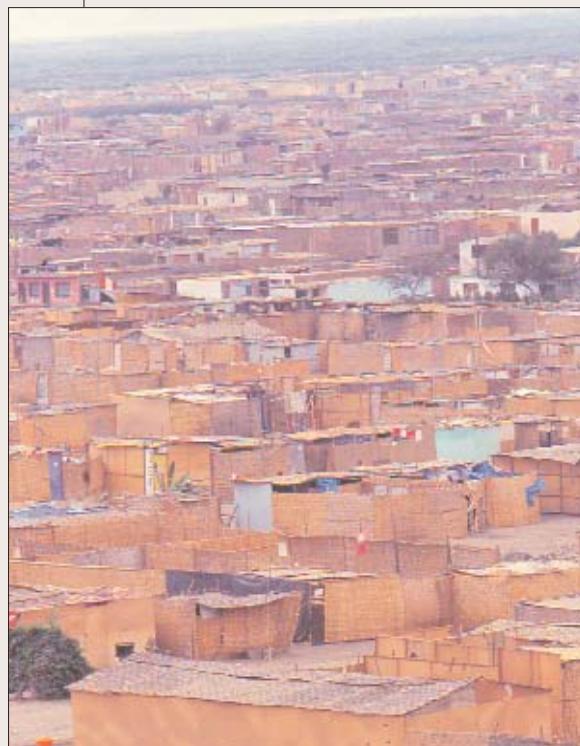


12. Growth with Equity

»MANDATE

Leaders recognized that economic growth is fundamental to overcoming economic disparities and strengthening democracy in the Hemisphere. They stated that the primary challenge confronting the Hemisphere is eradication of poverty and inequity. Proposed actions to achieve this goal are: improvements on competitiveness; equity-enhancing trade; more equitable access to opportunities; improved access to financing, including for the Heavily Indebted Poor Countries (HIPC); creation of a positive environment for business; maximizing the benefits of orderly migration; reducing the negative effects of economic volatility; minimizing the effects of natural disasters; and, encouraging social stability and mobility.

Forty four percent of the population of Latin America and the Caribbean (220 million) live in poverty, and 20% in extreme poverty (ECLAC).



The inability of economic growth in Latin America and the Caribbean to raise the living standard of its poorest citizens is now at the center of regional policy discussions. Poverty and inequity are pervasive. Forty four percent of the population of Latin America and the Caribbean (220 million) live in poverty, and 20% in extreme poverty (ECLAC). Ten percent of the wealthiest population holds 48% of the income in Latin America and the Caribbean, and 10% of the poorest has 1.6% (World Bank).

High poverty rates and extreme income inequality are undermining the quality of life for large parts of the region's population and citizens' confidence in the market economy. Recent polls show that only 16 per cent of people were fully satisfied with the market

economy as a model, though most thought it was the only way ahead. (Source: Latinobarómetro)

National governments and development banks are working to reduce poverty with new strategies: pension reform in Chile; improved competitiveness assistance from the Andean Development Corporation; targeted programs to promote primary education and child nutrition in Mexico and Brazil; and Inter-

American Development Bank projects designed in close consultation with target groups.

New trade policies, including ongoing negotiations at the World Trade Organization and the Free Trade Area of the Americas, are explicitly linking trade to development goals by examining the preparations needed for successful global engagement of and adjustment assistance for vulnerable sectors and workers.

Development Financing

Leaders recognized the need for development financing from bilateral and multilateral donors while noting that debt servicing constitutes a major constraint on investment for many countries in the Hemisphere.

Eight countries in the region—including the large economies of Argentina and Brazil—are severely indebted, according to the World Bank. High-debt countries have large debt servicing needs—taking funds away from other needed government programs—must engage in negotiations with lending parties, including the International Monetary Fund. They are vulnerable to unfavorable changes in exchange rates and interest rates.

Policies are now under development in most highly indebted countries to find ways to reduce the present debt burden, increase alternative methods to finance government operations, and avoid costly renegotiations with public and private lenders.

CLASSIFICATION OF ECONOMIES BY INCOME AND INDEBTEDNESS, JULY 2003 *World Bank*

LOW INCOME

Nicaragua	Severely Indebted
Haiti	Moderately Indebted

MIDDLE INCOME – LOWER

Brazil	Severely Indebted
Ecuador	
Guyana	
Peru	
Bolivia	Moderately Indebted
Colombia	
Honduras	
Jamaica	
St. Vincent and the Grenadines	
Dominican Republic	Less Indebted
Guatemala	
Paraguay	

MIDDLE INCOME – UPPER

Argentina	Severely Indebted
Panama	
Uruguay	
Chile	Moderately Indebted
Dominica	
Grenada	
St. Kitts and Nevis	
Costa Rica	Less Indebted
Mexico	
Trinidad and Tobago	
Venezuela	

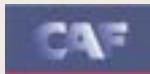
FINANCING OF SUMMIT MANDATES
2001 – 2003

Organization	Caribbean Development Bank (CDB)	Central American Bank for Economic Integration (CABEI)	Corporacion Andina de Fomento (CAF)	Inter-American Development Bank (IDB)	Inter-American Institute for Cooperation in Agriculture (IICA)	World Bank
Contribution*	\$61.7 million	\$444.8 million	\$2 million	\$9.2 billion**	\$62.2 million	\$6 billion

* All contributions are in US dollars

** Source: Inter-American Development Bank, Strategic Programs and Activities: Two Years after Quebec, (June 2003)

Source for all others: Reports of the Joint Summit Working Group



The World Bank, the Inter-American Development Bank, the Andean Development Corporation, the Central American Bank for Economic Integration and the Caribbean Development Bank are each members of the Summit of the Americas process within the Joint Summit Working Group.

SUCCESS STORY

The international community recognized the need to provide special assistance to those countries least able to manage debt services, the Highly Indebted Poor Countries (HIPC). The Board of Executive Directors of the Inter-American Development Bank has approved interim debt relief for Guyana within the framework of the Enhanced HIPC

Initiative. Under the Enhanced HIPC Initiative, the IDB will provide Guyana with \$64 million in debt relief, in net present value terms, in stages through 2012, of which up to one third may be delivered as interim relief. The IDB is Guyana's largest creditor and largest source of debt relief under the HIPC Initiative. The combined effort of multilateral institutions and bilateral donors is expected to reduce Guyana's outstanding public external debt by one-half. The IDB has also provided debt relief to Bolivia, Honduras and Nicaragua under Enhanced HIPC.



The World Bank, the Inter-American Development Bank, the Andean Development Corporation, the Central American Bank for Economic Integration and the Caribbean Development Bank are each members of the Summit of the Americas process within the Joint Summit Working Group. Efforts are underway to better coordinate the work of these institutions and to more firmly link their programs to the mandates of the Summit.

Enabling Economic Environment

Leaders supported a variety of initiatives to promote business development, especially for small and medium enterprises, and for those without traditional access to resources for business needs.

Conditions needed to facilitate the development of small and medium enterprises are a favorable investment climate, including a competitive policy and regulatory environment, strong and sustainable institutions providing financial and non-financial services, expanded and continuous flows of resources from local and international markets, and improved access for low-income entrepreneurs to formal sector services and resources. (Source: IDB Micro, Small and Medium Enterprise Division)

In recognition of the importance of remittances to the region, and the need to develop small enterprises, the US has provided \$3 million in grants and technical assistance to leverage remittances creatively for community development. These projects have resulted in a revolving loan fund for low-income farmers, as well as a nutrition program for mothers, children and the elderly in Mexico; a training program for eco-tourism and micro enterprises in Honduras; and a credit union and a community development organization that conducts small scale projects throughout Haiti.

Migration

Facilitation of orderly migration, support for social services to migrants, and promotion of cooperative mechanisms to improve the transfer of migrant remittances were encouraged by hemispheric leaders.

Since the Third Summit of the Americas, remittances from migrants have been increasingly recognized as a major source of foreign capital to nations, and a direct infusion of wealth into poorer communities across the Americas. According to the Inter-American Development Bank, inflows of remittances to Latin America and the Caribbean will reach \$40 billion in 2003, surpassing direct foreign investment as a source of foreign exchange.

PROGRESS

"Banks have recognized that a significant number of (remittance) senders could be potential clients of their institutions, either because they are unbanked or because banks and credit unions could better serve them....New experiments take place every day. Banks are becoming interested in money transfers, and governments are exploring policies to address these trends. From a policy perspective, alliances between governments, civil society and private sector institutions must be formed in order to share best practices and coordinate strategies to improve the flow of transfers." (Source: Inter-American Development Bank, February 2003)



Clear and enforceable property rights are a major component of private sector development in market economies.

Enhancing Social Stability and Mobility

→ MANDATE

Internally displaced peoples and lack of property rights are two areas highlighted for concern by hemispheric leaders.

Internally displaced peoples, resulting from internal strife, are a problem now most concentrated in Colombia. The long-standing conflict has created a humanitarian crisis for embattled populations in war-torn regions, child combatants, and the protection of human rights. The national government is instituting new programs in an effort to end the conflict and to repair the damages to society across the country. The government is assisted in these efforts by NGOs such as the International Committee of the Red Cross, by bilateral donors such as the United States and Canada, and by the United Nations Development Program.

ESTABLISHING PROPERTY RIGHTS TO ENABLE ECONOMIC DEVELOPMENT

Clear and enforceable property rights are a major component of private sector development in market economies. In Latin America and the Caribbean, there are large numbers of informal property holders, informal business enterprises without clear titles, slow and complicated procedures for registering property rights, and centralized administration of property rights registration which limits access to those in remote areas. Women often find barriers to establishing property rights due to cultural, institutional and educational barriers. The continued insecurity of indigenous property rights generates policy discussions in many

countries and has led to violent conflict. (Source: The Inter-Summit Property Systems Initiative (IPSI) www.oas.org)

SUCCESS STORY

➤ El Salvador

Activities are in place to improve the process of property registration system, including:

- Strengthening 10 registration offices and establishing a national communication network
- Improving, and putting into place cadastre—the information registry—registration of 454,181 properties in 5 departments
- 1750 digitalized cadastral maps have been prepared in digital format
- Institutional laws affiliated with the National Registry Center are: the Law of the National Registry, that has been concluded; the Special Law on the National Cadastre and Registration system; in the revision process; the Law on Tribunal Administrative Registry, Revision of the Draft Law of Real Estate Warrantier, the Special Transitory Law to Delimit Property Rights and Possession of properties in Joint Ownership State.

(THE REPUBLIC OF EL SALVADOR, NATIONAL REPORT ON THE FOLLOW-UP OF THE IMPLEMENTATION OF THE QUEBEC CITY PLAN OF ACTION MANDATES)

CHALLENGES

Growth with equity is a central challenge in the Hemisphere. Low economic growth rates reduce employment, tax revenues for government programs and new business investment. Growth that is concentrated in certain sectors and benefits a small percentage of the population does not improve the lives of all citizens and creates tensions between those benefiting and those excluded from economic opportunities. Improving the business climate will require major investments in infrastructure, sound macro-economic policies, access to credit and the rule of law enforced by a well-managed state sector. National governments and the entities that finance them are faced with the realities of globalization, which can bring the benefits of access to world wide markets and information, and the risks of volatility, high expectations of international investors, and the rapid spread of discontent among the disaffected. Governments need financial management expertise, integrated development strategies, a commitment to serving the most vulnerable in their societies, and support of the international community to achieve prosperity for their populations.

National governments and the entities that finance them are faced with the realities of globalization, which can bring the benefits of access to world wide markets and information, and the risks of volatility.

