segmentation and social exclusion and that social policies should therefore mainly seek to facilitate universality and social integration, which does not exclude targeting as an appropriate instrument for reaching the most deprived sectors, which are precisely those most affected by the mechanisms through which poverty and inequality are reproduced from one generation to the next.

This document is clearly not intended to cover all of the Goals and targets that have arisen from the Millennium Declaration nor the multiplicity of aspects dealt with in the inter-agency publication referred to above. On the contrary, the intention has been to focus attention on the issues that constitute the “Gordian knots” that must be resolved if the region is not only to reach the targets but also to be well on the way towards full achievement of the Millennium Development Goals and the other challenges that are not fully expressed in them.

The topics to be covered in this document have been grouped into three sections. The first section describes the main achievements and obstacles that the region has faced in its recent development process; the next section constitutes a summary of the progress made by the countries in relation to the Millennium Development Goals and lastly, there is a review of what ECLAC considers to be the main challenges facing the region and the main principles and guidelines for the public policies that should be established in order to reach the Millennium Development Goals.

## **A. 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, Bajraj 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

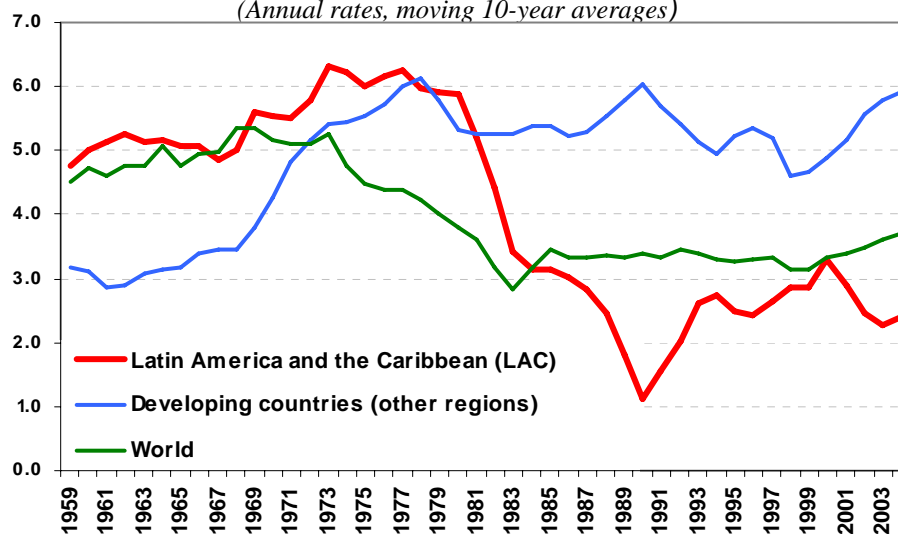
One of the hallmarks of this period was the widespread liberalization of trade in the region's economies. Both the region's exports and its imports soared. The physical volume of exports rose at an unprecedented rate between 1991 and 2000 (9.3% per year). The region's imports increased even more than its exports, largely as a result of deep tariff cuts against a fairly generalized background of appreciating national currencies (ECLAC, 2004d).

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. This is a significant point in view of its consequences for the chances of reaching the target relating to poverty in the region. 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 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%.

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 since 2004 is a positive sign, but has not brought about any radical change in the situation (ECLAC, 2004b). 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.

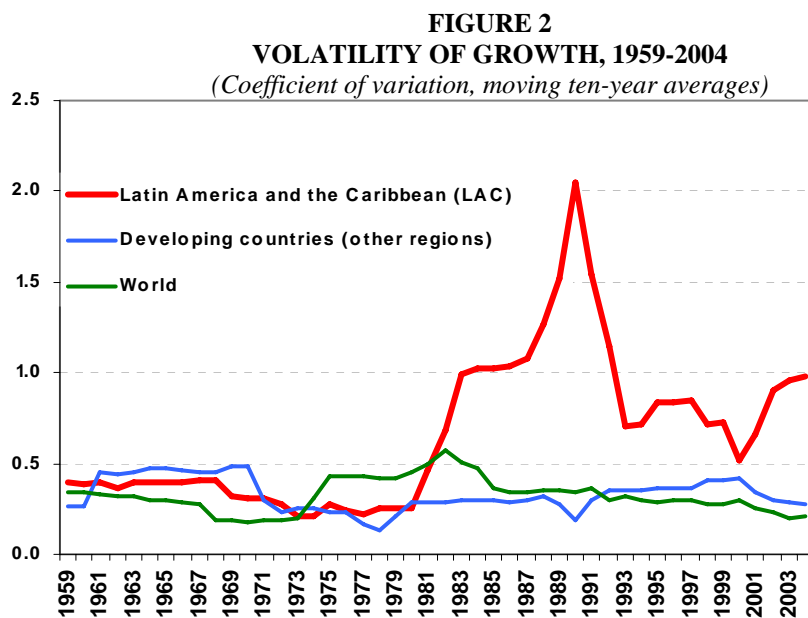
**FIGURE 1**  
**ECONOMIC GROWTH, 1959-2004**  
(Annual rates, moving 10-year averages)



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

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 (see figure 2). Although the region was making considerable headway in controlling inflation and fiscal deficits, the macroeconomic fluctuations of the 1990s generated a great deal of real instability —i.e., in economic growth and employment— which 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 instability of employment and thus the lower contributions to the system. More generally, uncertainty has significantly reduced the well-being of the population, and particularly of lower-income





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

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. This has accentuated the structural heterogeneity of the region's economies, widened the productivity gaps between sectors and strata of enterprises and in many countries has exacerbated what was already a high level of inequality in income distribution. There are population groups and areas within the countries whose standard of living is similar to those of the countries with the lowest per capita income in the world, and the situation is even more serious in the countries with the lowest per capita GDP.

The high degree of heterogeneity interferes with the transmission of the productivity gains realized in the fastest-growing sectors and firms to the rest of the production apparatus. This has led to the emergence of three segments of production (large corporations, small and medium-sized enterprises, and informal microenterprises), which are progressing at very dissimilar rates (ECLAC, 2004d). 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% 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 very low productivity 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.

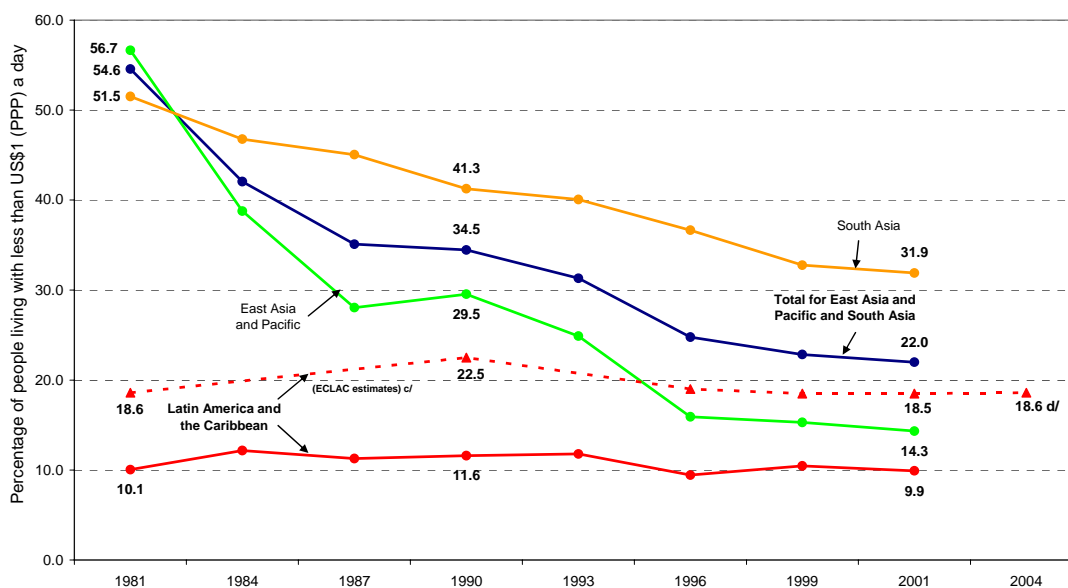
One consequence of the increase in unemployment and informal economic activity is that a smaller percentage of the population is now covered by social security. The more flexible labour market conditions associated with liberalization and reform measures have altered the rationale for providing workers 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.<sup>1</sup> Furthermore, when unemployment becomes a

<sup>1</sup> 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.

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 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. Figures 3 and 4 show trends in extreme poverty in the region over the past 25 years. Figure 3 shows the meagre results achieved in relation to reducing absolute poverty compared to the progress made in the Asian countries, using the international standard for poverty measurement of one dollar per person per day. The second figure (figure 4) shows the high level and persistence of poverty in Latin America, using ECLAC estimates.

**FIGURE 3**  
**EXTREME POVERTY <sup>a/</sup>: A COMPARISON BETWEEN LATIN AMERICA AND THE CARIBBEAN,**  
**SOUTH ASIA AND EAST ASIA AND THE PACIFIC, 1981 – 2004**  
*(Percentages)*



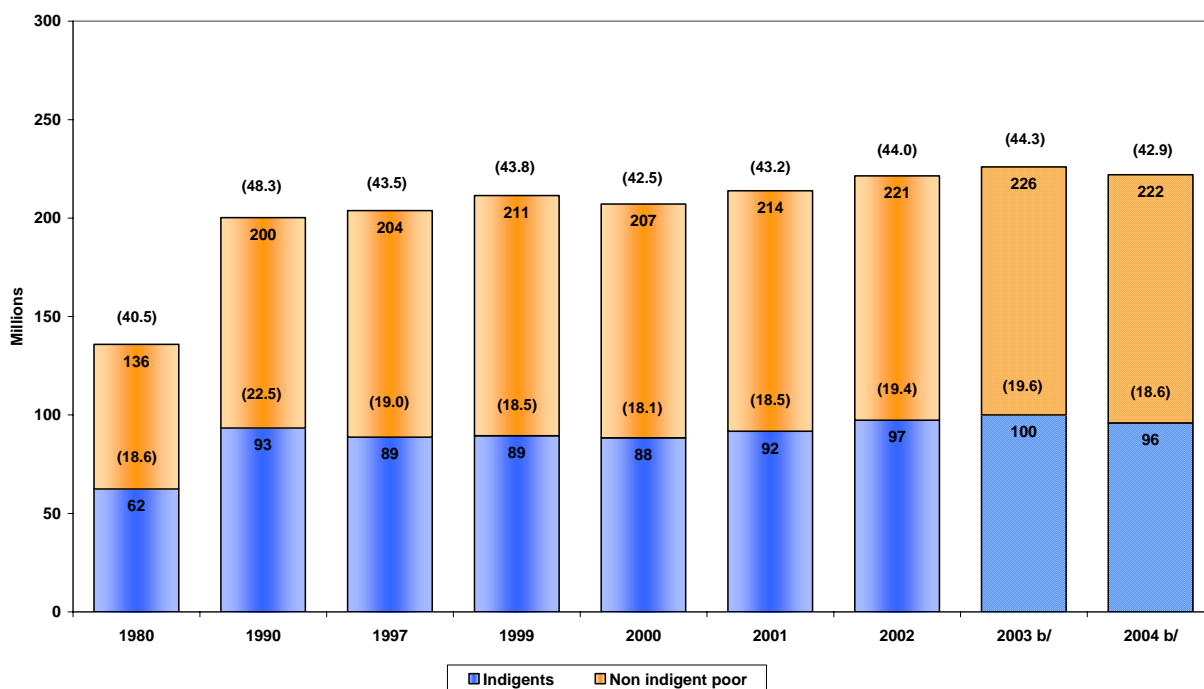
**Source:** World Bank, PovCalNet database and Economic Commission for Latin America and the Caribbean (ECLAC), Social Panorama of Latin America 2004.

<sup>a/</sup> Percentage of the population living on less than US\$1 (PPP) a day

<sup>b/</sup> ECLAC estimates based on national extreme poverty lines.

<sup>c/</sup> Projections.

**FIGURE 4**  
**LATIN AMERICA: POVERTY AND INDIGENCE, 1980-2004**  
*(Millions of people and 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.

<sup>b/</sup> The figures for 2003 and 2004 are projections.

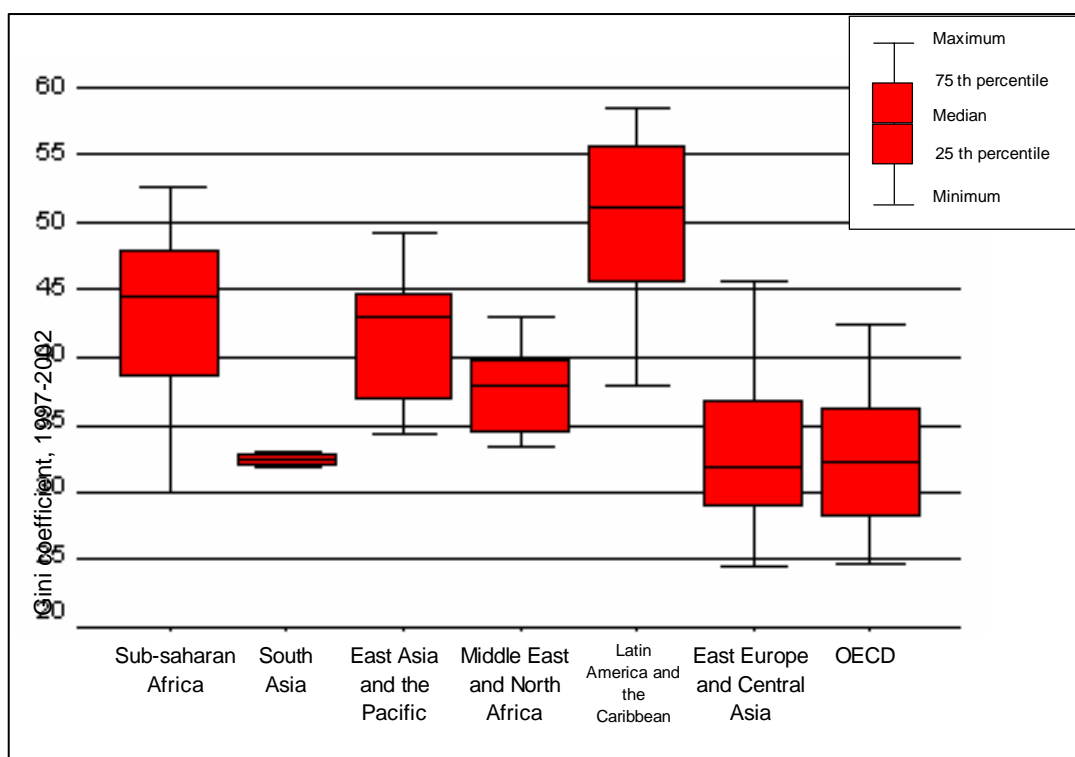
The persistence of poverty and indigence is compounded by generally discouraging trends in income distribution in Latin America (ECLAC, 2004a). Although this global trend is in evidence in most developing countries, the Latin American and Caribbean region has the unenviable distinction of being the most inequitable region in the world (see figures 5 and 6).

Events of the past few decades underscore how the severe rigidity of Latin America's highly unequal income distribution pattern 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 these 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.

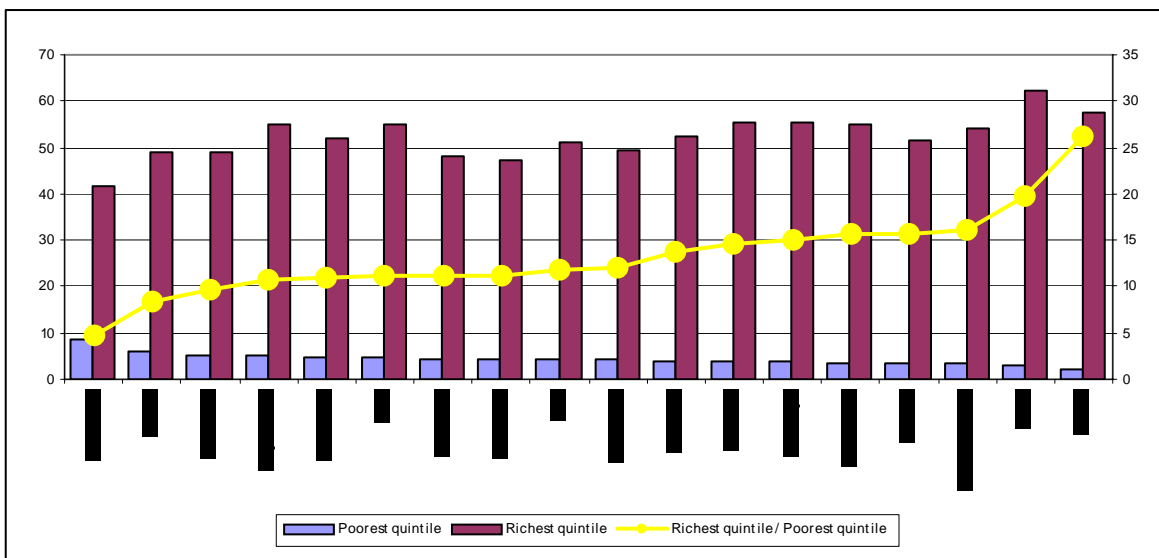
In short, although Latin American and Caribbean economies have some achievements to their credit, their growth has been sluggish and they have been unable to reduce the inequality of income distribution, although this is a hindrance to achieving higher growth rates. The region is therefore faced with the twofold challenge of attaining a more dynamic position in global markets while at the same time closing the gaps that exist with respect to equity, exclusion and environmental deterioration and reducing the high rates of extreme poverty (in most countries, over 20% of the population). As mentioned above, these objectives can only be achieved through a comprehensive development strategy with an agenda that places social objectives at the centre of economic policy and in which the effort to increase the well-being of the entire population also considers future generations, meaning that development must be environmentally sustainable. In other words, both the intragenerational and the intergenerational dimensions of equity must be taken into account.

**FIGURE 5**  
**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>).

**FIGURE 6**  
**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 special tabulations of data from household surveys conducted in the respective countries.



## **B. Progress towards Achievement of the Targets Associated with the Millennium Development Goals**

This section contains a brief outline of the progress made by the region towards achieving the targets associated with the Goals. The focus is on those that represent the most urgent challenges for achieving the Millennium Development Goals as a whole. The inter-agency publication refers to the interrelationships and synergies between the Goals and emphasizes the need to place priority on areas of public policy where action can have the greatest possible spillovers, thereby expediting progress towards the Goals by obtaining the most “bang for the buck” out of the resources invested in this effort.

In view of the above and the importance of the first Millennium Development Goal, greater attention is given to the countries’ chances of halving the proportion of people who suffer from extreme poverty and hunger by 2015 and the economic growth and improvement in income distribution required in order to reach both targets in the region.

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. The goals are: (1) eradicate extreme poverty and hunger; (2) achieve universal primary education; (3) promote gender equality and empower women; (4) reduce mortality in children under the age of 5; (5) improve maternal health; (6) combat HIV/AIDS, malaria and other diseases; and (7) ensure environmental sustainability. 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. Although there are no quantitative targets as for the other Goals, 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.<sup>2</sup>

Although in the global context Latin America and the Caribbean is considered a medium-income region, there are marked differences between countries in terms of their levels of per capita GDP, extreme poverty and social indicators. In order to deal with such diversity, the review of progress towards the Goals was based on a classification of the countries into five groups according to their level of human development. This was based on their ranking in the Human Development Index (HDI) prepared by the United Nations Development Programme. 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, accounting 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. The fifth group, for which little comparable information is available, accounts for 2.2% of the population and consists of the Caribbean countries and territories (excluding Cuba, Dominican Republic and Haiti).

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. 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". Colours are used to indicate the amount of progress made between the base year and the most recent year for which information is 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).

Figure 7 presents a summary of the progress made towards achieving the targets associated with the Goals in accordance with the criteria indicated above.

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. This is especially the case in relation to the first Goal, which is to eradicate extreme poverty and hunger. Although the countries 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 average progress of 34%, slower 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.

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<sup>2</sup> 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.



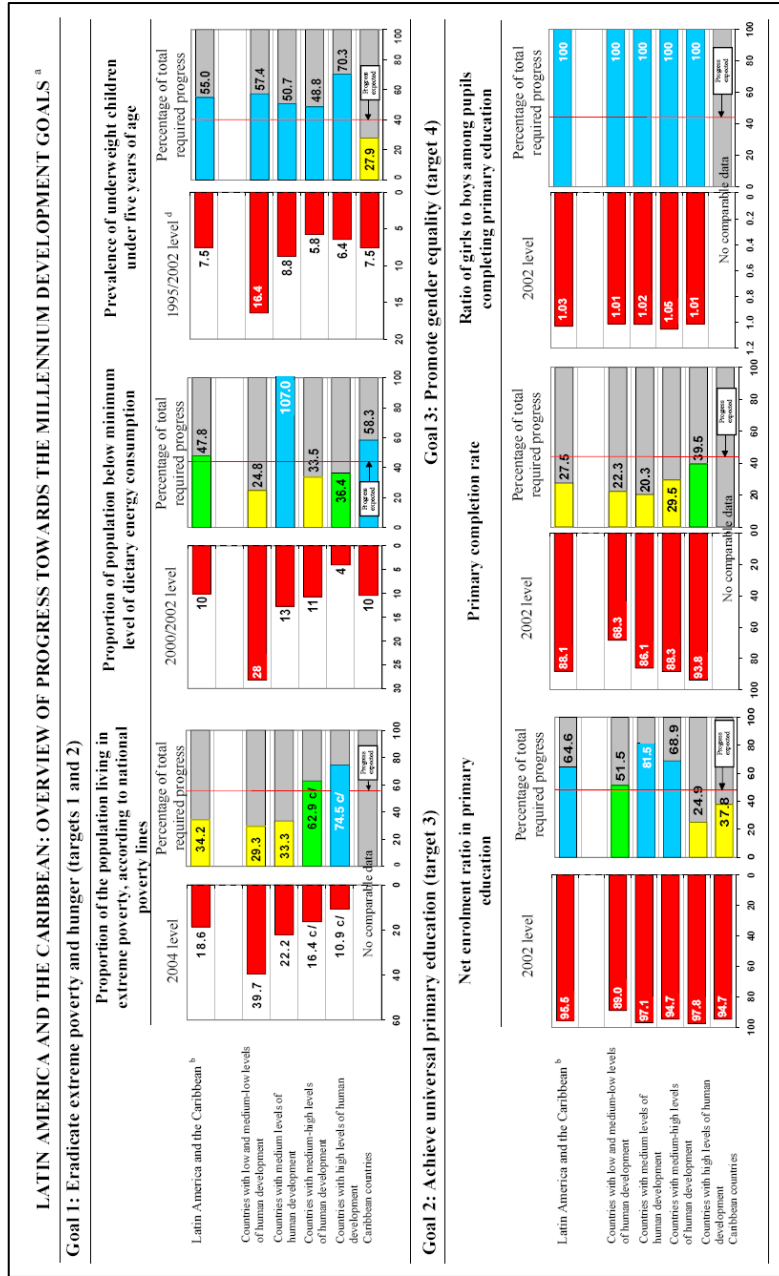
The most significant finding of this analysis is that there is an adverse pattern with regard to poverty and hunger reduction.<sup>3</sup> Typically, the countries that are poorest and have the most serious food access problems—in other words, the very countries that need to make the most progress— have 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 most countries recorded significant progress. This is significant because it indicates, first, that one of the main mechanisms that perpetuate poverty 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—such as conditional transfers which will be mentioned below— which have proved their effectiveness in the region.

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, as can be seen from figure 8. 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 fact, to achieve the target for extreme poverty, most of the countries in the region will need economic growth of over 4% per year for the next ten years, which is much higher than the average regional GDP growth rate recorded between 1990 and 2004 which was an annual 2.8%. Only a small group of countries that have made greater progress in reducing poverty since 1990 (Chile, Brazil, Ecuador, Mexico and Uruguay) require GDP growth rates that are similar to or less than this 2.8% average.

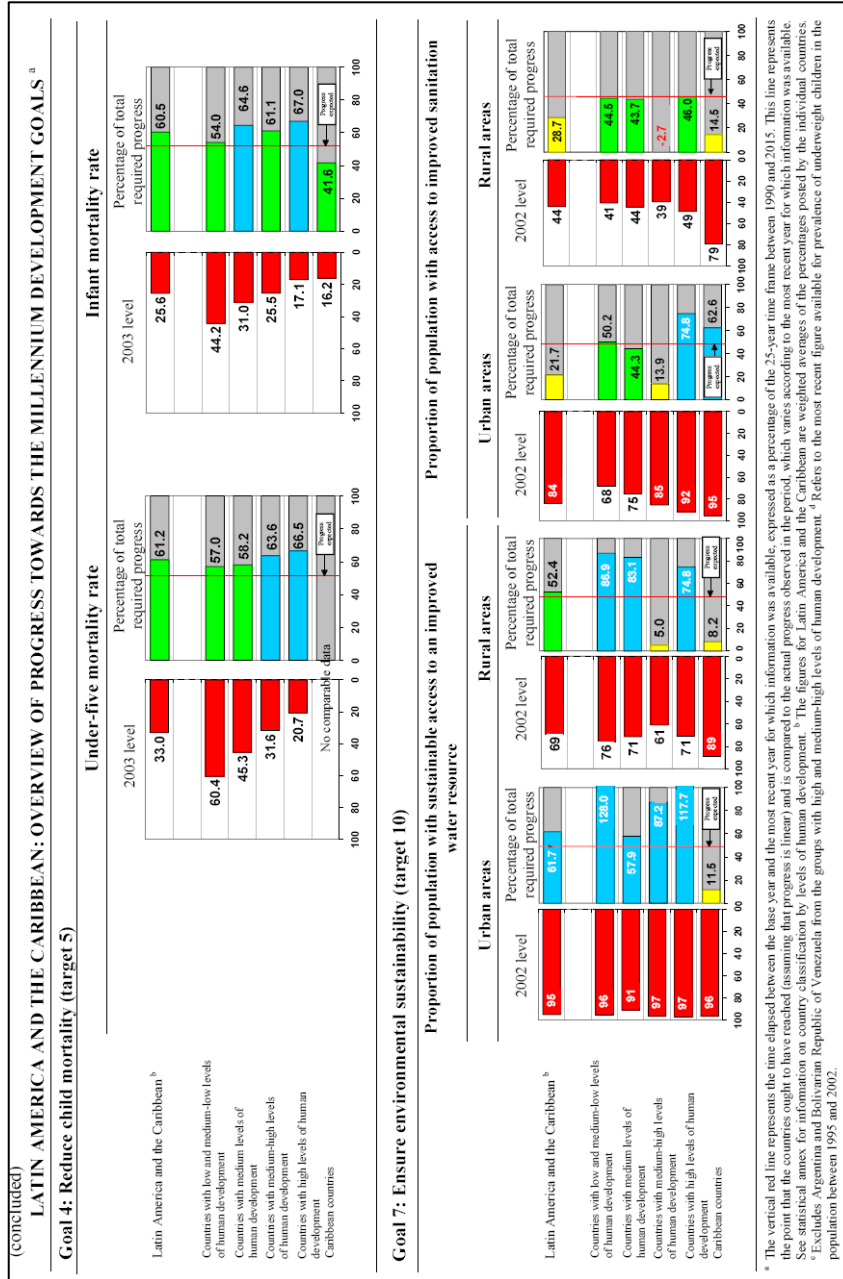
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<sup>3</sup> Bolivia, Haiti and Peru are an exception to this adverse pattern, thanks to the progress made in reducing undernourishment.

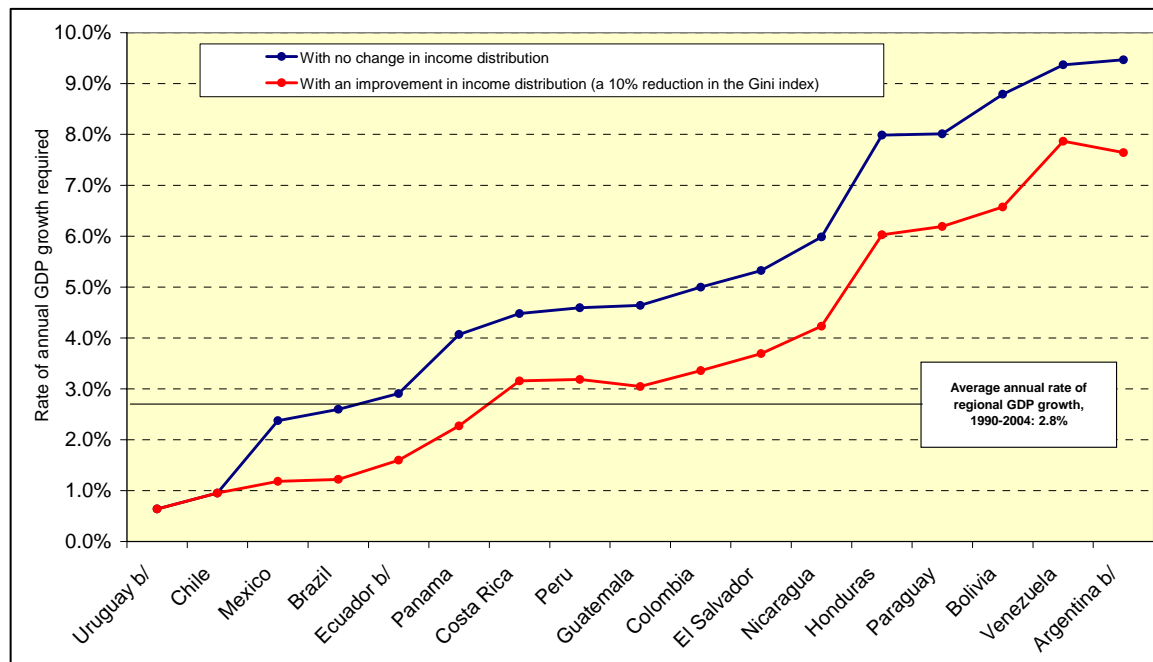
**FIGURE 7**  
**LATIN AMERICA AND THE CARIBBEAN: OVERVIEW OF PROGRESS TOWARDS THE MILLENNIUM DEVELOPMENT GOALS**  
**TOWARDS THE MILLENNIUM DEVELOPMENT GOALS**



**FIGURE 7 (CONCLUSION)**



**FIGURE 8**  
**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**



**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.

Three points warrant discussion in relation to the extra efforts that the countries will have to make to reduce extreme poverty. The first is that an improvement in income distribution that would translate into a more rapid increase in the income of the poorest strata 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 8). The same figure also shows, however, that even with a significant improvement in income distribution, 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. 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 from 2% 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.

The third point is that since the poorer countries have to achieve higher economic growth rates, they also have a more urgent need to 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 these are the countries mired in what is known as the “poverty trap”, as their scant saving and investment capacity prevents them from attaining GDP growth high enough to sustain an expansion in productivity. This is a vicious circle, as it is the poverty itself that makes it difficult to create conditions to reduce it.<sup>4</sup> 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 the following section there is a brief review of the progress made in relation to some of the other Millennium targets and outline the main challenges facing the region in each case

In relation to the second Goal, to achieve universal primary education, Latin America and the Caribbean—which had already attained 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. Over 95% of children now have access to primary education. 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 reach the Goal of universal primary education by 2015. Unless the trends of the last decade improve, in 2015 over 6% of the children in the region will not complete primary schooling, although this average masks large differences between the countries. In 10 of the 18 countries considered (Argentina, Bolivarian Republic of Venezuela, Chile, Colombia, Costa Rica, Ecuador,<sup>5</sup> 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.

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. ECLAC has stressed that the region urgently needs to achieve universal secondary education as soon as possible and to improve substantially the quality of education at all levels. To this end, the countries should increase the coverage of preschool education and create conditional assistance programmes to improve retention rates in primary education and lower the school dropout rate, and should extend these programmes to secondary education, especially lower secondary education. Recent experience show that this can be achieved by increasing resource transfers to low-income families on the condition that their children attend school, increasing these transfers as the opportunity cost for low-income households of keeping children in school increases as young people approach the end of secondary education.<sup>6</sup>

In relation to the third Goal, to promote gender equality and empower women, the inter-agency publication coordinated by ECLAC notes that the international community’s political recognition of the importance of gender equality as an end in itself and as a means of achieving

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<sup>4</sup> 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.

<sup>5</sup> 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.

<sup>6</sup> 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.

development is a vital starting point. In this context, the target to 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 antidiscrimination 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.

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. 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. 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 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".<sup>7</sup> The inter-agency publication notes that policies in this area should be directed not only at enforcing 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. In this context, 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 in the lower house or in unicameral legislatures, the document notes that Latin American countries have managed to increase the percentage of seats held by women 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.<sup>8</sup> Nevertheless, this progress, albeit considerable, is still insufficient, as it has not resulted in

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<sup>7</sup> 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.

<sup>8</sup> 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%).

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.

Although the target set for the fourth Goal (reduce child mortality) 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. Remarkable strides have been made and almost all the Latin American and Caribbean countries (except for Haiti and Paraguay) are, at the least, on track to meet the target. 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.<sup>9</sup>

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. Nevertheless, the progress made by some countries with high infant mortality rates give 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%. Systematic recourse to 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) will make more rapid progress possible.

Nevertheless the inter-agency publication notes that infant and child mortality are due to multiple factors and 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 care<sup>10</sup> (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, access to a safe, healthy diet and access to drinking water and basic sanitation. Such 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.

Goal 5 of the Millennium Development Goals is to improve maternal health, and this translates into an ambitious target of reducing the maternal mortality ratio by three quarters between 1990 and 2015. 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. The most recent available data and fragmentary information seem to indicate that it has remained at approximately 90 deaths per 100,000 live

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<sup>9</sup> 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.

<sup>10</sup> 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.

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).

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 and the countries will have to redouble their efforts in order to approach this Goal. This will involve recognizing 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 (lack of access to qualified care), as well as infertility and sexually transmitted diseases (STDs). The document thus emphasizes that 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.

Goal 6 is to combat HIV/AIDS, malaria and other diseases. Little progress has been made in relation to target 7, which is to have halted by 2015 and begun to reverse the spread of HIV/AIDS. 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 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 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.

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,<sup>11</sup> 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. 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.

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<sup>11</sup> 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%.



Most of the indicators relating to Goal 7, which is to ensure environmental sustainability, 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 (target 9), in the interest of developing more effective instruments to support sustainable development, such as public and private environmental spending, taxation based on environmental criteria, the application of economic instruments and changes to the relevant legal frameworks. The information available shows that only two countries in the region (Chile and Mexico) allocate more than 1% of GDP to environmental spending.<sup>12</sup>

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 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 barrels 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. 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 use of solid fuels in the region has declined by about 16% since 1990. The countries' implementation of the Montreal Protocol on Substances that Deplete the Ozone Layer has improved the overall situation in this regard,

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. The publication notes that 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.<sup>13</sup>

Many countries in the region are well positioned to meet the target of expanding the coverage of urban drinking water services between 1990 and 2002. 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 to halve the percentage of the population without access. 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 very slow, reaching only 27% in rural areas and 35% in urban areas; both percentages are lower than the figures needed to

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<sup>12</sup> The countries analyzed were Argentina, Brazil, Chile, Colombia, Costa Rica, Mexico, Peru and Trinidad and Tobago.

<sup>13</sup> 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.

put the region on track to meet the target. Except in the Caribbean countries, the rural coverage target seems unlikely to be met, especially in Bolivia, Brazil, Dominican Republic, El Salvador, Haiti, Peru and Mexico, 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%.

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. The document emphasizes that access to both safe drinking water and appropriate sewage elimination systems contributes significantly to explaining infant mortality rates in the countries. 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. This is a clear example of the synergies between different Millennium Development Goals and their associated targets.

The inter-agency publication attached special importance to Goal 8 which includes a broad range of issues under the heading of developing a global partnership for development. They include market access, official development assistance (ODA), debt sustainability and other issues such as youth unemployment, access to affordable essential drugs, telephone lines and cellular subscribers and personal computers.

In relation to these goals, ECLAC notes that 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, however, also entails three sources or types of risk: 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.

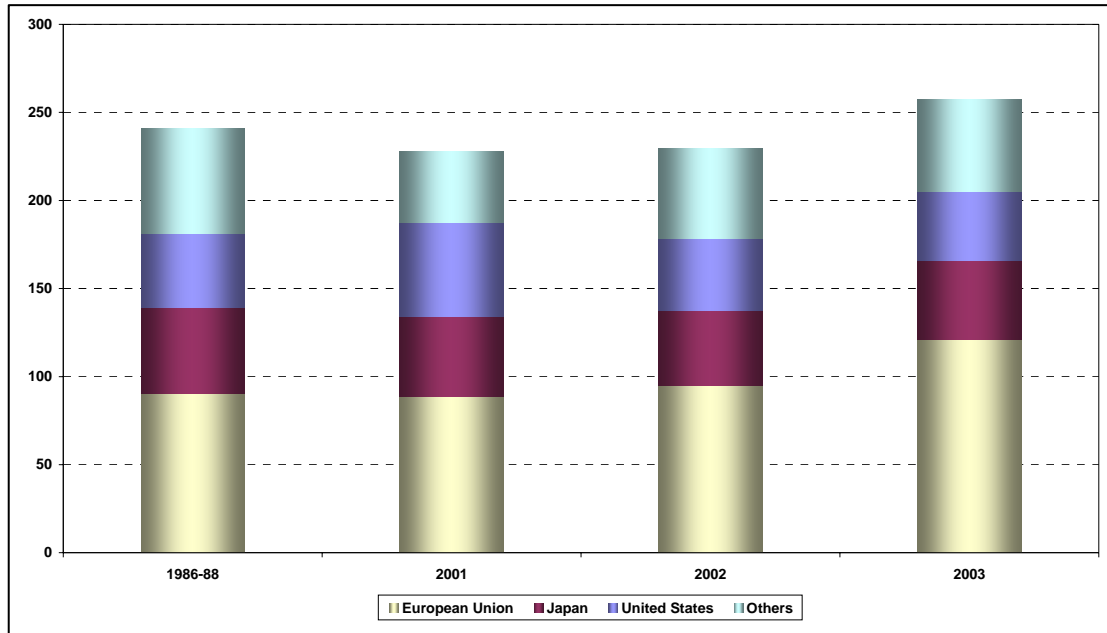
After several rounds of GATT and WTO negotiations, the developing countries have a growing sense of scepticism and discontent with regard to their real chances of obtaining easier access for their products to developed-country markets. Latin American and Caribbean exports to more developed countries come up against many types of obstacles.<sup>14</sup> Tariff escalation is particularly problematic for the region, 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 other measures. 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 and Japan. In 2003, assistance provided to agricultural producers by the OECD countries amounted to a little over US\$ 250 billion (see figure 9).

From the standpoint of the region and of developing countries in general, progress is needed in reducing agricultural subsidies in developed countries, lowering tariff peaks and dismantling the cumbersome system of protection measures of various types. At the same time, it is essential 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.

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<sup>14</sup> These obstacles and their impact are not adequately measured for Goal 8, in particular by indicators 38 to 41, which are designed to monitor market access in relation to target 12.

**FIGURE 9**  
**AGRICULTURAL ASSISTANCE PROVIDED BY OECD COUNTRIES**  
*(Billions of dollars)*



**Source:** Organization for Economic Co-operation and Development (OECD).

ECLAC considers that, 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. 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 (World Bank, 2001).

In relation to development assistance and debt sustainability, Goal 8 covers many aspects in targets 13, 14 and 15. These include: addressing the special needs of the least developed countries, the enhanced programme of debt relief for heavily indebted poor countries (HIPC), and the cancellation of official bilateral debt; in addition to more generous official development assistance for countries committed to poverty reduction. Target 14 indicates the need to address the special needs of landlocked countries and small island developing States, while target 15 refers to the need to deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term. The inter-agency publication covers all of these issues, a few of which are mentioned below.

First, the aspects covered in Goal 8 are part of the structural problems of financing for development that the region is facing. In fact, Latin America and the Caribbean is still a region 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) seriously impairs these countries' capacity to carry out social policies.<sup>15</sup>

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.<sup>16</sup> 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); 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.

Lastly, in relation to official development assistance, 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. 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.

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<sup>15</sup> This figure refers to public debt in 2003.

<sup>16</sup> Bolivia, Guyana, Nicaragua and Honduras have been declared eligible for debt relief under the Initiative

## C. Main Challenges and Policy Directions

This last section summarizes the main challenges facing Latin America and the Caribbean and refers to some policy guidelines for facing them. First of all there is an outline of the characteristics of social policies and the attributes of the responsible institutions, in view of the importance of such policies as a condition for achieving the Millennium Development Goals in the region.

ECLAC considers that, as the last decade has seen an improvement in the institutional framework for economic policy (independent central banks, fiscal deficit ceilings and countercyclical funds), progress should be made in building 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 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, 2004a).

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. In addition to these principles, ECLAC has identified a set of common attributes that should be taken into account when creating social institutions, and when designing and implementing policies (Machinea, 2004). These attributes are:

- The implementation of explicitly agreed programmes that last over time, especially when they concern structural rather than short-term factors. This requires policies of State (that is, not subject to electoral policies) and the conclusion of a fiscal covenant and a social and political compact which guarantee a minimum provision of resources and can “armour-plate” them to ensure continuity of the programmes;
- Effective management, especially for social programmes that target high-risk groups. The 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. There is a need for the building of permanent technical capacity in social agencies, while minimizing turnover among key actors, and for the institutionalization of transparency, both in designing programmes and in assessing and accounting for results.
- The capacity to form linkages among social policy institutions, which is necessary because of the multidimensional nature of social issues, in many cases requiring the integration of programme clusters. Although it is not possible to recommend particular models, the need to coordinate social policies 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. This would in any case avert the risk of the ministries of finance acting as de facto social authorities by giving certain demands priority over others in terms of budget allocations.
- Recognition of the right to participate and be heard, which is often referred to as empowerment of citizens, by strengthening and encouraging the population’s participation in resource allocation and in the definition of priorities and programmes. This is a promising means of revitalizing democracy in a very real way without undermining traditional mechanisms of representation.
- Institutional design that takes population and territorial dimensions into account with efforts to tailor the supply of services to the needs of the population.
- The capacity to deal with the regulatory challenges posed by the increase in public-private partnerships for service delivery and financing, which 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 aims: to prevent and/or penalize exclusionary or discriminatory practices; to set standards for the quality and content of services; to promote managerial efficiency by establishing parameters and standards relating to costs and yields; to ensure competitive and organizational market conditions that will forestall such practices as unfair competition or the establishment of entry barriers; and 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 order to guarantee the regulatory system’s independence, regulation should be carried out by specialized bodies which may, in some cases, be autonomous, the Government’s overarching responsibility for social policy notwithstanding.
- 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.

Decisive progress with institutions and social policies designed on the basis of the above principles and attributes are essential for successfully tackling the main challenges facing Latin America and the Caribbean, which 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, and in some cases the rates need to be even higher. 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 the inter-agency publication.

## **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 healthcare 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.



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