

# **Towards the Fifth Summit of the Americas**

**Regional  
Challenges**

## **Towards the Fifth Summit of the Americas: Regional Challenges**

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# **Towards the Fifth Summit of the Americas**

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Challenges**

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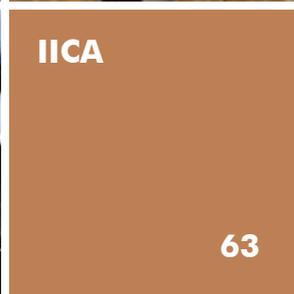
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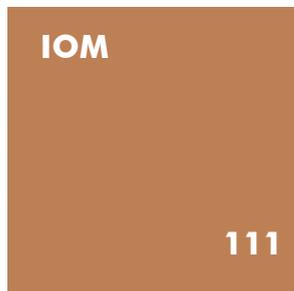
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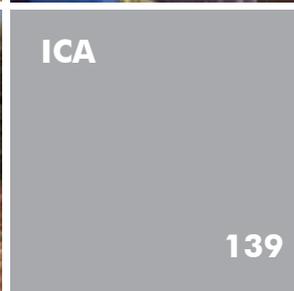
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## Preface

It is my pleasure to present this publication that compiles the contributions of the twelve institutions that make up the Joint Summit Working Group (JSWG). Each of these articles offers an institutional viewpoint on the challenges and priorities facing the Hemisphere and together they constitute an important contribution towards a collective reflection in support of the work of the Fifth Summit of the Americas that will take place in Trinidad and Tobago in 2009.

I thank the participating institutions for their commitment to this process and for the quality of their contributions. Their stance is a faithful expression of hemispheric solidarity and collaboration and serves to help ensure that the Fifth Summit of the Americas will indeed provide collective solutions to the principal problems that afflict our region.

**Jose Miguel Insulza**  
Secretary General  
Organization of American States



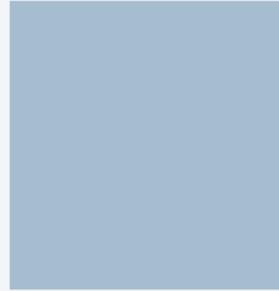


# **Organization of American States**

Challenges for Latin America and the  
Caribbean

A view from the Perspective of the  
Fifth Summit of the Americas

By Jose Miguel Insulza  
Secretary General, OAS



This is a promising moment in our region's history. Its authorities are being elected democratically in an ongoing series of elections: 13 presidential elections between December 2005 and December 2006, alone, as well as 12 parliamentary elections, two national referendums, and one constituent assembly election in that same period. Economic performance is also encouraging: the emergence of China and India in the global economy, robust economic performance in the United States and the European Union, and the now consolidated recovery of the Japanese economy have generated strong demand for raw materials – the region's principal source of export revenue – and have greatly expanded global liquidity, thereby facilitating investment in the countries of the region. As a result of those developments, the main economic indicators have improved. According to ECLAC, the

region grew by more than 4 percent a year for the past three years and by 5 percent in 2006. The level of poverty fell by 4.2 percent between 2002 and 2005 and it is estimated to have declined by a further percentage point between 2005 and 2006 (with an even greater reduction of extreme poverty). Inflation also fell in the two-year (2005-2006) period, from 6.1 percent to 4.8 percent, boosting economic growth.

We are beginning to shed, as a result, the image of political instability and financial volatility that haunted us in recent decades. This favorable scenario, however, also poses a great challenge: how to make the most of these political and economic opportunities for the benefit of citizens.

That challenge confronts us with the need to



overcome the huge problems that our Hemisphere, and all of humanity, face. Enormous progress in science, technology, and culture has not obscured humanity's immense failings. Three of them are particularly painful, especially since they can be observed every day in the countries of Latin America and the Caribbean: a) Human beings have not managed to eradicate, or even diminish, the violence in their lives. All manner of weapons, nuclear and conventional, long and short-range, legal and illegal, are amassed in our societies for war and for crime, heightening the sense of insecurity felt by the inhabitants of our countries; b) Nor has humanity managed to eradicate the extreme poverty that still afflicts a significant portion of the world population. More than one third of the inhabitants of our world live in poverty, many of them without sufficient food, without safe water, sewers, or electricity; deprived of

access to health and education. The population of the poorest countries tends to grow much faster than that of the developed world, without their economies keeping pace. Our growth has not narrowed the divide between rich and poor. On the contrary, it is widening between individuals and between countries; c) Finally, human beings have failed to halt the degradation of the environment. Global warming; air, water, and soil pollution; the dilapidation of infrastructure; lack of sewers and of safe water in cities in the developing countries; frequent health epidemics; and numerous disasters that are called "natural" but are in fact man-made are all accelerating the destruction of the human habitat. At the same time, to the extent that modern life requires ever-growing consumption of fuels and other pollutants, the causes of pollution are increasing, with no one willing to go to the expense

of restoring what is destroyed.

These huge failures of humankind, its major problems, give rise in our setting to challenges, which, if overcome, could lead to their elimination, or at least mitigation. Four major challenges stand out: the growth challenge; the inequality challenge, the crime challenge, and the good governance challenge.

### **The growth challenge**

The first challenge is the imperative need for growth. When a region is experiencing a substantial growth cycle, as Latin America and the Caribbean are today, after lengthy periods of stagnation, the question is not how high that growth can go, but rather whether it is possible to prevent it being reversed. In our case this is an entirely valid question because, when our countries grow, there is always a gnawing doubt whether the disappearance or attenuation of the external circumstances driving it could trigger new crises, as in the past.

We know, broadly speaking, what we must do to gradually overcome these hurdles: we must strive to be more competitive, foster technological innovation, access more markets, get rid of the red tape hampering the establishment of enterprises, provide more incentives to

small and medium-sized entrepreneurs, promote increased foreign investment, encourage domestic savings, and generate, within our countries, the conditions needed to facilitate integration in international markets. However, this broad recipe is not enough. We need to go further and take advantage of the current boom to enact reforms that make economies less vulnerable to external financial crises or over-indebtedness. This means adopting countercyclical policies that allow for a sustainable level of expenditure when the economy is strong and maintenance of social outlays in times of crisis. There are a number of different policy instruments that can be tailored to the needs and peculiarities of each country. What really matters is that fiscal savings mechanisms be established that can be used during financial crises to maintain social sector expenditure.

Another core ingredient to examine in this new scenario is tax and tax collection policy, which needs to be optimized with a view to financing a higher level of expenditure in the social sectors. As ECLAC has pointed out, despite numerous far-reaching tax reforms in the region, there are still issues with respect to distribution of the tax burden among the different socio-economic strata and low levels of tax collection that make it difficult to fund a social agenda that aggressively combats



poverty.<sup>1</sup> To meet this challenge, there are at least two main courses of action. The first is to strengthen the public service institutions run by the tax authorities. They need to be turned into first-class professional institutions, in terms of their human resources, technological facilities, and supervisory powers. Second, a tax policy reform agenda needs to be negotiated to solve current problems of inequity, evasion, and tax exemptions for certain vested-interest groups. For that, it will be necessary to assess the impact of each of the tax policy instruments applied in out countries and to examine new forms of taxation. The benefits of a modern, stable, tax system, with ample auditing capabilities, should boost its credibility and result in increased tax revenue.

One specific aspect of the growth challenge we need to address has to do with the increased demand for energy that comes with a more dynamic economy and which usually exceeds the increase in Gross Domestic Product. Energy-importing countries are then under strategic and financial pressure to secure the provision of energy and diversify their range of sources, while energy exporters benefit from the increased demand and the higher prices that go with it. Governments in the region are aware of this imbalance in the supply and demand for energy and, for several decades now, have been concluding various types of energy integration agreements.<sup>2</sup> At times, incentives have been offered for private investment in energy projects. Other energy

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1 ECLAC: Taxation in Latin America. The quest for a new reform agenda.

2 ECLAC: Cooperation and energy integration in Latin America and the Caribbean.

integration arrangements involve state-owned enterprises. In all these agreements, the goal has been to solve the region's energy supply and demand equation.

In addition, the need to diversify energy production, using a variety of sources, can trigger environmental issues, because many such projects have significant environmental impacts. Add to them the negative effects of greenhouse gases raising the temperature of our planet and we will encounter further restrictions on the use of fossil fuel (oil and gas) sources of energy. This scenario not only implies that the supply of energy will cost more. It also forces us to use sophisticated technology to minimize environmental damage. Accordingly, the region's energy agenda must address at least the following options: a) Promotion of rational and efficient use of conventional energy sources (hydrocarbons and hydroelectricity); b) Incentives to use alternative and renewable sources of energy, with minimal environmental impacts (bio-fuels, geothermal energy, wind power, solar energy, and tides); c) Using emissions trading mechanisms, as envisaged in the Kyoto Protocol, to attract investment and state-of-the-art technology to enable the countries in the region to engage in "clean" industrial production.

All this means redoubling efforts to achieve political and physical integration, considering that the region has sufficient natural resources to meet its countries' demand for energy.

### **The inequality challenge**

Our region is not the poorest part of the world but it is undoubtedly the most unequal. The poorest 20 percent of the people in our region take home between 2.2 percent of national income (Bolivia) and 8.8 percent (Uruguay), while the richest quintile helps itself to shares ranging from 42.8 percent in Uruguay to 64 percent in Brazil. The 2006 Latinobarometer survey reveals that 61 percent of the people in the region with only a basic education or less have parents with the same level of education, and that only 9 percent of persons whose parents had that level of education had managed to enter higher education.

In our region, moreover, poverty and inequality go hand in hand with discrimination. A great majority of indigenous people are poor, as are a significant number of persons of African descent. Women head many of the poor households in the region. In Latin America and the Caribbean color and gender are major determinants of poverty. That makes it all the



more insufferable and shameful and more pressing the need for a solution.

This state of affairs is becoming increasingly intolerable. The frustration caused by the contrast between inequality and exclusion, on the one hand, and the economic growth that has indeed occurred — along with an enhanced quality of life promised but not delivered —, on the other, is paving the way for a future beset with conflicts and unrest in the region. The current level of inequality is not only morally unacceptable; if it persists, it will also seriously jeopardize our chances of future development, because of the shortfalls in education, savings, and entrepreneurial capacity that, among other

burdens, come with it.

### **The crime challenge**

The unprecedented growth of criminal activity is posing a new threat and challenge to Latin America and the Caribbean. While political violence, which not so long ago was the scourge of our societies, has subsided, it has been replaced by crime: by gangs, drug trafficking, the rise in urban crime, money laundering, and countless other forms of criminal activity.

In many countries in our region, homicides are not counted in the hundreds or even thousands, but in tens of thousands.<sup>3</sup> We

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3. In the 1990s, more than 70% of Latin America's urban population fell victim to some type of crime. The United Nations and the World Bank have established that the homicide rate in the region is among the highest in the world, with Colombia, Brazil, and Jamaica at the top of the list. Violence is one of the five leading causes of death in the region, and is the first cause of death in Brazil, Colombia, Venezuela, El Salvador, and Mexico, and although Latin America represents only 8% of the world's population, it accounted for 75% of all kidnappings that occurred worldwide in 2003.

should bear in mind that, for the World Health Organization, any cause of more than 10 deaths per 100,000 inhabitants is considered an epidemic. The average world homicide rate is 5 per 100,000 inhabitants. In the United States, the figure is 5.5 and in Europe between 1 and 2 per 100,000. Sadly, in Latin America there are 27.5 homicides per 100,000 inhabitants, by far the highest rate in the world and truly an “epidemic” that calls for drastic measures. One of the most serious problems associated with crime is trafficking in persons. The number of children, women, and slaves traded in our region, both within countries or smuggled across borders, is shamefully high. One reason it is so high is that an equally large percentage of the population – between 15 and 20 percent – have no official identity. Their names are not inscribed in any registry nor do they possess any I.D. and for that reason they constantly fall prey to all manner of crimes perpetrated by criminal gangs expressly organized for that purpose.

Crime on this scale is a social scourge that not only degrades and does physical and moral harm to people; it is also extremely costly in economic, political, and institutional terms. The Inter-American Development Bank estimates that, including the value of stolen

property, crime costs approximately US\$16.8 billion a year, or 15 percent of Latin America’s GDP. This estimate includes the impact of crime not only on the security of people and property, but also on productivity, investment, employment, and consumption. It can also pose a challenge to, and even destroy, institutions. There are already urban districts and regions within countries in our Hemisphere in which the institutional presence of the state is being ousted by the de facto power of criminal groups. We need to call this phenomenon by its true name and spare no resources to address this challenge: Crime in our societies has truly become a social “epidemic” that threatens to destroy our citizens and our states.

### **The good governance challenge**

Growth, employment generation, the provision of certainties for investors, the problems of poverty, discrimination, and crime are all issues that can be solved by enacting and democratically implementing effective and efficient public policies that take into consideration the views, participation, and rights of all. To be equal to that task, however, governments in Latin America still need to develop certain capabilities that are necessary preconditions for good governance.



The first such requirement is to be aware that deepening democracy and its institutions are precisely the primary obligations of a democratic government. Essential prerequisites for that are participation and consensus. Conversely, exclusion and, in some cases, repression of opponents, are certain to undermine democratic institutions. This ingredient of good governance, in particular, has to be nurtured judiciously, always bearing in mind that the foremost duty of a democratically elected government is to exercise power democratically as well, enhancing freedoms through inclusion, transparency, and participation.

The increasing strength of democracies in the region makes it possible to place reforms on the public agenda that are aimed at perfecting the mechanisms of citizen participation in democratic governance as well as political ins-

titutions and systems of representation. Thus, initiatives designed to improve access to public information and to consult citizens on sensitive issues, especially at the local government level, are key instruments for consolidating the active participation of citizens, striking a balance between their rights and duties. At the same time, systems of representation must be improved to guarantee pluralism, diversity, and independence for all citizens. Finally, state institutions need to greatly improve their policies and practices to detect conflicts of interest, prevent corruption, and avoid succumbing to vested interests. Mechanisms must also be established to make government institutions accountable to citizens.

A second requirement for good governance is that governments really do know how to govern. In other words, to fulfill its mission, a

democratically elected government must have the power and the conditions needed to rule a country effectively. This has to do with the rule of law and the existence of perennial, genuinely respected, public institutions; many countries in Latin America and the Caribbean lack both the constitutions and institutions formally capable of implementing public policies. Often those institutions are inefficient, over-“politicized,” or simply ignored.

Moreover, the systems employed to elect authorities usually do not take into account the need for stable majorities and, on the contrary, generate unstable conditions that are sustained only so long as governments are successful. The weakness of political parties and other power brokers tends to exacerbate the problem, making it difficult to forge stable political coalitions. In a system as weak as this, the power struggle becomes the only constant, leaving little room for compromise and long-term decision-making.

That is why good governance in our region presupposes the creation of political systems that provide for extensive participation and help build stable coalitions and governments with solid majorities. This, in turn, requires that political parties become more representative of

the people and better qualified to participate in the process of building those majorities.

A third prerequisite for good governance, for governments to be effective, is that they have the tools they need. For many governments in the region, this is not the case, given the marked decline in the institutional and material resources they used to be able to count on to address many of the problems they were mandated to solve. This is a result of the – often exaggerated – downsizing of the state.

For many developing countries, the reforms of the 1990s spelled the end of huge state apparatuses. That was, no doubt, a step in the right direction, given that most of those state structures were bogged down in activities that were costly, ineffective, or could be much better handled by the private sector. Nevertheless, that same shift led, in many cases, to the dismantling and impoverishment of services, thereby actually triggering an increase in the ranks of the poor and of those living in extreme poverty, as well as a decline in the quality of the care that the state owes its citizens and that they expect and demand.

Today, it is obvious that many of the problems that beset us – the need to reduce inequality



and provide better education, health, water, and job opportunities – require that we formulate public policies geared to broaden and strengthen social cohesion.

Finally, the fourth prerequisite for good governance is directly tied to efficiency. Politics and government are human activities and, like all such activities, are increasingly reliant on knowledge and technology. This means that it is increasingly important to train politicians in Latin America and the Caribbean in the arts of public administration.

By that we mean the theoretical and technical knowledge and know-how required to run a state efficiently. Administering the state entails governing a complex set of players. All the ins and outs of that diverse world have to be pondered, with equanimity and justice, before decisions are taken and as they are carried out. Governments need to be proficient with respect to criteria and modus operandi that not only require technical expertise but also consideration and application of principles based on ethics, solidarity, and the pursuit of the common good. These are special skills that we need to imbue in those who are called upon to head our governments.

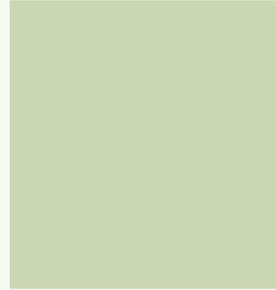




# **Inter-American Development Bank**

Toward the Fifth Summit  
of the Americas:  
Perspective on Regional Challenges

By Luis Alberto Moreno  
President, IDB



Let me start out by thanking the Organization of American States and Secretary General José Miguel Insulza for the invitation to submit this contribution.

The Latin American and Caribbean region is operating in a favorable international environment and in 2006 enjoyed its fourth consecutive year of rising per capita growth. Domestic policies that successfully maintained macroeconomic discipline in closely contested elections played an important part in this result, as did buoyant commodity prices and favorable international lending terms. At the same time, while poverty declined, unemployment remained high and job quality low as many of the region's countries continued to lag in international competitiveness rankings.

The risks and challenges facing the region in

terms of growth and the social agenda, therefore, remain formidable. Key aspects are discussed below with reference to the business climate, other factors underpinning growth, and the need to make social policy more efficient and inclusive. A statement on the road ahead and the role and program of the IDB concludes the contribution.

### **The challenges of growth**

Growth is the result of many factors. The business climate, the ability to innovate and reinvent, and rules and institutions are among the keys. The performance of the region in each of these dimensions is a mixture of advances and continued unmet needs.

Aspects of the business climate have taken a turn for the better in certain countries in the



recent past. The number of days it takes to get a business started and the cost of registering it have been reduced in some countries. Brazil's new bankruptcy law halves the time required to go through the corresponding proceedings. In regard to innovation, there are many examples attesting to the capability of the region's firms and research labs to generate ideas and bring new products to the market. And with respect to rules and institutions, Latin America is known for its advances in areas ranging from economic and fiscal management to the regulation and supply of utilities and public services.

Throughout the region, in this context, there is optimism boosted by economic trends that are better than they have been in a generation: inflation is down, production and exports are up, and economic growth, at 5.3%, is at par

with the expansion of the world economy as a whole in 2006. Prospects for 2007 are good, with some countries such as Argentina expected to grow at a rate exceeding 7%.

At the same time, Latin American businesses continue to be hampered by low levels of access to capital, deficient infrastructure, rigid labor laws, and burdensome arrangements to register or dissolve. The region is underperforming in education and knowledge investment, and both capital markets and basic technological and financial infrastructure are insufficiently adapted to the financing and dissemination of innovation. The elections that seated new governments in a dozen countries helped solidify democracy, but according to opinion surveys, trust in the institutions of the state is low. Crime and violence add to the cost of doing business, as do inequities

in the administration of justice, an area that needs to be further modernized and made accessible to all.

Growth, which traditionally has been volatile, must become more lasting and sustained, and its fruits must be extended to the disadvantaged and the poor. As I stated in my address to the Governors of the Bank on the occasion of our annual meeting in Guatemala earlier this year, this is the overarching challenge for our countries in the coming years. Every household in the region must share in the benefits of growth, not only because of the need to raise equity, participation and the incomes of the poor, but also because better and more equal opportunities for all are themselves a force for growth.

### **The challenges of social development**

Social policies to build human capital, labor market capability, housing and basic infrastructure, poverty reduction programs, and pensions and safety nets have a long tradition in the region and are undergoing far-reaching change.

Social expenditure has grown as a share of both public expenditure and GDP in the last

twenty years, average social indicators have improved, poverty levels have recently begun to fall in measurable ways, and some types of interventions, such as the conditional cash transfer programs, have become widely known for the solidity of the results that they produce.

At the same time, there remains the vast unfinished task in social policy of raising population coverage, improving the quality of design and implementation, increasing the progressivity of social spending, and ensuring adequate resources. There is a need for greater efficiency, too. Among other aspects, this in my view makes it necessary to look to the private sector and new provider models.

Also, in policies and programs devoted to poverty alleviation, there is a need to develop responses that take into account the multidimensional and dynamic nature of poverty, as well as the concept of risk, so that people exiting from poverty may remain non-poor and the low-income non-poor may be prevented from becoming poor.

The growth agenda and social policies are intertwined and should be conceived so as to reinforce one another. This calls for comple-



mentarity and consistency between economic and social policies, which in turn, it seems to me, means that the relatively weaker institutions of the social sector need to be brought up to levels comparable with the ones that have come to be associated with the institutions of the state in the economic and financial sphere.

To improve the institutions charged with social policy, however, resources are needed, and therefore social contracts and fiscal pacts aimed at raising revenue according to the principle of “who earns more pays more.” The revenue question is critical to the social policy agenda in countries where there is a need to break the vicious cycle of inadequate resources leading to weak institutions, ineffective programming and spending, low quality of services and delivery performance, citizen dissatisfaction, and weak solidarity.

### **The road ahead and the role and program of the IDB**

My vision as we look to the Fifth Summit of the Americas and, indeed, the next ten years, is one of a region that takes advantage of the current economic expansion to put in place the reforms and adjustments that are needed to further bolster growth, to make growth last, and to make it inclusive and rewarding for the poor. My vision is also one of a region that acts on the strategic importance of the social agenda.

In regard to growth, we need microeconomic and institutional reform, the advancement of education, the improvement of the business climate, the building of more competitive economies, the upgrading of infrastructure, and the gradual “mainstreaming” into the formal

economy of the segments of society that are currently excluded. There is also a need to develop new sources of growth and value added—biofuels are a case in point—and to judiciously manage internal and external risks to the economies. The goal is to gain resilience and thus improve the scope for sustaining growth.

In the social area, we need to address the sources of inequality and fragmentation in labor markets, access to opportunities for human development as well as access to basic infrastructure, and participation in political processes. Targeted programs for poverty alleviation need to follow an intergenerational and dynamic approach to foster inclusion, upward mobility and households' abilities to cope with shocks. Health system reforms need to deliver greater access to quality care respecting sound management and financing standards. And social security and pension reforms need to deliver results that society perceives as efficient and fair, given financial constraints. Ultimately, gains in social cohesion are the goal.

The IDB is fully committed to these tasks. Growth and the social agenda are reflected in our dialogue with the member countries, our lending portfolio and technical assistance (close to half of which is “social”), and the

research that we do. Growth and the social agenda are reflected in the accord on debt relief for the poorest countries that was reached earlier this year, the progress on implementing our expanded private sector mandate, activities to foster the inclusion of ethnic populations, advances in honing capacity in infrastructure, education, health and social protection, our work in modernization of the state and public sector management, and our efforts in microfinance and support of small and medium-sized enterprises.

The challenges of growth and the social agenda are reflected in key instruments and initiatives that we created in the recent past and that are beginning to produce results. Our local currency facility, an infrastructure project preparation fund, a disaster prevention fund that helps promote risk management, and a new social investment fund for project origination and design are some of the resources supporting operations that should be mentioned. New programmatic ventures such as the Sustainable Energy and Climate Change Initiative, the Biofuels Initiative, the Water and Sanitation Initiative, and our work on Opportunities for the Majority, in turn, are addressing economic, social and sustainability needs while expanding the range of interventions and partners with



whom we work. New clients, in particular sub-national governments and private actors, are key loci for the expansion of our activities and the realization of the vision of inclusive growth. That vision presupposes a further element, i.e., the fight against corruption. We practice a policy of zero-tolerance on corruption at the IDB.

The challenges of growth and the social agenda are underpinning the IDB's realignment at the present time. The purpose is to adapt the business model to raise responsiveness and relevance and bring the Bank closer to its member countries. We know that there are no silver bullets or single solutions, that each country is on its own path, and that the "middle-income" category, to which much

of Latin America and the Caribbean belongs, hides many different realities and needs. We are bolstering our sector and country analytic expertise to generate deeper knowledge and create vehicles to address the development challenges of the middle-income countries. We are at the same time working alongside all our member countries, aiming for flexibility to operate effectively in a region of vast diversity where we intend to help tailor individual workable solutions for all. We expect this endeavor to be supported by a renewed relationship with our non-regional members and the benefit of potentially being able to welcome new members into the family of the IDB. We are honored and humbled by the tasks given to us in cooperation with the member countries along the lines set out above.





# **Economic Commission for Latin America and the Caribbean**

Reflections on the economic and  
social challenges facing Latin  
America and the Caribbean

By Jose Luis Machinea  
Executive Secretary, ECLAC



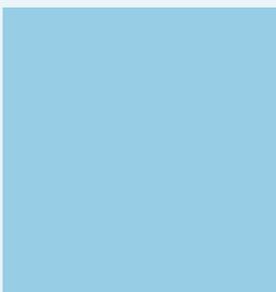
Thanks to the current growth phase in Latin American and the Caribbean, the region's per capita GDP expanded at an average annual rate of close to 3% in 2003-2006, after a rate of just 0.1% between 1980 and 2002. Positive trends in economic activity have helped to lower the unemployment rate and raise job quality, this, combined with better and higher public spending, has had a favorable impact on poverty rates. Notably, extreme poverty declined by over 20% between 2002 and 2006. Absolute levels of poverty and indigence remain very high, however, at 38.5% and 14.7%, respectively.

The greatest priority for the region is to maintain and, in some cases, accelerate the rate of economic growth and to make its fruits available to the entire population. While there may be no single route towards sustainable growth

and equitable development, and at the risk of simplifying and being necessarily selective, it can be said that efforts in this direction are basically linked to the challenges of changing production patterns, social cohesion, international insertion and good governance.

### **Growth and changing production patterns**

In the last 25 years, the region's growth has been extremely low and volatile, despite the recent cycle of expansion. The first challenge is therefore to achieve and sustain high growth rates. The second growth challenge—given that the region is still losing ground to the rest of the developing world even under the good external conditions it is currently experiencing—is not to slip further behind in the global scheme. This sets quite a high growth threshold for the region.



For a long time, growth in Latin America and the Caribbean has not only been low; it has also been highly volatile. As this extreme volatility generates uncertainty as to the level of economic activity, it hurts investment and productivity and, hence, growth. To reduce volatility, the countries must improve their macroeconomic policies in order to be able to take countercyclical measures.

The interdependence of global growth and the production structure takes on very particular traits in Latin America and the Caribbean owing to the increasingly heterogeneous nature of that structure, with major coordination failures among agents and highly differentiated access to information and factors of production. This generates a structural dynamic that moves at differing speeds depending on the size and ownership of firms. True equality of opportu-

nities is lacking, and active public policies are therefore needed to level the playing field by means of a differentiated structure of support mechanisms and incentives.

Faced with these challenges, the region must lay the foundations for a pattern of production development that, even while reflecting this structural heterogeneity, can add value and knowledge to the goods each country produces. It bears recalling that the strongest driver of the current growth phase, which has been especially favorable for South America, is the production and export of natural-resource-based commodities. The international prices of these products have risen considerably, especially in the case of metallic minerals and hydrocarbons, because of the pressure being exerted on demand by China's and India's industrialization processes.

These changes in the production structure are urgently needed to speed up, stabilize and consolidate growth over the long term. This is, in turn, essential in order to address the sensitive social situation in the region, especially as regards employment, poverty and inequity.

### **Social cohesion**

The high levels of poverty and inequity prevailing in the region's countries are undoubtedly a factor in social exclusion and prevent the construction and consolidation of social cohesion, understood as a "sense of belonging" to a common and inclusive national enterprise. It is therefore fundamental to reduce poverty and narrow the gaps between the different sectors of the population by, for example, increasing the possibilities for social progress through access to different types of assets, among which education is particularly important. Certain mechanisms of social protection that can be put in place to reduce the uncertainty associated with old age, illness and poverty also have the potential to increase social cohesion.

Beyond these objective gaps, how the population perceives the workings of the main institutions of democracy is also a factor in developing greater social cohesion. The judiciary,

parliament and political parties generate scant confidence in the population owing to a lack of transparency and the suspicions of corruption attached to their operations. A number of studies have documented compelling evidence of this fact.

With respect to objective gaps, social policies are a key tool in reducing the high levels of exclusion seen in the region. The main objective must be to break the vicious circle of low growth, poverty, distributive inequity and social exclusion. Social policy could thus be directed towards building a fuller form of economic and social citizenship. In practice, this overarching objective must be adapted to the particular features and level of development in each country and must reflect each society's needs for greater solidarity, rather than budgetary inertia or the direct pressure of interest groups.

Generally speaking, solidarity is orchestrated in multiple ways, especially through public spending programs and cross-subsidies in social security and tax systems. Compared to international standards, the great majority of the region's countries have a fairly low tax burden relative to their per capita GDP. As a result, the countries may lack sufficient resources to combat the intergenerational reproduction of poverty and inequity.



In addition to narrowing its economic and social gaps, the region needs to invest in strengthening its democratic institutions. Without reliable political leadership and a credible justice system, it is almost impossible to conceive of social cohesion, and still less of one of its crucial ingredients: solidarity. Above and beyond whatever political reforms may be necessary in each case, strenuous efforts will be needed to enhance transparency and accountability in order to ensure that resource use is open to scrutiny, that actions taken are effective, and that opportunities for corruption are progressively narrowed. Solid, effective and transparent institutions form the basis for social cohesion.

### International insertion

In an ever more interdependent world, the need to forge a stronger international insertion

is a crucial part of delineating a development strategy for the countries of the region. Ideally, the nature of this position should be discussed at the multilateral level, where the developing countries enjoy greater negotiating power. Multilateral negotiations continue to be hindered, however, by serious difficulties in connection with such issues as migration, finance and trade, among many others. Given the lack of progress in multilateral negotiations, countries are increasingly seeking bilateral agreements, not just to secure access to particular markets, but to avoid losing it because of the number of preferences arising from bilateral agreements with other countries. While this course of action is understandable from the standpoint of the particular interests of individual countries, unless some of the measures mentioned earlier are taken, this approach may weaken subregional and regional processes so seriously as to render them irrelevant.

Facing this reality, what can be done? One plausible alternative is for the countries to opt for open regionalism; that is, to strengthen subregional agreements and to use them as a basis for negotiating integration arrangements with the rest of the world. As noted earlier, integration of this type should preferably be arrived at through multilateral negotiations. Alternatively, or as a complement to this, subregional blocs could undertake negotiations with developed blocs or countries. For this to be possible, however, the region must leave rhetoric behind and take concrete action to deepen the various subregional integration schemes.

It will be necessary, for example, to promote convergence among the existing trade agreements, speeding up tariff reduction and creating free trade areas within a reasonable period of time, moving towards the unification of rules of origin and building up the credibility of integration by strengthening its institutional and dispute settlement mechanisms. At the same time, strides need to be made in trade facilitation, ensuring that the technical assistance necessary to put these agreements into practice is in place, considering its relationship with special and differential treatment, defining the binding nature of commitments

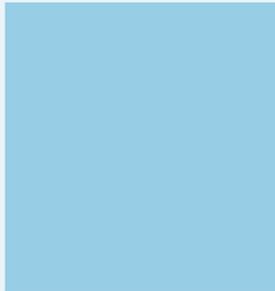
linked to secure and sufficient financing, and enhancing the role of cooperation in infrastructure, information systems and institutional capacity-building.

### **Good governance**

The two common factors underlying the above arguments are the need for a new, more solid and versatile State capable of taking action on all of these multiple fronts and, as a complement to this, the need to build the political consensus that are necessary to create this new State. Both factors are essential conditions for good governance.

The State is the natural arena for articulating and channelling the activities of all social agents in pursuit of economic and social development and, in general terms, of the common good. A weak, inefficient State that has fallen captive to private interests will be seriously hampered in performing that role, however. Hence the importance of rebuilding the State, so that it can better face the domestic and external challenges of the contemporary world.

In the years to come, the direction taken by public policies and their effectiveness will hinge upon governance and consensus-building,



since life as a community cannot be expected to be free of conflicts or differences. The most efficient way to address both tasks and thus enhance governance is to build accords among the major political forces concerning core aspects of the region's development path and the unfettered operation of its institutions.

Latin America and the Caribbean must therefore reclaim the ability to build their future, with all its complexities and difficulties. This process should draw upon the wealth of inputs arising

out of constructive interaction among the different social agents as they focus on shared, inclusive undertakings. No effective democracy is possible if important issues of economic and social organization are left off the public agenda. One of the political system's fundamental tasks is to act as a catalyst for this discussion. In so doing, this system should offer citizens an array of options that will provide scope for an institutional learning process and, above all, for the exercise of democracy.

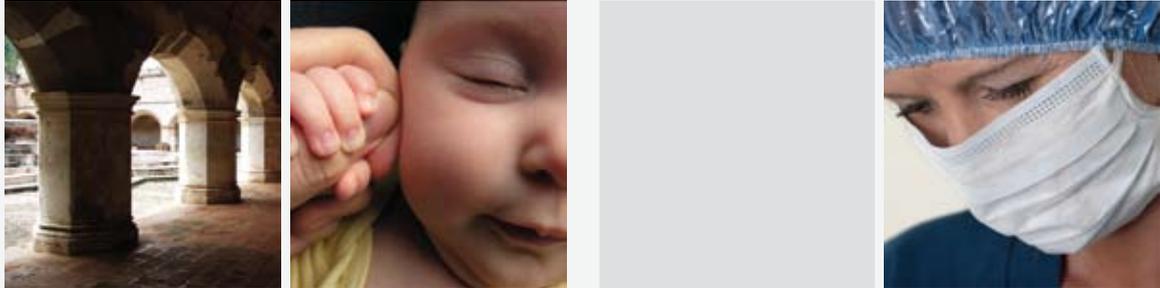




# **Pan American Health Organization**

A subject for the Political Agenda:  
Toward more inclusive, equitable,  
and healthy societies

Introduction by Mirta Roses Periago  
Director, Pan American Sanitary Bureau



The following contribution highlights the most relevant aspects characterizing the health situation of the Region, which reflect the greatest challenges confronting the countries of Latin America and the Caribbean to reach objectives of equality, health and well-being. The Pan American Sanitary Bureau (PASB) contributes to strengthening the response to these challenges by articulating the collective action of governments, civil society and the international community to advance the Health Agenda of the Americas. We thank the OAS for the opportunity to contribute our sectoral perspective to the contents of this publication on Regional Challenges.

**Mirta Roses Periago**

Director

Pan American Sanitary Bureau



Ample documentation indicates that the region has the highest social and economic inequities in the world and that both inequity and poverty have long been associated with the region's societies (ECLAC, 2006). These issues and their impact on the governance and stability needed to achieve an environment favorable to investment, trade and economic growth have held a prominent place on the political agenda along with the initiatives of combating terrorism and citizen security. Health in the region has also been emphasized within those agendas to the extent that it has been necessary to confront threats and epidemics and pandemics that require joint efforts by government, civil society and the international community. However, approaching health as an expression of the problems of poverty and inequity, as an exercise in citizenship and law, and as a contribution not only to the well-

being but also to the economic growth of the hemisphere's societies, is a subject rarely analyzed or addressed in political agendas. The transition from the epidemic diseases approach to seeing health as an element of inclusion, well-being and development thus requires a different treatment and analysis that merits recognition for its contribution both to the hemisphere's integration and development processes and to the construction of more democratic and equitable societies.

#### **Major regional challenges in the area of health:**

##### **1. Changes in health profiles and cumulative lags:**

In the Latin American and Caribbean context, health policies must deal with both new and old challenges. As in the developed world,

new challenges reflect changes in demand resulting from the dynamics of demographic, epidemiology and technology, requiring and allowing for new benefits and treatments over increasingly longer human lifetimes, thereby increasing the cost of health services and healthcare expenditures. Old challenges reflect historical deficiencies and the region's accumulated social debt in terms of access to timely and quality healthcare services.

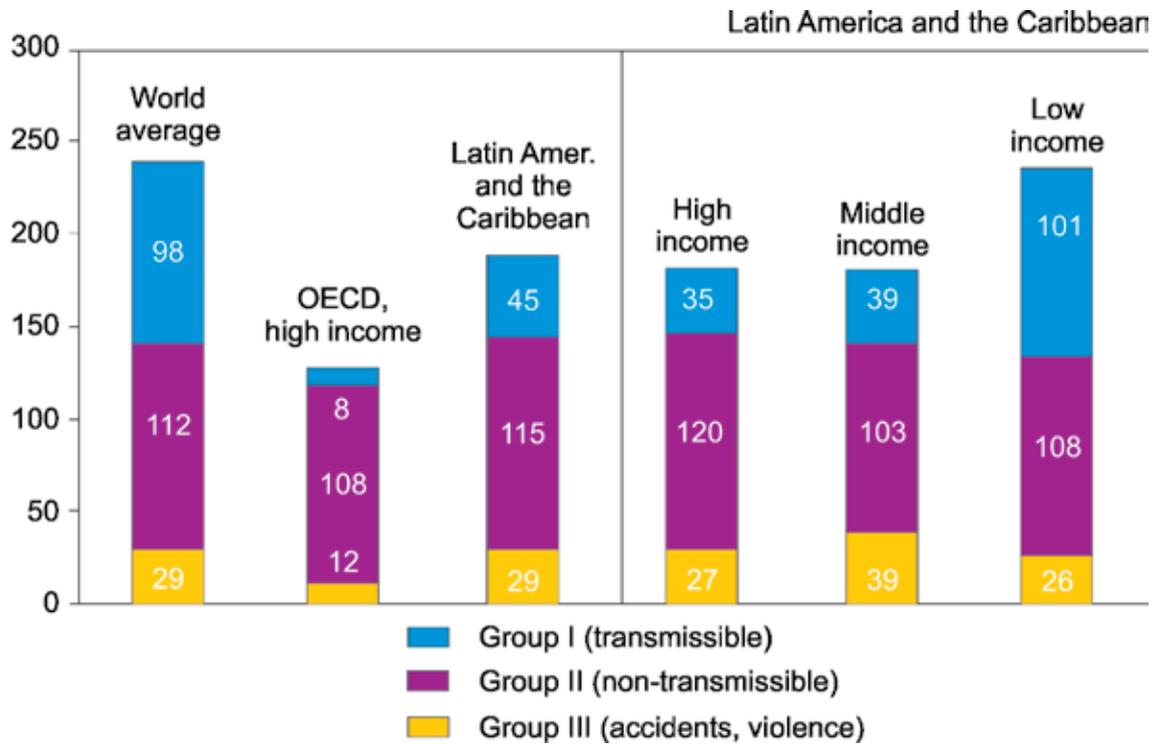
The health situation in Latin America and the Caribbean is very diverse, with great differences between countries and within countries. While the region as a whole is rapidly gaining on the developed world in terms of the impact of non-transmissible diseases, the problem of diseases associated with a lower level of development such as transmissible and maternal-child diseases has not yet been satisfactorily resolved. This phenomenon, usually called the “epidemiological gap,” is particularly evident in lower income countries, which have a greater impact on women of child-bearing age and children. In middle- and high-income countries, problems associated with lifestyles and an aging population are relatively more important (Graph 1).

## **2. Inequity and lack of access to health services**

Regional and national average and aggregate figures do not reflect the complexity and heterogeneity of health profiles in countries where problems associated with poverty exist alongside problems associated with risks, behaviors and an aging population against a backdrop of geographic, ethnic and gender-based inequities.

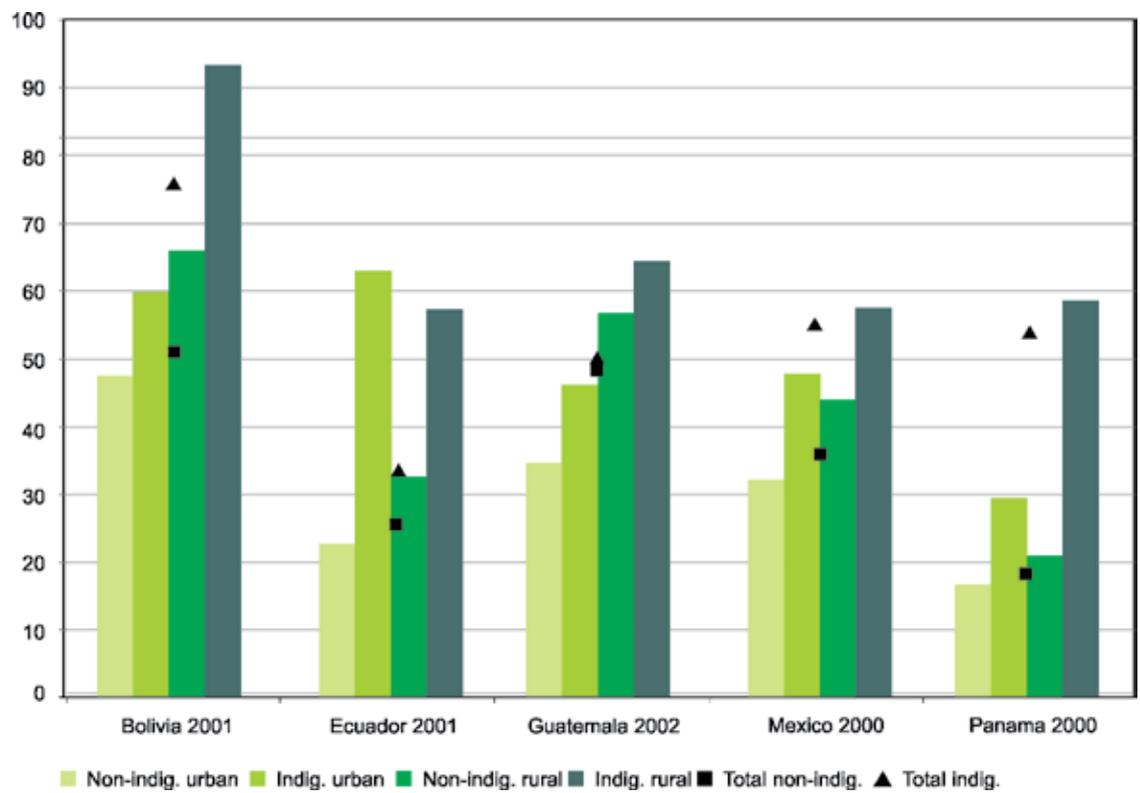
There is already international recognition that the countries of Latin America and the Caribbean are characterized by high levels of social inequality—the highest in the world in many aspects (ECLAC, 2006)—and health indicators are not unaffected by this situation. Graph 2 illustrates these inequities based on two socioeconomic dimensions: ethnicity and place of residence. In some countries where information is available, higher mortality among indigenous peoples is not reflective of their higher percentages in rural areas. Indigenous children in rural areas have a higher risk of dying before their first birthday than non-indigenous children in rural areas and the same pattern is evident in urban areas. Problems of inequity in access to basic health services are also evident. The indicator for childbirths

**Graph 1**  
**Latin America and the Caribbean and the rest of the World:**  
**Indicators of the burden of disease, 2002**  
 (In years of healthy life lost per 1.000 inhabitants)

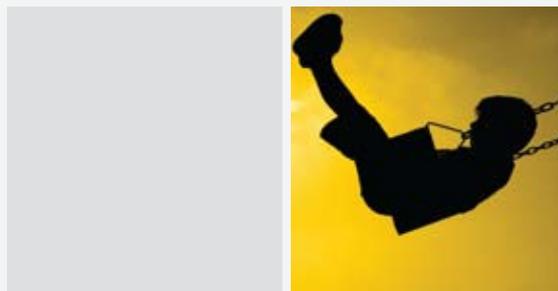


Source: World Health Organization, Geneva, 2003

**Graph 2**  
**Selected Countries: Infant mortality rate among indigenous and non-indigenous populations (Self-selected) and mother's place of residence (Deaths per 1,000 live births)**



Source: ECLAC, The Millennium Development Goals: A Latin America and the Caribbean Perspective, 2005



attended by specialized personnel according to income quintile in nine countries shows a direct and growing relationship between family socioeconomic level and access to trained personnel at the time of birth in almost all nine countries (Graph 3).

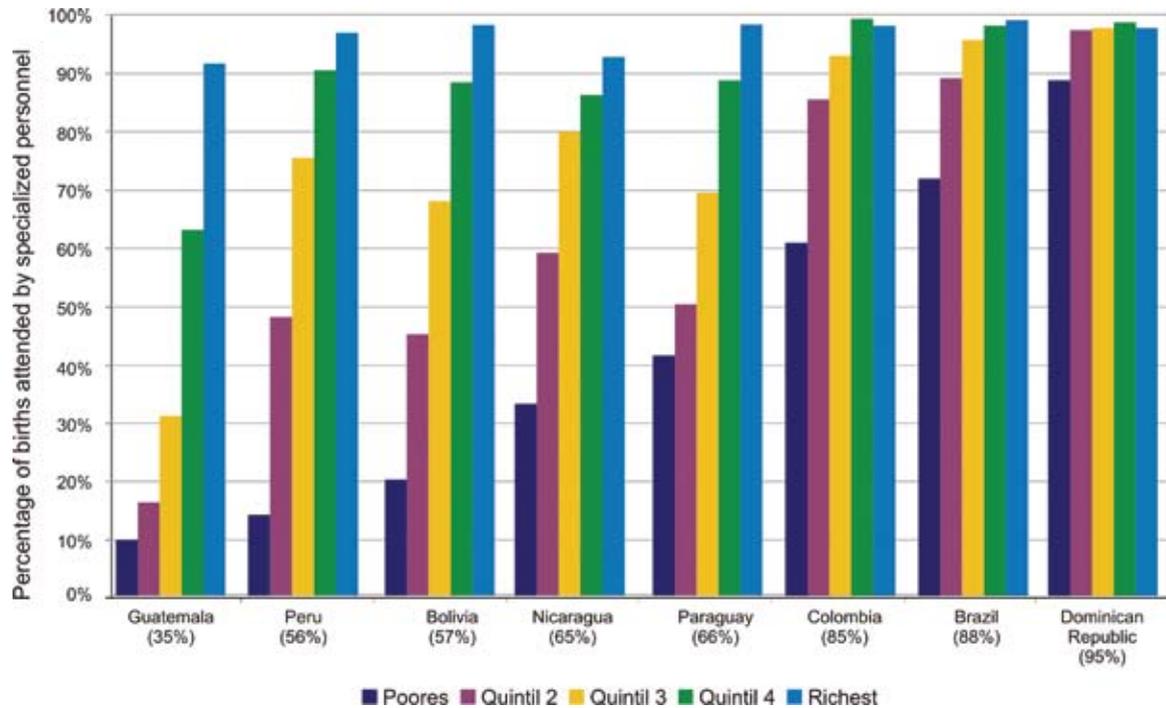
Finally and despite comparatively encouraging results in public health policies, the region's countries are facing a significant challenge in their efforts to improve equity and reduce the level of exclusion from healthcare systems.

### **3. Inadequate level and distribution of public spending on health.**

Inequities in access to and coverage by health services can be explained in part by organizational problems in the various existing health systems in the region. However, the chronic

deficit in public financing of healthcare and the inadequate distribution of that spending to benefit the poorest and most disadvantaged groups in society represents a challenge that merits special consideration in terms of public spending policies and the organizational and financial schemes of national health systems. As can be seen in Graph 4, although the percentage of total spending on health shows a significant increase in the region, ultimately exceeding 7 percent of Gross Domestic Product (GDP), the percentage of public spending on health does not show significant changes over the last 10 years and amounts to only 3.6 percent of GDP for the years 2004-2005. What is even more alarming is lack of variation over more than three decades in the ratio of public spending to private spending within total spending, as the private spending percentage has remained above 50 percent throughout

**Graph 3**  
**Selected Countries: Percentage of Childbirths attended by Specialized Personnel, about 2002**



Source: World Bank, Socio-Economic Differences in Health, Nutrition and Population Division, Washington D.C., 2004



the period. It should also be pointed out that within private spending, the out-of-pocket spending of families is not only very high but has not changed significantly during the period indicated (Graph 4). This phenomenon explains to a large extent the high percentage of family health spending that goes to the consumption of goods and services. As shown in Table 1, this tends to be higher in lower-income families, with health spending, including medications, being a significant cause for the impoverishment of families living in adverse or catastrophic situations.

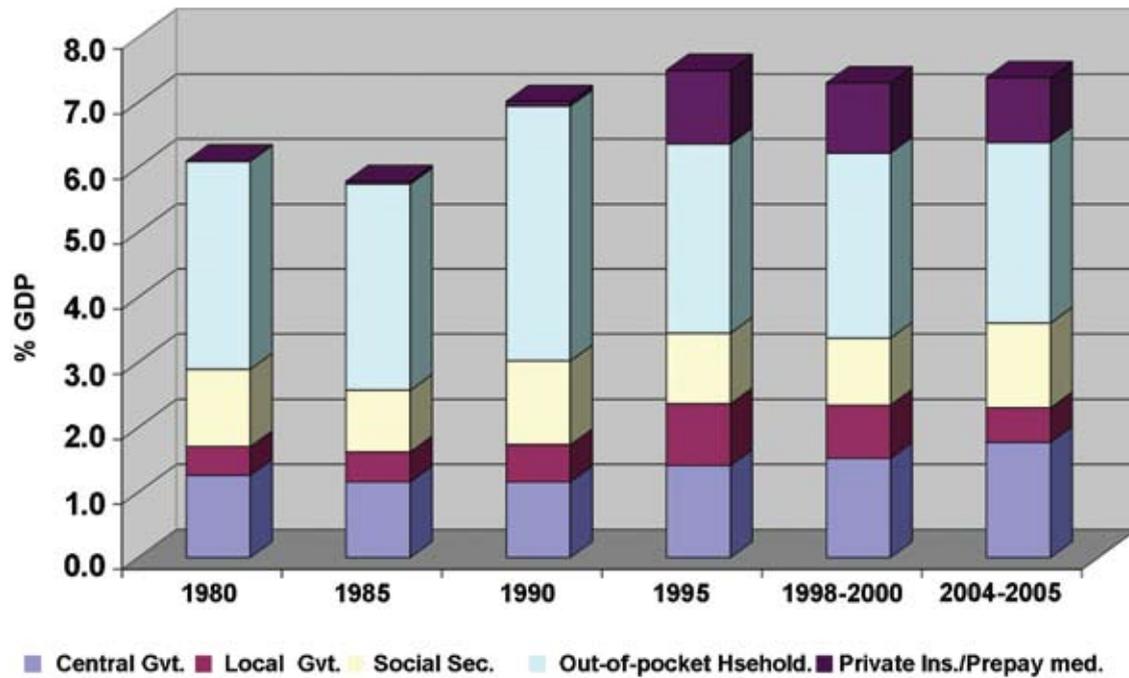
The deficient level of public spending on health combines with the absence of mecha-

nisms to ensure that public funding benefits the most disadvantaged groups in society. Although various countries in the region have implemented policies and mechanisms that have had a distributive impact on public spending in health for lower-income groups, there are still countries in the region that are far from achieving this objective (Graph 5).

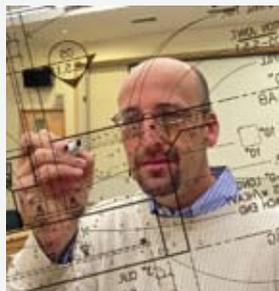
Finally, the absence of an adequate level of public spending on health<sup>1</sup> and mechanisms to ensure that such spending has a distributive effect are the principal factors working against any strategy targeting poverty reduction and health equity objectives (PAHO, 2002)

1. Evidence shows that countries with universal access to healthcare services have a level of public spending on health between 5 and 6 percent of GDP

**Graph 4**  
**Latin America and the Caribbean: Composition of total spending on health**  
**(As a percentage of GDP)**



Source: Panamerican Health Organization, 2006



#### 4. Threats from new diseases and the effects of climate change in the context of globalization

Over the last five years the world has witnessed devastating natural phenomena that have brought changes to large population groups and settlements and that have implications for their health conditions. Similarly, the appearance of new and rapidly spreading diseases (SARS, avian flu) represents a threat to worldwide health security (e.g., a new flu pandemic) with resulting effects on the world's social and economic dynamic. The concentration of poverty in urban settlements that are vulnerable to disasters in conjunction with the problems of exclusion and inequity in access to basic health services puts the region in a precarious situation in terms of effectively responding to health threats and emergencies.

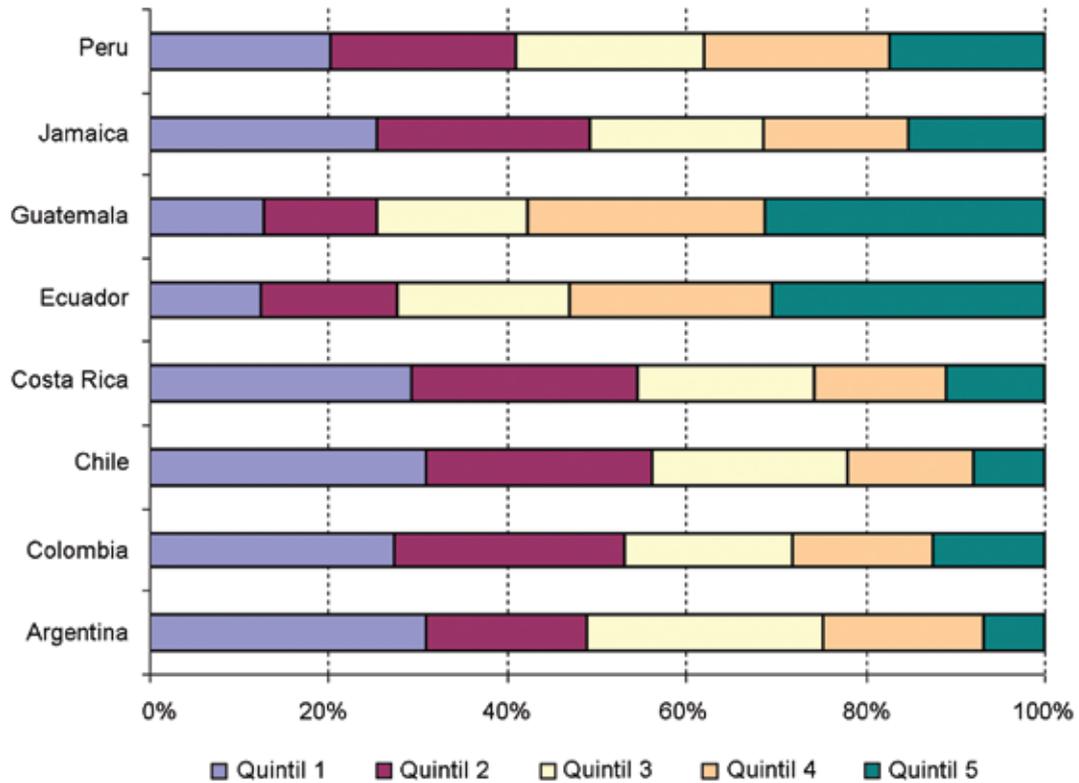
#### Responding to the Challenges: The Health Agenda of the Americas

The analysis on the previous pages provides elements for defining, independent of specific conditions in each country, a series of basic criteria that constitute the central elements in the Health Agenda for the Americas. These are:

##### 1. Universal access to health: Toward health systems based on principles of greater solidarity

The need to confront the problems of social exclusion and inequity in the area of health means defining policies and instruments to move toward universal access to health services. For this purpose, increasing public spending on health to levels of 5 to 6 percent of GDP is a priority that governments in the

**Graph 5**  
**Selected Countries: Distribution of Public Spending on Health by Income Quintiles for the Year 2000**



Source: Suárez (2001) y Trejos (2002) Q1 Poorest Q5 Richest

**Table 1**  
**Family Spending on Health as a Percentage of Regular Family Income**  
**(In percentages by household income quintile)**

| <b>Quintile</b>       | <b>Poorest</b> | <b>2</b> | <b>3</b> | <b>4</b> | <b>Richest</b> | <b>Total</b> | <b>Q1/Q5</b> |
|-----------------------|----------------|----------|----------|----------|----------------|--------------|--------------|
| Chile <sup>a</sup>    | 2,16           | 1,79     | 1,86     | 1,89     | 1,75           | 1,89         | 1,24         |
| Mexico <sup>b</sup>   | 4,22           | 3,17     | 2,71     | 2,91     | 2,82           | 3,17         | 1,50         |
| Paraguay <sup>b</sup> | 6,99           | 3,06     | 4,31     | 4,67     | 4,25           | 5,04         | 1,65         |

Source: Economic Commission for Latin America and the Caribbean (ECLAC) based on income and spending surveys.

Published in: Shaping the Future of Social Protection: Access, Financing and Solidarity. ECLAC, 2006

a Represents spending on medications and medical aids as a percentage of family income

b Represents quotient between monetary spending and total monetary income.

region must address over the next few years. This increase should be accompanied by formulas selected by each country to ensure that the increase has a distributive effect and reaches the poorest sectors of society. It is imperative that health sector reform agendas incorporate policies designed to improve access along with a significant reduction in private spending to obtain needed treatment, particularly for low-income families. Defining policies to increase public spending with a distributive effect and reduced out-of-pocket expenses will require specific analyses of the situation in each country and the search for the most appropriate mechanisms for organizing and financing national health and social protection systems.

## **2. Strengthening public health and primary healthcare**

Effective improvement in the population's health conditions requires promoting and strengthening public health programs and services that seek both to encourage healthy lifestyles and prevent and control risks and diseases that lead to avoidable premature deaths. Thus, decisive expansion in primary healthcare is needed with adequate coordination of services to compensate for the gaps between different regions in a single country. Cost-effective public health interventions and activities must also be developed, with greater and better linkage of public policy actions at

the various levels, promoting the commitment of different actors to responsible citizen participation.

### **3. Implementing the International Health Regulations (2005)**

The purpose and scope of these regulations is to prevent the international spread of disease, protect against this spread, control it and provide a proportional public health response that is limited to public health risks and at the same time avoids unnecessary interference in international traffic and trade. Among other aspects, this will require coordination of the warning and response system for health emergencies, involving concerted efforts and the participation of many actors under the leadership of global, regional, national and local health authorities. However, it must be pointed out that regional health security to protect the most vulnerable segments requires that it be included within the context of reforms designed to bring about progress in the coverage of social protection in health and the public health policies promoted in the region.

In summary, the objectives of the Health Agenda for the Americas for the upcoming years are directed to achieving progress in the solidarity mechanisms needed to provide equitable access to health services for the entire population, regardless of personal income or risks, as well as to strengthening the coordinated action of government to promote public health policies allowing for the best possible response to technological, demographic, environmental and epidemiological changes occurring in the region.

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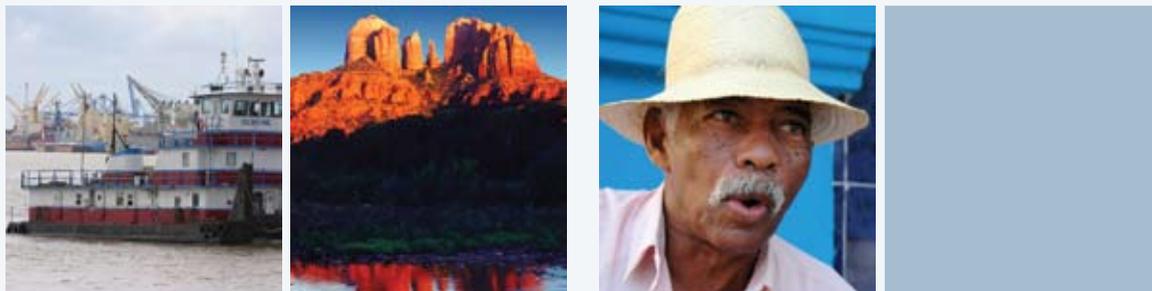




# **World Bank**

A New Opportunity to Overcome  
Old Problems

Introduction by Pamela Cox  
Vice President  
Latin America and the  
Caribbean Region



The World Bank is committed to supporting our partners in Latin America and the Caribbean in their efforts to create a better life for their people. The following contribution highlights the main challenges that we see for the region, and outlines the main themes that underlie our assistance. We thank the OAS for the opportunity to contribute to this Regional Challenges publication.

Sincerely,

**Pamela Cox**  
Vice President  
Latin America and the Caribbean Region



### A New Opportunity to Overcome Old Problems

Over the past two years, the Latin America and Caribbean (LAC) region has experienced significant change. It has enjoyed higher commodity prices that helped generate growth, a modest reduction in poverty and inequality, changes in governments, and a greater recognition of the role global issues play in the region – especially in energy, climate change and trade.

At the same time, there has been a growing realization and focus on the need to ensure both that growth accelerates and that the benefits reach more of LAC's citizens. For the past four decades, LAC has struggled with the twin development challenges of boosting and stabilizing growth, while reducing poverty and inequality.

### Recent Progress

Since 2003, LAC experienced recoveries in growth rates in almost all countries in the region. The last three years have witnessed the highest growth rates since the late 1970s. Growth in the region averaged around 5% from 2003 to 2006 – better than the OECD, although somewhat lower than growth in East Asia.

This growth has been accompanied by strong job creation that is beginning to reverse previous trends towards increased unemployment and informality rates – which were largely a consequence of the slowdown and crisis that took place at the turn of the millennium.

Most countries are using this period of high growth and improvements in external factors

(e.g. favorable commodity prices and low interest rates) to reduce significantly their vulnerability to external and internal shocks. They have accumulated international reserves, reduced debt/GDP ratios, and improved substantially the currency and maturity composition of debt. Further, countries in LAC have maintained current account and primary fiscal surpluses.

### **Obstacles to Development and Prosperity**

Nevertheless, this predominantly middle-income region with a population of 542.9 million and an average per capita income of US\$4,008 has the highest level of inequality in the world. The region continues to grapple with the challenge of making the most of its diversity and natural resources to meet the needs and expectations of its inhabitants.

LAC's development challenges stem from low and volatile growth combined with persistent inequality. These two factors explain the continuing high poverty rates in a predominantly middle-income region. Faster and more stable growth is needed to accelerate poverty reduction in the region. At the same time, the high level of poverty acts as a “drag” on growth, as demonstrated in the World Bank flagship

publication “Poverty Reduction and Growth: Virtuous and Vicious Circles.”

### **Slow Progress On Structural Weaknesses: Can Current Growth Be Maintained?**

During the past few years, modest progress has been made in the investment climate, in gaps in public infrastructure investments, and in public sector reforms.

While most LAC countries are on track to meet the Human Development Millennium Development Goals (MDGs), many are lagging behind the extreme poverty targets. It seems unlikely that the LAC Region as a whole will meet the extreme poverty targets for 2015.

There is cautious optimism on longer-term growth prospects as progress on structural issues remains generally slow and there are concerns about policy developments in some countries. By sector, some of the challenges include:

- Despite some progress in the investment climate, weak institutions and high levels of crime and violence remain problematic in many countries. In other countries, political stability is a concern.



- Infrastructure investment is recovering, but is still low in many countries compared to other regions.
- There is continuous progress in education and health service coverage, but the quality of education remains poor.
- Productivity and formal employment are recovering, but innovation by firms remains low while informality remains high.
- Access to basic services (education, health, infrastructure, financial services) is increasing, but differences in access across income and ethnic groups remain large.
- There has been progress in redistributive programs such as Conditional Cash Transfers (CCTs), but public expenditures remain neutral or regressive in most countries because of subsidies to middle- and high-income groups.
- Lack of competition in some key sectors

(e.g., telecommunications, energy, and finance) in some countries keeps access and quality low, and prices high, discouraging competitiveness and growth.

### A Patchwork of Strengths and Weaknesses

The region is comprised of highly heterogeneous countries. The differences among them exist in a number of areas including income per capita, access to capital markets, strength of institutions, and availability of technical capacity. Generally, the better-off countries have achieved investment grade and their main development goal is to achieve convergence with OECD countries. Meanwhile, more fragile states still need to lay the foundations for progress in these areas. Most other countries are in between.

Countries also differ in terms of the issues they need to address to tackle poverty and inequality. Haiti and Guyana have lower inequality but high overall poverty levels and are working to generate the growth and resources needed to reduce poverty. At the same time, Chile and Mexico, with high income per capita, are working to tackle high levels of inequality by improving equality of opportunity within their countries, including through effective and targeted programs to support the extreme poor.

Regardless of country differences, polls in the region show that the average LAC citizen

wants a good job and income, a safe and secure environment, access to education and public services, a voice in his and her future, and good governance. Their development priorities include economic growth, poverty reduction, improved education, reduced corruption and improved governance, and infrastructure development.

### **World Bank Support to Latin America and the Caribbean**

In response to these challenges, the World Bank Group strategy in the region focuses on

**Figure 1**  
**Quick Facts about Latin America and the Caribbean**

|  |                                       |
|--|---------------------------------------|
| Population                                     | 542.9 million                         |
| IGNI per capita (Atlas method) (current US\$)  | US\$450 (Haiti) to US\$7,310 (Mexico) |
| Population living on less than US\$1 a day     | 8.5 percent                           |
| Population living on less than US\$2 a day     | 20.6 percent                          |
| Share of income held by richest 10 percent (%) | 41.2                                  |
| Share of income held by poorest 10 percent (%) | 1.1                                   |
| School enrollment, secondary (% net)           | 67.5                                  |
| Gini index of income inequality                | 53.3                                  |
| Under 5 mortality rate                         | 31.4                                  |
| Starting a business (duration in days)         | 73.3                                  |
| Starting a business (cost as % of GNI)         | 48.1                                  |



achieving sustainable growth with equity to reduce poverty and inequality. Our support is based on two fundamental pillars: (a) support for higher competitiveness, employment and growth; and (b) support to institutions to enhance equity, inclusion, and sustainability.

**Four main themes underlie this strategy:**

- 1) Achieving high, sustainable growth and job creation by helping in areas such as improving the investment climate, reducing logistical costs, deepening financial systems, diversifying export structures, risk mitigation, addressing crime and violence, improving quality of education, and encouraging innovation.
- 2) Reducing Gini coefficients and improving equity of opportunity, thus achieving faster poverty reduction through support to areas

such as universal and affordable social protection, direct anti-poverty programs (CCTs), and improving access to education, health, public infrastructure and financial services.

- 3) Strengthening governance through assistance to strengthen institutions and then moving towards increased reliance on country systems, building inclusive institutions, achieving efficiency and targeting of public spending, improving accountability for service delivery, reducing corruption, and monitoring and evaluating results.

- 4) Supporting the region on global issues, particularly the climate change agenda, migration policies and remittances, trade negotiations, energy (including biofuels), the brown agenda, HIV/AIDS, and avian flu.

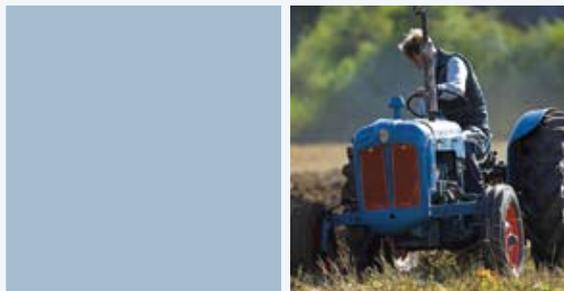
## How the World Bank Delivers its Support

Our vision for Latin America and the Caribbean is of a region that is an important global player, with less poverty and inequality, and higher and more stable growth.

- In the area of **growth and job creation**, we are supplementing lending with innovative financial products such as local currency financing in Colombia and Mexico, and just-in-time delivery of policy notes (i.e. Bolivia and Peru). The World Bank also produces analytical and advisory services ranging from contributions to policy debates through regional studies (e.g., on CAFTA and support for a conference on Equity and Competition in Mexico). In addition, there is a need to focus on the quality of education and the competitiveness of the labor force in middle-income countries.
- To reduce **inequality and poverty**, we are supporting conditional cash transfer programs in Argentina, Brazil, Chile, and Colombia; social protection analytical and advisory services (e.g., in Brazil) and work to support indigenous peoples and youth at risk; innovative programmatic and non-traditional approaches, such as the Recurso

education project in Peru, the Poverty Assessment in Panama, regional studies on early childhood interventions and access to finance, and work to create an Index of Equality of Opportunities for the LAC region.

- In terms of good governance, the World Bank Group is supporting programs to: increase transparency (Freedom of Information Law in Mexico); build capacity (independent justice administration system in Costa Rica); reinforce oversight (strong external control bodies in Brazil); improve tracking (competitive procurement systems in Mexico); and improve accountability for service delivery and develop output-based and performance-based investments (decentralized clinics and performance-based contracts in Honduras).
- On global issues, our activities include support for the climate change agenda; research on remittances and development, crime and violence, and the impact of growth in China and India on development in LAC; regional and country lending for HIV/AIDS programs; support to the energy agenda; and inter-agency coordination to prepare for a possible avian flu epidemic.



## **Conclusion**

The main challenge for Latin America and the Caribbean is to overcome the twin disappointments of low and volatile growth and persistent high inequality. The World Bank response to this challenge is to energize our partnership through knowledge leadership,

innovative lending, risk management services, and customized implementation support with the goal of meeting the hopes and dreams of Latin American and Caribbean peoples for a more equitable, inclusive and secure society.





# **Inter-American Institute for Cooperation on Agriculture**

By Dr. Chelston W.D. Braithwaite  
Director General, IICA



## Introduction

The Fifth Summit of the Americas, to be held in 2009, will mark the fifteenth anniversary of the Summits Process. Throughout this process, the Heads of State and Government have adopted a series of mandates and commitments whose fulfillment requires a determined effort to address and resolve situations in order to move towards the comprehensive development of the countries. The decisions adopted in the Summit Declarations and Plans of Action are still of great magnitude, scope and relevance.

The Summit of the Americas Process, with its mandates and commitments, has generated expectations and renewed hopes among the population for access to new opportunities for a better future. Therefore, this is the moment

to pause along the way and consider the need to define, as an objective of the Fifth Summit, ways to strengthen its relevance and credibility as the highest political forum of the Americas, so that its process of dialogue, consensus and commitment will have the necessary institutional support to guarantee the implementation of its agreements.

Although the countries of the hemisphere have progressed toward democratically elected governments, this does not guarantee their democratic governance. In fact, the feelings of disenchantment and indifference towards democracy have reached high levels, largely due to the fact that citizens' expectations, in terms of their well-being and development, remain unsatisfied. This frustration is even more palpable in the rural milieu given the historical imbalance between rural and urban areas with



regard to public services, employment, investment and income, among other factors.

For the above reasons, it is essential to revitalize the hemispheric process by focusing political will in two directions: (i) the effective implementation of the agreements adopted, which requires the building of an *institutional framework* to support it; and, (ii) establishing *few new challenges* capable of consolidating, in practical terms, the basic criteria for development, such as the economic and social inclusion of large sectors engaged in production and other aspects of the national life, urban-rural balance in countries' development, respect to human diversity and achieving well-being in harmony with nature.

In this context, and in preparation for the Fifth Summit, IICA wishes to share three

hemispheric challenges with the members of the Joint Summit Working Group (JSWG), including for each one its strategic vision and the institutional priorities that guide IICA's cooperation efforts in the countries to support the implementation of the Plans of Action of the Summits.

### **Challenge No. 1: Strengthening the Institutional Framework For the Implementation of the Commitments Adopted**

There is a gap between the hemispheric process and its agreements, and the national institutional framework for its implementation, follow-up and evaluation. For this reason, it is vital to continue building the institutional framework of the Summits process to support the implementation of its agreements. In preparation for the Fifth Summit and its

follow-up, it is essential to “reach countries” and convince public opinion that the Summit of the Americas Process is there to serve the population with concrete actions.

**Strategic vision to meet challenge No. 1: An institutional framework for the Summits Process that articulates national and hemispheric aspects**

The elements that complement the institutional framework of the Summits process are:

- Transition from “hemispheric ministerial meetings” to “ministerial processes”. Currently, several hemispheric meetings take place on a variety of topics relevant to the inter-American Agenda. A step forward with a dual purpose would be to ensure continuity between the meetings through a “ministerial process”, and also ensure their coordination with the Summit of the Americas Process, taking up its mandates, supporting their implementation and generating proposals for the Summit process.
- Establish a National Summit Implementation Review Group (National-SIRG) in each country, chaired by the National Summit Coordinator (NSC) and composed of a group of Ministerial Delegates. All coun-

tries have a Coordinator and, in the case of agriculture and rural life, two Ministerial Delegates (regular and alternate). The suggestion is that the hemispheric ministerial processes should also have ministerial delegates in order to give continuity and support to the Hemispheric Ministerial Meetings and, at the national level, coordinate with the NSC the dissemination, implementation and follow-up of the Summit mandates and the ministerial agreements.

- Establish a National Joint Summit Working Group (National-JSWG) in each country, chaired by the OAS Representative in the respective country and composed of representatives of international organizations operating in that country. Most partner institutions of the Summit of the Americas process have offices in the countries and regions of the hemisphere. However, formal coordination bodies exist only at the hemispheric level, such the meetings of the Joint Summit Working Group (JSWG). A step in that direction would be to establish a national expression of the JSWG with the Summit process’ partner institutions operating in the country, whose basic tasks would include:



- Supporting the dissemination of the Summits Process and of specific commitments to be addressed by the ministerial processes;
- Coordinating joint efforts in support of the Delegates and national strategies in the context of the agreements adopted by the countries at the Summits; and
- Supporting the National Summit Coordinator in the preparation of the National Report to the SIRG on the country's progress in fulfilling the Summit agreements.

### Priorities for IICA's strategic action

Since the Third Summit in 2001, IICA has been involved in all stages of the Summit process as an institutional partner. In that sense, IICA has supported countries in the building of a new

“institutional architecture” to facilitate the implementation of the Summit mandates on agriculture and rural life, and the corresponding ministerial agreements. This new institutional architecture, in turn, assures the continuity of the Ministerial Process “Agriculture and Rural life in the Americas” and its articulation with the Summits Process.

The key components of that “institutional architecture” are: (i) a *National Team* constituted by a Ministerial Delegate and an Alternate Delegate, to support the Minister of Agriculture in convening a national dialogue with the participation of various interest groups of the agricultural–rural complex, to disseminate the Summit mandates and ministerial agreements and to prepare a national proposal to give continuity to the Ministerial Process; (ii) a *Hemispheric Forum of Ministerial Delegates* (GRICA)

which, based on the synthesis of the national proposals prepared by the Secretariat, supports the hemispheric dialogue and negotiation and builds consensus on proposals for new ministerial agreements submitted to the Ministerial Meeting; (iii) a Secretariat of the Ministerial Process and of its Meetings of Delegates and Ministers, a role undertaken by IICA to provide technical support to the ministerial delegates and their ministerial process; (iv) a Hemispheric Ministerial Meeting in the context of the Summits Process, as the forum of Ministers of Agriculture that adopts the Hemispheric Ministerial Agreements and proposes new decisions required of the Heads of State and of Government; and, (v) the Regional Meetings of Ministers which, with IICA's support acting as its technical secretariat, define the regional strategy and coordinate its implementation; such is the case of the Central American Agricultural Council (CAC), the Caribbean Alliance for the Sustainable Development of Agriculture and the Rural Milieu, and the Southern Agricultural Council (CAS).

Responding to the new responsibility conferred upon it by the mandates of the Third Summit of the Americas, in 2002 IICA launched an institutional modernization process, which clearly defined its dual and complementary

role: (i) a new role as the Secretariat of the Ministerial Process and its Ministerial Meeting “Agriculture and Rural Life in the Americas”, within the context of the Summits Process; and (ii) a conventional but renewed role as the international cooperation organization aligned with the new institutional dynamics of the Americas, generated by the Summits Process to support countries in the implementation of their strategies in the context of the national commitments adopted at the Summits.

The Institute's new role in support of the Summits Process is formally institutionalized in the 2006-2010 Medium Term Plan as a priority for the strategic action called Repositioning agriculture and rural life and renewing its institutional framework. Based on this new role, the Institute defines its commitments and translates these into actions to support countries in meeting the challenge of strengthening the institutional framework for the implementation of the Summit mandates and the ministerial agreements.

### **Challenge No. 2. Reappraising the Rural Milieu as Part of the National Heritage and as an Essential Resource For Comprehensive Development**

Millions of inhabitants of the Americas live in the rural milieu and a significant proportion live



in conditions of poverty and inequality. Others struggle to keep their livelihoods, mainly linked to agriculture, while new waves of young and unemployed people in rural areas clamor for new job opportunities. The Summit Declarations and Plans of Action have recognized that these adverse conditions and the lack of development, particularly in the rural milieu, result in migration or the temptation to engage in illicit production, commercial and political activities.

Unless rural zones are sufficiently transformed to make them more attractive to the general population, and unless efforts are made to establish a “new urban-rural balance”, the migratory processes from the countryside to the city will turn these areas into time-bombs with incalculable impacts on the governance of countries.

### **Strategic vision to meet challenge No. 2: a renewed public-private partnership with a national commitment to the rural milieu**

A reappraisal of rural areas is only possible if this is based on a public-private political partnership and a new concept of the rural milieu and the actors involved in its development. With both these elements, it is possible to build an innovative partnership to negotiate and adopt national commitments to the countryside, embodied in a National Policy.

This National Policy may propose specific goals related to production, territorial cohesion, social cohesion and environmental sustainability. It should be based on a country-project that explicitly includes all the national territories and all their social strata, recognizing, enhancing and preserving their cultural and environmental diversity.

The territorial approach to the rural milieu requires to transcend the simple notion of a social space and a population group that evokes problems and requires special attention and resources from society. This is undoubtedly necessary and urgent. However, in modern societies with a multiplicity of national and international relations with different impacts, the rural milieu has enormous potential to contribute significantly to countries' comprehensive and sustainable development. According to this approach, in order to assess its real contribution to development, rural issues must be understood from a broader perspective that encompasses both rural territories with their social organizations, and also the value chains of rural production. It is also important to recognize the general context that conditions both elements and that has to do with the economic, social, environmental and institutional dimensions of development.

This renewed concept of the rural milieu, increasingly adopted by the actors of agriculture, also seems to offer a promising way to create a renewed partnership and a national commitment to the rural milieu.

Therefore, in preparation for the Fifth Summit, this challenge requires a comprehensive poli-

tical definition. Since the Third Summit, the Heads of State and Government have clearly recognized the importance of agriculture as a livelihood for millions of rural families in the hemisphere, as well as its role in the creation of prosperity, and as a strategic sector of the socio-economic system. Although it is true that this recognition is, and will continue to be, important up until 2009 and beyond, it is not sufficient to meet the challenge of sustainable development of the rural milieu.

For this reason, we suggest the inclusion of a specific chapter in the Plan of Action of the next Summit, focusing on specific proposals for the rural milieu. Its purpose would be to propose a comprehensive approach - and not exclusively agricultural- to the development of rural areas. This approach would encourage all relevant sectors of the rural economy to contribute more effectively to the sustainable development of the rural milieu and would promote the participation of public and private stakeholders in the rural territories, value added chains and the national context.

At the same time, the scenarios projected for the Americas will be dominated by the new economy, based on information and knowledge, integration and interconnection



in transnational networks. This requires international development organizations to assume commitments and make coordinated efforts that transcend the competencies and possibilities of a single organization. The scale of such an undertaking requires the definition of an interagency agenda to support national commitments to the rural milieu.

In synthesis, increased participation by rural areas in economic, social, cultural, environmental and political terms would result in greater well-being for the countryside and cities alike and, in general, would help strengthen democratic governance.

### **Priorities for IICA's strategic action**

Through the Ministerial Process begun in 2001, the Ministers, their Ministerial Delegates and IICA have gradually developed a

new and broader concept of agriculture and rural life and, based on this framework, are defining strategic actions for sustainable development.

To summarize, this way of conceiving agriculture and the rural milieu –i.e. as inseparable components of a whole - has replaced the reductionist view, which focuses on production and trade and the organization of these activities under the category of a sector. By contrast, the new approach promoted by IICA in its role as Secretariat of the Ministerial Process, is a systemic concept that defines three operational areas or arenas for action (spheres of rural life, value added chains and the national and international context) and an approach to sustainable development that includes four types of actions (production-trade, ecological-environmental, socio-cultural-human and

political-institutional) for each of those three arenas for action. This framework facilitates an understanding of agriculture and rural life as complex phenomena with a diversity of stakeholders and interests, which is fundamental for the definition of an effective National Policy.

The Institute's second role, the conventional cooperation role, aligned with the new institutional dynamics of the Americas generated since the Summits Process, is also institutionalized in the 2006-2010 Medium Term Plan. Based on the context outlined above, the Plan defines a set of five strategic priorities for IICA's Direct Technical Cooperation: rural development with a territorial approach; sustainable management of natural resources and the environment; technology and innovation in agriculture; animal health and food safety; and promoting trade and the competitiveness of agribusiness. Together, IICA's five technical cooperation priorities seek to promote the sustainable development of agriculture, the prosperity of rural communities and food security.

The framework defined by the ministers also provides a broad and favorable context to jointly address the spirit of Mandate 75 of the Declaration of Mar del Plata. IICA and

ECLAC have therefore adopted this same framework to develop the Information System for the Monitoring and Evaluation of the AGRO 2003-2015 Plan and the corresponding regional and national strategies and policies (Mandate 43 of the Plan of Action of the Fourth Summit of the Americas - Mar del Plata 2005).

### **Challenge No. 3. Building a Knowledge Base For Comprehensive Sustainable Development**

Most countries of the Americas lag behind in their scientific and technological development and lack sufficient capacity in research and innovation to make a qualitative leap towards the so-called knowledge society. This is essential in order to meet the present and future economic, environmental, social and institutional challenges.

In this regard, society's needs are many and growing. But in addition, there is widespread recognition that our natural resources are being degraded and that a high percentage of the population does not have the basic material necessities required to sustain a decent quality of life.

Two factors contribute to the scientific/technological gap. One is insufficient investment in



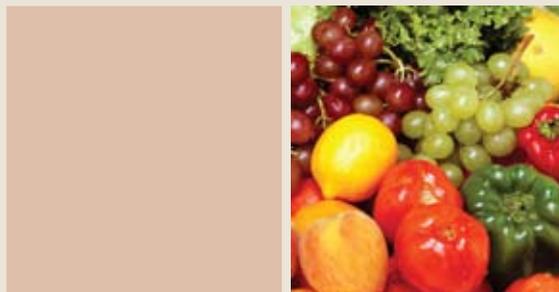
science and technology, compared with other regions of the world, in order to achieve the established goals, and the other is the lack of a broad, interdisciplinary approach to research, resulting in insufficient knowledge to meet the demands of comprehensive sustainable development.

**Strategic vision to meet challenge  
No. 3: Processes to generate scientific  
and technological knowledge and  
develop innovation capacities, guided  
by the criteria of competitiveness,  
equity, sustainability and democratic  
governance.**

To achieve the comprehensive development of the Americas in an accelerated and sustained manner under the criteria of competitiveness, sustainability and equity, as envisioned by the Heads of State and Government in the Sum-

mits Process, requires prompt and concerted action to generate a renewed knowledge base that is accessible to individuals and organizations.

The Americas are faced with an historic opportunity in the global race towards scientific and technological research and development. We therefore need to move on from our existing concerns over access to education and scientific and technological development, mentioned at previous Summits, to a more comprehensive approach to knowledge in the Americas of the 21<sup>st</sup> century. In that context, we should promote processes - at all levels - to facilitate the generation of a renewed knowledge base with the social and environmental responsibility required for comprehensive sustainable development.



The above points need to be prominently included in the next presidential agreements, something that calls for a renewed political will among the Heads of State and Government at the Fifth Summit of the Americas, and set forth in a chapter specifically referring to the generation of knowledge for comprehensive sustainable development.

Our interest in these challenges is to assure

them “pride of place” in route to the Fifth Summit. For this reason, we will not elaborate further on our specific vision; instead, we suggest a comprehensive assessment, in the context of the Summits process, of the advances described in the document *“Science, Technology, Engineering and Innovation for Development: a Vision for the Americas in the 21<sup>st</sup> Century”*, November 2005, prepared by the Organization of American States (OAS).







# **Andean Development Corporation**

Regional Challenges:  
A CAF Perspective

By L. Enrique Garcia  
President, CAF



Latin America continues to maintain very positive economic performance in a stable macroeconomic environment and a very favorable international climate. However, other developing economies are growing at higher rates for more prolonged periods and with less volatility.

The region must solve the significant microeconomic weaknesses related to declines in its competitiveness indices, low savings and investment levels, poor-quality infrastructure, a difficult business climate and shallow financial systems.

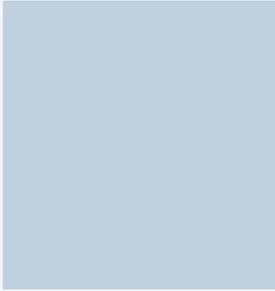
In the social arena, the situation is of even greater concern. Although poverty has been reduced and there is better access to basic services, inequity as well as growing internal gaps in the development of countries are among the region's major challenges.

### Toward a Comprehensive Development Agenda

The Comprehensive Development Agenda promoted by the CAF aims to achieve high, sustained and quality growth in Latin America: high in order to correct the development gap compared to high-income countries and compensate for population growth; sustained to prevent growth from being erratic and volatile as in recent decades and to ensure the continui-

#### Comprehensive Development Agenda





ty of economic progress and social well-being; environmentally and socially sustainable in order to ensure the inter-generational viability of natural resources, respect cultural diversity and support democratic governance in the region; and based on quality, which means that growth must be inclusive and asymmetrically favor the greater percentage of the population so as to benefit the less advantaged sectors and reduce inequity and poverty in the region.

To achieve these objectives, growth must be based on preserving achievements made in macroeconomic stability, in improved microeconomic efficiency, and decisive prioritization of agendas that foster greater social equity and inclusion, and reduced poverty.

In addition, in order to achieve sustained economic growth, that growth must be increasin-

gly less dependent on changing conditions in the international economic environment than it currently is for Latin America in general, and must rather be based on a transformation of Latin American economies that improves productivity and adds value to national comparative advantages. Improved productivity also requires increasing investment in all forms of capital: human, social, natural, physical, productive, and financial, as the only way to increase productivity is through greater availability and quality of the various types of capital. This in turn increases competitiveness and allows for more effective inclusion in international markets and greater quality.

It is here that the many regional and international integration and inclusion processes underway in Latin America become particularly important and have implications relevant to

the Corporation. In effect, the CAF has in many ways been in the vanguard of several of these processes; an example of this is the leadership role the Corporation has played in development of the IIRSA Initiative [Initiative for the Integration of Regional Infrastructure in South America].

Starting in the early 1990s, the CAF anticipated broader South American and Latin American integration processes by substantially expanding its total shares to the point that most Latin American countries are now shareholders of the Corporation, allowing it to play an increasingly more active integrationist role in the region. More recently, following up on suggestions emerging from the summits of Latin American presidents, the Agreement Establishing the CAF was amended to allow the incorporation of other Latin American countries that meet the requirements as full members of the Corporation, i.e., members on equal footing with the founding members.

In its integrationist role, the CAF has helped to build consensus among the economic, political and social actors in the region, proposing some of the principal strategic objectives relating to the definition of a Comprehensive Development Agenda.

## **1. Promoting macroeconomic sustainability in the member countries.**

- Fostering the strength of financial systems and capital markets.
- Helping to deepen financial markets.
- Supporting improvements in the efficiency and quality of fiscal spending and tax systems.
- Promoting the institutional strengthening needed to support macroeconomic sustainability.
- Promoting national consensus on the introduction of the *Comprehensive Development Agenda*.

## **2. Promoting economic development by increasing public and private investment and productivity.**

- Promoting the development of physical capital, particularly in transportation, energy and telecommunications.
- Promoting the development of productive capital and human capital associated with production, or labor capital.
- Promoting and prioritizing the development of SMEs and their inclusion in the production chains for domestic consumption and export.



### 3. Supporting the integration of the region's countries and their inclusion in global markets.

- Supporting the processes of economic integration at all levels: bilateral, regional and multilateral.
- Supporting the sustainable development of the physical structure of integration and related logistical processes.
- Promoting the development of production “clusters” and chains to add value to the region’s comparative advantages and boost the competitive inclusion of its industries in global markets.
- Facilitating the productive transformation of the region.
- Supporting other aspects of integration such as border-related, cultural, social, environmental and other issues.

### 4. Promoting equitable human and social development based on solidarity

- Supporting the development of better services in education, health, water and sanitation, in both urban and rural areas.
- Supporting the strengthening of government institutions (administration and control system) in order to improve the efficiency (quality and coverage) of social investment.
- Contributing to achieving consensus on public policies relating to social issues such as spending quality, income distribution, social inclusion, etc.
- Promoting the development of microenterprises and other sectors with limited access to capital.



### **5. Promoting the conservation and sustainable use of ecosystems and natural resources**

- Supporting and promoting environmental conservation, restoration and cleanup projects.
  - Promoting the development of environmental goods and services markets.
- Strengthening and improving the level and quality of investment in the environmental sector, as well as strengthening sectoral institutions.
  - Promoting environmental and social commitment and responsibility in the countries.







# **Central American Bank for Economic Integration**

By Harry E. Brautigam  
President, CABEI



## Poverty

Poverty continues to affect nearly all countries in the region. Some countries have achieved significant reductions, others have experienced a modest decline, and still others have seen poverty worsen after macroeconomic

crises. In most cases economic growth has been moderate and has not had a significant impact. Social policies have not been sufficient to eliminate poverty. By 2009, many countries will still have significant levels of poverty and even extreme poverty.

## Poverty Indicators

| Country     | Per Capita GDP  | Inflation Rate | (2006) Percentage below the Poverty Line |
|-------------|-----------------|----------------|--|
| Guatemala   | \$4,155 (2006)  | 5.8            | 56.2%                                    |
| El Salvador | \$4,518 (2005)  | 4.9            | 53%                                      |
| Honduras    | \$1,089 (2005)  | 5.3            | 64.2%                                    |
| Nicaragua   | \$754 (2005)    | 9.4            | 68%                                      |
| Costa Rica  | \$10,434 (2006) | 9.4            | 20%                                      |

Source: RUTA, USAID, AméricaEconómica.com Line



### Inequality

Even in those cases where it has been possible to reduce poverty (e.g., Chile) there are still significant levels of inequality. While governments have social tools—targeted policies—to combat poverty, it is still not clear that they

have important components for reducing inequality. Countries sometimes propose excessively radical initiatives that only end up limiting opportunities for growth and affecting inequality only temporarily.

### Indicators of Inequality

| Indicator                                    | Costa Rica | El Salvador | Guatemala | Honduras  | Nicaragua | Región   |
|--|------------|-------------|-----------|-----------|-----------|----------|
| Social development in 2000                   | 0.82       | 0.706       | 0.631     | 0.638     | 0.635     | 0.67     |
| Rank among 173 countries                     | 43         | 104         | 120       | 116       | 118       | 112      |
| 1990 to 2000 trend                           | Improved   | Improved    | Improved  | Improved  | Improved  | Improved |
| Total income inequality around the year 1999 |            |             |           |           |           |          |
| Gini coefficient                             | 0.47       | 0.52        | 0.58      | 0.56      | 0.58      |          |
| 1990 to 1999 trend                           | Increased  | Increased   | Unchanged | Decreased | Unchanged |          |

Source: IDB

### Economic growth

Economic performance in Latin America has been significantly below that of the Asian countries. At current growth rates and given that many countries in the region—in Central

America and some in South America—have a population growth rate that is still high, the result is modest increases in the growth of per capita income.

### Indicator of Economic Growth

|                                    | 1990-94 | 1995-99 | 2000-04 | 2005 | 2006 | 2007* |
|------------------------------------|---------|---------|---------|------|------|-------|
| Central America                    | 3.7     | 4.3     | 3       | 3.7  | 3.8  | 3.8   |
| El Salvador                        | 5.9     | 3.9     | 2.1     | 2.8  | 3.5  | 3.4   |
| Costa Rica                         | 5.2     | 5.4     | 3.2     | 4.1  | 3.7  | 3.5   |
| Guatemala                          | 3.9     | 4.2     | 2.6     | 3.2  | 4.0  | 4.0   |
| Honduras                           | 2.7     | 2.7     | 3.9     | 4.2  | 4.0  | 4.0   |
| Nicaragua                          | 0.6     | 5.4     | 3.0     | 4.0  | 4.0  | 4.0   |
| Latin America<br>and the Caribbean | 2.9     | 2.5     | 2.2     | 4.5  | 4.6  | 4.3   |

\*Projected. Source: ECLAC

### Environmental vulnerability

Many countries in the region—particularly in Central America—are highly subject to many environmental and seismic disasters. On the one hand, there are phenomena like *El Niño* and *La Niña*, on the other, there are hurricanes in the Caribbean. As if this were not enough, there is also an excessive tendency toward seismic movements and earthquakes. Environmental degradation continues in most Latin

American countries, exacerbating the pressure on ecological systems that are already very fragile in and of themselves.

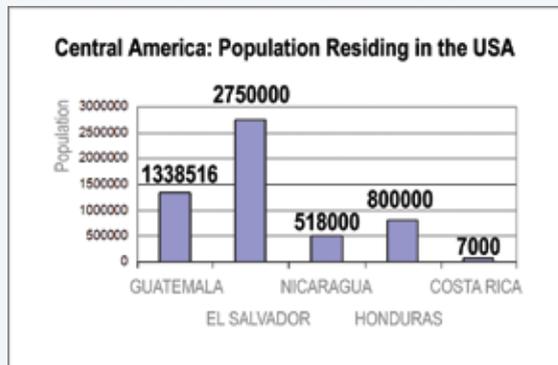
### Migration

Latin America is an area where the labor force is being pushed toward the U.S. and Europe. Migratory flows have occurred throughout nearly the entire twentieth century and are not expected to diminish in upcoming decades. Migration is



an obvious outgrowth of the precarious labor market and the salary gap in comparison with North America.

### Indicators of Migración

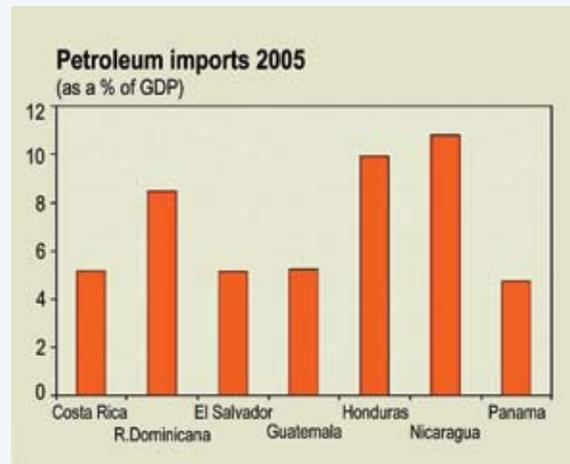


Source: Central American Population Center

### Dependence on oil

Although there are countries with a high level of oil production, particularly in South America, there are other countries that are highly

dependent on imported fuel. In this sense, international swings in international oil prices will continue to produce uneven results among the countries. While some countries are glad to see oil prices rise, others are harmed by price increases.



Source: National authorities and IMF estimates

## Violence

Latin America is one of the most violent regions in the world. The belief was that an era of peace might arrive with the end of the ideologically-based armed conflicts that

ravaged some countries. The result, however, has been increasing violence that, when mixed with gangs and drug-trafficking, threatens to produce deep social fissures and further erode the credibility of government institutions.

### Indicators of Violence

| Classified Offenses: Homicides |                            |             |          |            |           |        |
|--------------------------------|----------------------------|-------------|----------|------------|-----------|--------|
| Years                          | Central American Countries |             |          |            |           |        |
|                                | Guatemala                  | El Salvador | Honduras | Costa Rica | Nicaragua | Panama |
| 2002                           | 3631                       | 1808        | 3629     | 251        | 554       | 347    |
| 2003                           | 4237                       | 1988        | 2224     | 292        | 652       | 324    |
| 2004                           | 4025                       | 2493        | 1693     | 214        | 663       | 285    |
| Total                          | 11893                      | 6289        | 7546     | 757        | 1869      | 956    |

Source: Guatemalan Ministry of the Interior

### Institutional priorities of CABEI

To confront these regional challenges, CABEI is implementing its 2004-2009 Regional Strategy, which has defined three principal themes for action by the Bank: (i.) Combating Poverty; (ii.) Regional Integration; and (iii.) the Compe-

titive Insertion of Central American countries in the global economy (Globalization). A series of objectives with their respective target areas were identified for each of the principal themes.

## CABEI - 2004-2009 STRATEGIC OBJECTIVES

| Combating Poverty  | Integration  | Globalization   |
|--|--|---|
| <p>1 Generate opportunities leading to the creation of formal employment.</p> <p>2 Facilitate access to credit, promoting the Bank's leadership in the microfinance sector.</p> <p>3 Support countries in developing sustainable solutions to meet basic needs in the areas of health, education and housing.</p> <p>4 Help to strengthen civil services, particularly in local government, with programs that foster their economic autonomy and management capability.</p> <p>5 Encourage the transfer of experience and knowledge between the Bank's member countries and the world</p> | <p>1 Promote and strengthen the region's financial markets.</p> <p>2 Encourage the standardization of regulatory frameworks and the adoption of practical improvements at the regional level, and promote legal security of integration.</p> <p>3 Promote the process of regional economic, commercial and knowledge integration, in harmony with the environment.</p> <p>4 Promote optimal improvement in the management, conservation and use of the region's natural resources.</p> | <p>1 Help to improve the region's business climate to promote direct foreign and domestic investment, seeking environmentally-friendly investment.</p> <p>2 Promote the region's competitiveness for its proper insertion in the international market, in harmony with the environment.</p> <p>3 Play a key role in supporting countries in the negotiation, ratification, implementation and sustainability of economic liberalization agreements.</p> <p>4 Help to mitigate the unfavorable effects that globalization may produce.</p> |





# **Caribbean Development Bank**

Hemispheric Challenges up to 2009  
A CDB Perspective

Introduction by Compton Bourne  
PhD, OE  
President, CDB



The Caribbean Development Bank (CDB) welcomes the opportunity to contribute to the work of the Organization of American States (OAS) Summit Process. As a member of the Joint Summit Working Group, we are acutely aware of the importance of the contributions by the Summit of the Americas towards the development of the Caribbean region. The next Summit of the Americas will be held in one of our Caribbean countries, Trinidad & Tobago, and CDB is delighted to be associated with the Summit process, especially given the importance of the Fifth Summit in demonstrating Caribbean leadership in the hemispheric development agenda.

CDB as a small regional development bank works very closely with many development partners and there is a constant need to coordinate donor efforts to avoid any duplication and to strengthen synergies within the region.

I hope that CDB's contribution to this publication can facilitate dialogue among key actors in identifying and building consensus on the priority thematic areas to be addressed by the next Summit of the Americas.

**Compton Bourne**

PhD, OE

President, Caribbean Development Bank



### Perspective

From the Caribbean Development Bank (CDB) perspective, the most significant challenges facing the Caribbean Region (thereafter referred to as the Region) and by extension the Hemisphere between now and 2009 are detailed below:

### Economic Vulnerability

Given that the Caribbean Region is comprised of predominantly small states, reducing vulnerability is critical. Economic vulnerability is defined as susceptibility to adverse external shock that puts a country's development performance at risk due to forces largely beyond its

control, and is a combination of three factors: the *incidence* and *intensity* of risk and threat, and *resilience*, or the ability to withstand risks and threats and “bounce back” from external economic and environmental threats. Two important studies of vulnerability have been undertaken by the Commonwealth Secretariat and the CDB.<sup>1</sup> Although differing in methodology, the results are similar. Both concluded that small states were particularly vulnerable to external economic forces and environmental hazards, and both ranked Caribbean states as among the most highly vulnerable. Of particular concern is the issue of transition to the changing global trade regime where the new trading environment has produced changes in the regulation of the market for bananas,

<sup>1</sup> See Atkins, Mazzi and Easter, A Commonwealth Vulnerability Index for Developing Countries: The Position of Small States, Commonwealth Secretariat, January 2000; and Tom Crowards, An Index of Economic Vulnerability for Developing Countries, Caribbean Development Bank, Economics and Programming Department, February 2000.

because the former regulation was considered incompatible with World Trade Organisation (WTO) rules. The erosion of preferences will have a pervasive effect on Dominica, St. Vincent and St. Lucia, disproportionately affecting the poor.

### **Economic Diversification**

Economic diversification is viewed as one of the primary avenues through which sustainable economic development can occur, and as such is one of the main objectives of regional economies. Within the Caribbean, the need for diversification takes on greater importance given the vulnerability of the Region to economic shocks due to its small size and narrow production base. These economies typically depend on one or two sectors for real income, employment and foreign exchange, and as such, are susceptible to sector-specific shocks. Many countries rely on tourism for the primary source of income, and within the sector, arrivals from the United States of America or the United Kingdom account for a significant portion. Consequently, CDB's Borrowing Member Countries (BMCs) dependent on these markets are susceptible to downturns in their economies.

The financial services sector, which contributed significantly to real output and high standard of living in several BMCs, has been challenged by developed countries seeking to mitigate against what they deem to be “harmful tax practices” and more recently, to curb the incidence of terrorist financing. Agriculture, the mainstay of some Caribbean economies, has also come under pressure with the move to liberalise markets under the auspices of the WTO, Free Trade Area of the Americas (FTAA) and erosion of preferential market access to the European Union. Additionally, CDB's BMCs are located within the hurricane belt and are often subjected to adverse weather conditions, which cause severe damage to crops, hotel plant and infrastructure.

Recognising the importance of reducing vulnerability, countries have tried in varying degrees to diversify their economies. Those countries heavily dependent on tourism and financial services are actively encouraging the development of areas such as e-commerce, and agriculture. Other countries which are more reliant on agricultural production have sought to diversify into the services sector, while some are focussing on diversifying within the agriculture sector, seeking to develop non-traditional goods and food security. In



addition to the diversification effort to strengthen economies, countries are also trying to improve competitiveness, which is important in the Caribbean, given relatively high wage and non-wage costs. This thrust to reduce unit costs and increase productivity is particularly evident in agriculturally-based economies which in future will have to compete without the aid of preferences. To this end, restructuring of the process of production to increase efficiency is being pursued, along with the use of profitability targets, stronger wage control and improvements in irrigation.

Countries are also improving the viability of regional tourism, as some of the Region's economies are considered to be mature destinations. Consequently, expansion in hotel plant and the upgrading of tourist attractions are taking place and incentives being offered to

invest in the sector. The financial services sector is also receiving attention, benefiting from improvements in the regulatory and legislative framework not only to ensure the integrity of jurisdictions, but also to encourage the development of higher value-added industries such as mutual funds and captive insurance.

While regional governments have indicated their intentions to diversify the economies over the medium term, and some measures have been implemented, in the near-term current production activities are likely to continue. Greater emphasis will need to be on lowering unit costs and realising productivity gains to remain competitive in the marketplace. In those service-based economies (which also tend to be higher cost jurisdictions), ensuring that tourist/investors receive value-for-money will be critical. All countries, however, regardless

of the distribution of the production base will constantly need to re-evaluate their position in the marketplace given the changing nature of the global economy, to ensure that competitive advantage is not lost.

### **Natural Hazard Vulnerability**

The Region's susceptibility to natural hazards has also been highlighted over the past decade, with significant damage coming from earthquakes, hurricanes and volcanic activity. Hurricanes and volcanic eruptions have been particular sources of difficulty. While the Region's development partners have been unfailing sources of considerable post-disaster assistance and support, and while the support response from within the Region, and from within affected countries, has been commendable, the extent of the damage and destruction has refocused the Region on the need for substantially enhanced disaster risk reduction and disaster risk management effort.

The cost of disasters to the Region has been substantial in terms of loss of life, injury to persons, and damage to assets and productive capacity, the latter resulting in loss of jobs and incomes. Damage to assets and productive capacity has resulted in higher insurance premia and in a lowering of the productivity of inves-

ment, and has been responsible for reversing the gain of the poverty alleviation effort..

Quite apart from the ongoing strengthening of disaster response capabilities in individual countries, and the provision of greater resources to the Caribbean Disaster Emergency Response Agency and an expansion in the outreach efforts of that agency, a number of initiatives are currently being developed for consideration and possible implementation. Among them:

- assessment of the feasibility of the issuance of catastrophe bonds, and for insurance for the maintenance of debt service payments following a disaster event;
- updating of building codes and standards, the passage of appropriate legislation, arrangements to facilitate the strengthening of structures and retrofitting of storm protection devices, and arrangements for the enforcement of building codes and standards;
- environment and hazard mapping and appropriate arrangements for land-use zoning and zoning enforcement; and



- mainstreaming of disaster risk reduction and disaster risk management in public sector economic and fiscal planning, in private sector business operations, and the development of an appropriate instruction programme for use in schools.

While much of the focus remains on natural hazard events, environmental issues broadly defined have become increasingly important, since a considerable part of the damage resulting from natural hazards have come as a consequence of their interaction with human settlements and with the effects of resource utilisation by persons.

### Poverty Reduction

Poverty studies within the sub-region confirm the changing multifaceted nature of poverty which presents its own peculiarities and special

characteristics. These characteristics include the unacceptably high levels of relative and absolute poverty, with broad segments of society (particularly those living just above the poverty line) at risk of slipping into poverty. Compounding this is the extreme vulnerability of many Caribbean economies caused by exposure to frequent natural hazard events and economic shocks which impact greatest on the poor.

While many of the causes of poverty in the sub-region have existed for some time, there are new forces and factors that contribute to the complexities and persistence of various forms of poverty, thereby increasing vulnerability in the Region. These include:

- (a) growing economic disparities within countries and communities;

(b) the reduced capacity of the State to satisfy the aspirations of citizens;

(c) changes in personal consumption patterns;

(d) the emergence of new health issues, especially the HIV/AIDS pandemic;

(e) the growing importance of personal and community security and safety issues;

(f) the impacts of environmental degradation and environmental uncertainty on livelihoods; and

(g) the weakening of traditional institutions, in particular the extended family, and its impacts on the most vulnerable including single-parent households, the elderly, the physically and mentally challenged.

Poverty within the Region has also been impacted by historical factors, and while there has been progress in all areas of social development, the phenomenon has taken new forms and dimensions, particularly with respect to:

(a) the growth in urban poverty, which is often associated with migration from rural areas, fuels increased crime, and intensifies

feelings of economic insecurity and conduces to negative environmental impacts;

(b) new forms of rural poverty, especially in countries affected by new and adverse global market arrangements relating to traditional export crops;

(c) the socioeconomic impact of HIV/AIDS, particularly in respect to persons in the 20-34 age cohort;

(d) the ageing of populations, accompanied by inadequate social protection networks; and

(e) new forms of international migration, including movements of political and economic refugees.

It is becoming increasingly clear that the issues of poverty have become more nuanced, therefore in the context of rapid social and economic changes at global, hemispheric and local levels, there continues to be the need to apply appropriate scientific methodologies to collect and analyse data which expands understanding and explanation of the shifts. It is imperative that the data derived be used systematically by stakeholders including government authorities in decision making at both



the policy and planning levels. Although there is some evidence of this, collective experiences across the Region have shown that much more work needs to be done to support the process of evidence-based policy formulation and decision making. It is in this area of development assistance that CDB provided and will continue to provide significant support to BMC's to assess poverty and its multiple dimensions. Support has also been given through other initiatives like poverty reduction policies and strategies to strengthen the countries' capability to integrate poverty reduction concerns in their national development programmes.

### **Fiscal Sustainability**

The challenge for regional governments is to improve their debt dynamics to the extent that they can do so. The main focus has to be on

maximising primary balances. In this regard, there must be an ongoing focus on improving revenue systems to maximise revenue intake; and improving budget management to ensure that expenditures are efficient. These actions would also facilitate improved growth rates, and thus create favourable debt dynamics.

Additionally, debt management systems need to be enhanced in order to minimise debt cost and manage debt burdens. Antigua and Barbuda, Dominica, Grenada and Guyana have all benefited from debt restructuring of some form that have altered their debt dynamics, while Belize is in the process of negotiating a debt restructuring with its external commercial creditors.

Against the backdrop of lacklustre real sector performance and poor export sector activity

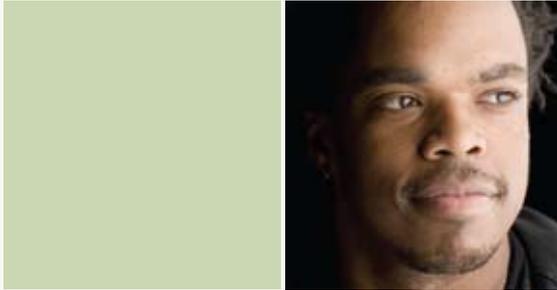
on account of unfavourable terms of trade developments, Caribbean Governments have struggled to maintain per capita income growth in recent years. Moreover, the onset of rapid and fundamental changes in the 'rules of the game' through the loss of preferences, high oil prices, the impact of natural disasters, countercyclical fiscal policy and fiscal decisions that went awry, have served to expose the fragility and inherent vulnerability of most Caribbean economies. As a result, there has been increasing concern about, and focus on, the fiscal performance and level of indebtedness of the Region's governments consequent upon the pursuit of debt restructuring in Dominica, Grenada and Belize in recent times. Added to this, Guyana is, and soon Haiti will be, receiving major debt forgiveness under the Highly Indebted Poor Countries (HIPC) Initiative. For developing countries, the use of external savings is critical for development. However, these resources must be used efficiently, so that capacity is built and utilised, resulting in income and export growth that facilitates the service of these liabilities. The efficient use of borrowed resources by government is a fundamental part of this requirement in

developing countries where the state plays a vital role in the economy. Efficient resource use will manifest itself in a manageable debt burden. However, debt stocks and debt burdens have risen to fairly high levels in the region, reflecting inefficient resource use, but also poor debt management and the impact of a series of shocks. High levels of debt can impair growth by discouraging investment by creating uncertainty or the expectation that adjustment measures are inevitable, so that returns will be eroded by such measures.

Against the background of increasing focus on fiscal performance and debt levels, the fiscal performances of BMCs were mixed when compared with generally accepted standards<sup>2</sup>, but most countries improved in 2006. Nine BMCs are hosting some aspect of Cricket World Cup, and expenditure related to this event influenced fiscal performance significantly in these countries. However, rising concern about debt levels, and the implementation of adjustment programs – whether formal IMF programs or not – have resulted in an increasing emphasis on improving fiscal performance. At the end of 2006, all but two

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2. The standards referred to here are the following: a current account balance equal to or greater than 4% of GDP; an overall balance equal to or greater than minus 3% of GDP; and a debt-to-GDP ratio equal to or less than 60%.



BMCs had lower debt-to-GDP ratios when compared with 2005. While this reflected the improved fiscal performances, it was also a reflection of the high rates of GDP growth.

### **Governance**

Good governance needs to be embraced at all levels of society. Governance is defined as “The processes by which power and authority are shared and exercised in society, and influence exerted over policies and decisions concerning human development and well-being.”

Good governance is governance which emphasises the equitable, efficient and responsible management of public and corporate resources for the benefit of all stakeholders. It is characterised by structures, systems and processes which:

- (a) include all stakeholders and encourage their participation;
- (b) are responsive and transparent to all and facilitate the free flow of information;
- (c) hold individuals and institutions accountable; and
- (d) are guided by well-understood rules that are justly enforced.

Research has shown that there is a mutually reinforcing relationship between good governance, strong economies and positive social outcomes. Good governance promotes stronger commitment to common goals and enhances the prospects for success in achieving national objectives such as increases in investment and incomes, decreases in crime

and poverty, and improvements in social indicators such as literacy and infant mortality; the things that matter most to the poor and vulnerable groups in society. It can contribute substantially to the realisation of the improved living standards and high quality of life to which all aspire. By contrast, the absence of good governance can hinder people from maximising the benefits of their creative talents and realising their true potential.

Good governance is also a requisite for the creation of an enabling environment in which Caribbean countries can make the transition to competitive social and economic structures that allow the private sector to develop and flourish, thereby increasing overall national wealth. Among CDB's BMCs, good governance plays a third and equally significant role: it promotes and contributes to regional integration, which is extremely important in the current global and hemispheric context as it is the main regional strategy for achieving the necessary repositioning of the Caribbean in the global economy. Deepening the regional integration movement through the implementation of Caribbean Community (CARICOM) Single Market and Economy (CSME) is now one of the more urgent development priorities for the Region. Thus, from the perspective of

CDB, there is a conceptual nexus between good governance, socio-economic restructuring and transition to private sector-led development, poverty reduction and strategic global repositioning.

### **The Environment**

Given the delicate environment of small island states increasing attention must be paid to protecting environmental assets. Increasing attention must be paid to protecting the earth's finite resources. Increasing economic activity in the Region has resulted in growing pressures on the environment, particularly in those economies dependent on tourism that place emphasis on attractive beaches and marine life. This has led in some instances to coastal degradation, compounded by inadequate sewerage disposal systems. Countries have, however, implemented some measures aimed conserving and enhancing the environment, but this is an area that still requires greater assistance to ensure that further economic development is sustainable.

### **HIV/AIDS and Non-Communicable Diseases**

With changing lifestyles the issues surrounding health and wellness need to be highlighted.



Coping with the pandemic HIV/AIDS, and reducing the high incidence of non-communicable diseases including diabetes, obesity hypertension and heart disease all have to be addressed. Indeed it has been estimated that non-communicable diseases account for over 35,000 deaths per year in the region. Moreover the cost of managing diabetes in Barbados and Jamaica alone accounts for between US\$300 million – US\$400 million, while the incidence of obesity ranged from 40 to 75 per cent in the Caribbean. With regards to HIV/AIDS the high mortality rate of persons in the 15 to 35 age cohort is particularly worrying as these are the most productive persons in the work force. Nevertheless, given the increasing importance of non-communicable diseases, it has been suggested that the Region will need to place as much emphasis on non-communicable diseases as it has on HIV and AIDS, to maintain a healthy work force.

### Human Resource Development

Emphasis must be on both the quantity of education as well as quality of it to the citizenry. It must be appropriate and geared to the times i.e. use of information technology and means that can stimulate original thought and innovation. Development of the Region's work force is viewed as a critical component to the sustainable development of economies, particularly in a more competitive global environment. In some instances the growth in high value-added services has raised the demand for technical and professional staff which local labour has been unable to provide; the result of which has been an increase in expatriate staff. Activities within the Region have focussed on attaining universal primary and secondary education with equitable and efficient access to technical/vocational training and tertiary level

education. Access to primary and secondary education is universal in most regional economies. However, for some universal access to secondary and post-secondary education represents a developmental challenge – a situation which is compounded by inadequate teacher training. Efforts to improve educational access have also focussed on improving the quality of teacher training, improving access to educational services, upgrading educational facilities, increasing the use of computer technology as an aid in teaching, and reducing the teacher-student ratio.

The CDB, has, outlined several areas that will need to be addressed over the medium term. These are: (a) early childhood development (b) secondary education, (c) post-secondary/tertiary and TVET including youth and adults seeking alternative opportunities, and; (d) planning and management. CDB has suggested that these needs could be addressed under four broad headings: (i) further increasing and broadening access to reduce overcrowding, improve the learning environment and accommodate a large number of populations currently not being adequately served, (ii) improving efficiency and effectiveness by engaging in curriculum reform, improving testing and assessment systems and pedago-

gical reform, which would ensure that school leavers are more appropriately equipped for the workplace (iii) strengthening institutional capacity and (iv) enhancing technological capability to increase the number of persons that are skilled and competent in the use of computer technology.

### **Integration Issues**

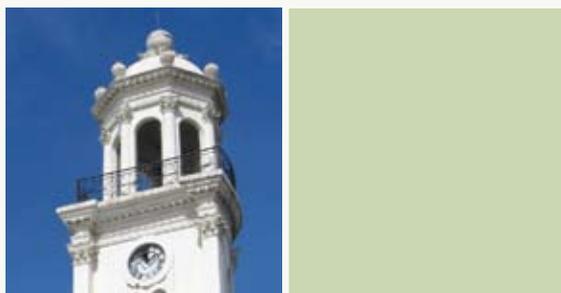
Effective participation in the global arena necessitates that the Region liberalises its markets. While there are benefits to be derived from these arrangements, in particular cost benefits to the consumer and efficiency gains, the Region's involvement has come at a price. The diminution of key export industries such as sugar and bananas has perhaps been the most substantial loss to date in terms of economic contribution, foreign exchange earning capacity and importantly, the social dislocation arising from retrenched labour – a situation which has been compounded by the absence of new investments in other growth sectors. In light of this experience and others, the Region has had to consider, more carefully the implications of further liberalisation and its involvement in trade negotiations. In this regard, certain issues were identified as critical to effective participation in a more liberalised



environment. These issues were raised in the context of the FTAA's Hemispheric Co-operation Programme, in which CDB has taken a key role with respect to trying to mobilise resources for CARICOM, but the issues are in fact applicable to all agreements. Among the more critical concerns, were *inter alia* the need assess the impact of negotiations on public finances, training in trade negotiations, institutional strengthening, assistance in co-ordinating trade-related regulations, strategic planning, greater consultation with civil society and the private sector, improving the publication and transparency of laws and regulations. These are just a few of the issues which BMCs need to address in order to operate in the new global environment.

Regional integration has been viewed as the principal way for the Region to take advan-

tage of an increasingly liberalised market is the deeper regional integration in the form of the CARICOM CSME, the single market component of which came on stream in 2006. The CSME as envisaged would enable countries to take advantage of a number of opportunities, such as the benefit of a larger market size, gains in economies of scale, as well as other administrative efficiencies to allow regional producers to attain a higher level of competitiveness and achieve greater product and production flexibility. However, differences in factor endowments and prices, levels of economic development, social, cultural and political norms, may give rise to sectors, countries or regions that may be disadvantaged in the transition to and/or the operation of the CSME. Additional concern arises because of the levelling effect the CSME is likely to have on development, with some



decision-makers fearing economies may stagnate or become depressed while others thrive. In part, for this reason<sup>3</sup>, the establishment of a Regional Development Fund was proposed. The maximisation of the benefits of the CSME and cohesion within the arrangement will not be assured if there are not efficient, clear, fair and objective strategies to manage transition and to ameliorate the disadvantage of economically weaker participants. Managing transition and seeking to ameliorate the disadvantage of economically weaker participants will most certainly require significant

financial resources. Generally strategies to deal with the effects of the transition and with the structural disadvantage of weaker economies (insofar far as the free market mechanism is either incapable of responding or may respond too slowly and where there may be potential adverse consequences for cohesion within the community) are preferable to strategies to slow or impede the mechanism. Thus the provision of technical and financial assistance as provided for under the treaty in the form of this Regional Development Fund will be critical to the cohesion within the CSME.

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3. Other justifications being natural disasters, temporary low levels of economic development or the designation of a country as a HIPC.







IOM International Organization for Migration  
OIM Organisation Internationale pour les Migrations  
OIM Organización Internacional para las Migraciones

# **International Organization for Migration**

Regional Challenges:  
Perspectives from the IOM

Introduction by Brunson McKinley  
Director General, IOM



“Migration is a common and necessary feature of life. It is universally acknowledged that migrants have contributed significantly to the development of societies. Migration is not only an integral and potentially beneficial feature of the modern world, but is a prime factor in growth, stability and prosperity.”

**Brunson McKinley**  
Director General, IOM



## Introduction

Migration is one of the oldest of human endeavours. As we move forward in the 21<sup>st</sup> century, this phenomenon is growing both in complexity and volume. In 2005, it was estimated that over 191 million persons (3% of the world's population) took part in the migration process worldwide, an increase of over 121 million over 45 years.<sup>1</sup> Growing global and regional mobility and economic integration, modern transport and communications systems, current demographic trends and large differentiation in income levels between the developed and developing world are among the key reasons for the increase in migration flows.

In Latin America and the Caribbean (LAC), migration is fuelled by growing disparities in the distribution of wealth in a region where disparities are already very wide and have been aggravated by globalization, restructuring of national economies and a succession of financial crises, since the mid 1990s. Wars and natural disasters have also generated overlays of migratory flows of a more or less temporary nature, predominantly cross-border movements or rural to urban and intercity movements within the same country.

In the Americas various combinations of these factors come together to create one of the most mobile populations in the world.

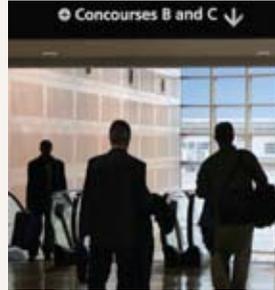
<sup>1</sup> UN Department of Economic and Social Affairs. Population Division, International Migration, 2006. See [http://www.un.org/esa/population/publications/2006Migration\\_Chart/Migration2006.pdf](http://www.un.org/esa/population/publications/2006Migration_Chart/Migration2006.pdf)

According to IOM's World Migration Report 2005, about 20 million nationals of Latin American and Caribbean states lived outside of their countries of origin, most of them in North America, while three million moved within the region. Over a five year period from 1995-2000, the net emigration rate for Latin America and the Caribbean was the highest of any region in the world, with a recorded loss of 1.5 migrants per 1,000 persons (International Migration, 2006).

Since the mid 1990s migrants from the Latin America and Caribbean region have flocked to the US and more recently to the European Union. Spain is the preferred destination of migrants from Ecuador, Colombia, Peru and the Dominican Republic. Brazilians go to Japan and Portugal, Peruvians and Argentinians to Italy and migrants from the Caribbean countries to the U.K., the U.S. and Canada. According to recent studies by the IADB (Inter-American Development Bank 2006), remittances from these migrants to their home countries have grown since 2000, reaching over US\$ 66 billion in 2006. This increase has made the LAC region the largest recipient of remittances, accounting for over 40% of the volume of remittances in the developing world.

The migration flows are often seen as a safety valve to unemployment and poverty in countries of origin, and as a source of remittances which can help reduce the poverty of recipients, supplement their income and provide them with funds that can be used for consumption, savings, or investment in areas relating to development (such as education, health and entrepreneurial activities). However, these remittances are sent at a high personal cost: isolation and family disintegration are some of the collateral effects of some migrants' experience. In addition, migrants are vulnerable to communicable diseases (HIV & AIDS, TB, and STDs), due to lack of access to health, more exposure to diseases during the migration process, and/or their engagement in risky behaviours. Legal and/or social discrimination due to prejudices and xenophobic exclusion are some of the commonalities that migrants endure in transit and destination countries in the Hemisphere. At the same time, reinforced border security measures have triggered the booming exploitation business that is smuggling and trafficking in persons.

Existing gaps between the supply and demand for labour are projected to increase in coming years, with aging and declining populations in much of the industrialised world, and growing



populations in much of the developing world. Wage and opportunity disparities between and within the developed and developing worlds are also expected to continue, and will provide a continuing impetus for mobility of labour (from South-North, South-South, East-West, etc.).

Finally, it should be recognized that migration creates a lot of opportunities for women (labour insertion, empowerment, changes in gender roles and relations, etc.), but also entails risks (rights' violations, harassment and physical violence).

### **Migration Dialogues and Processes in the Americas – Multilateral Cooperation**

There is a need to ensure that migration is integrated into development planning agendas at

national and international levels, for this would contribute to policy coherence. IOM believes that policy coherence is necessary to harness the benefits of migration for development and avoid the direct and indirect negative effects of potentially competing policy agendas, such as trade, labour, employment, health, security and social welfare. An aspect of this undertaking, which is too often neglected, is gender specific policies to provide targeted support to female migrants and their families, which will also contribute to achieving gender-specific development goals.

Currently, most government policies and strategic development frameworks, such as national Poverty Reduction Strategy Papers (PRSPs) and the global Millennium Development Goals, do not systematically integrate migration considerations. Some countries are

now taking concrete steps to do so. Like with environmental impact analyses, migration considerations need to be routinely factored into development planning.

Moving from consideration of “migration and development” to consideration of “migration in development”, requires effective dialogue and cooperative efforts among the many actors in the migration and development fields at national, regional and global levels. Multilateral dialogues and regional consultations are instrumental in bringing all the relevant actors together and improving understanding of the complex relationship between migration and development.

In 2006, the migration and development nexus became a focus of the world’s attention. The issue was first addressed during the Ibero-American Conference on Migration and Development in July with the aim of contributing to further cooperation among origin, transit and destination countries. In September 2006, the first ever high-level United Nations General Assembly debate on migration took place in New York at the High Level Dialogue on International Migration and Development (HLD).

At a side event, IOM launched the International Migration and Development Initiative (IMDI). IMDI is a framework for labour migration and development programmes and policy advice drawing on inter-agency, governmental and private sector collaboration. It aims to contribute to the efforts of the international community to find appropriate ways to maximize the development benefits of international labour migration and minimize its negative impacts,

One of the key outcomes of the HLD was the agreement to convene a Global Forum on Migration and Development. Its objective is to produce concrete deliverables, i.e. proposals for concrete action, workable models, pilot programmes, multi-stakeholder partnerships and coalitions. The first meeting of this Forum will be hosted by the Government of the Kingdom of Belgium and will take place in July 2007.

During the 2006 Regional Conference on Migration (RCM)<sup>2</sup> in San Salvador (May 2006), participating Governments acknowledged the positive contribution of migrants, and highlighted the importance of programmes

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<sup>2</sup> IOM provides technical advice and support to this process for the implementation of the plan of action.

For more information, please see <http://www.rcmvs.org>.

This year’s RCM took place in New Orleans in April 2007 and focused on cooperation strategies to fight trafficking in persons.



that link nationals abroad with their communities of origin, as well as the value of the signing of a Memorandum of Understanding (MoU) between the Governments of Mexico, El Salvador, Guatemala, Honduras, and Nicaragua for the Dignified, Orderly, Prompt and Safe Repatriation by Land of Central American Nationals. This agreement constitutes a best practice that complements the efforts of these governments to promote and protect the human rights of migrants. Finally, they reiterated their commitment to combating trafficking in persons and migrant smuggling, and encouraged cooperation, particularly in providing protection to victims of trafficking. To this effect, they emphasized the importance of having information campaigns on the risks and consequences associated with irregular migration.

<sup>3</sup> See <http://www.iom.int/unitedstates>.

Recently, the XVI Ibero-American Summit of Heads of State and Government (Montevideo, December 2006) recognized the South American Conference on Migration as a forum to strengthen intraregional dialogue and cooperation on migration issues, including human rights, and smuggling and trafficking in persons. The Declaration of Montevideo underlined the comprehensive approach of the Conference and its contribution to integrate several topics representing strategic areas for effective cooperation.

In the Caribbean, IOM organized several regional seminars<sup>3</sup> to foster dialogue. However, there is no formal consultative migration process, which was one of the recommendations of the above mentioned Ibero-American Conference on Migration and Development.

## Addressing the Migration Challenges in the Americas

In order to address the push factors of migration, there is a need for comprehensive development strategies that create employment and foster improvements in terms of governance. Migration trends and patterns could be better understood and tackled if structural development gaps, internal (inequalities and institutional weaknesses) as well as external (trade agreements and international finances) are addressed. In any case, migration (and the private or collective remittances that migrants send back home) cannot be seen as a substitute to development policy.

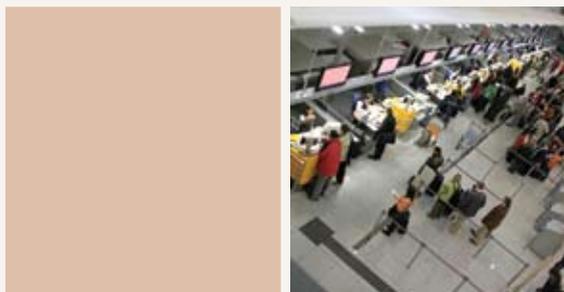
The migration policies of receiving countries are increasingly selective, and look for migrants with high qualifications to cover deficits in certain labour sectors. Longer-term phenomena such as increasing dependency rates due to the population aging and other economic and cultural factors increase the gap between the demand for skilled personnel in industrialized countries and the available supply locally.

A specific type of skills outflow presenting a particular challenge for LAC countries is the out-migration of health care professionals,

mainly medical doctors and nurses. The main countries of destination for migrant health care workers are the United Kingdom, the United States, Australia, Canada and other industrialized nations, and the main suppliers are the Philippines, India, LAC countries.

In 2004, there were 2,810 vacancies for nurses in the CARICOM countries. At the beginning of 2005, vacancy rates for nurses in the Caribbean rose by 35 per cent. Many nations are no longer in a position to improve or even sustain the quality of their health care services as a result of staff shortages. The costs for the country of origin include direct losses, such as training expenses, and indirect costs, such as the decrease of the quality of health services, and therefore the loss of productivity for the national economy. Governments can promote policies to take advantage of skilled migrants through circular migration, cooperation agreements to regulate the exchange, and measures to stimulate the return of skilled labour to their countries of origin.

Another important area to explore is the establishment of labour migration programmes to prevent irregular<sup>4</sup> migration and address the associated vulnerability issues. Statistics show that these programmes have a direct



impact and a high success rate among migrant workers, since such schemes provide a safe migration channel. A good example of that is Ecuador, where IOM is strengthening the capacity of the Government in managing labour migration to Spain.

Several conventions exist at the universal and regional levels on rights of migrants, but these instruments are spread across various branches of law (human rights, humanitarian law, migrant workers, and refugee law). This dispersion of norms contributes to the widespread belief that there are important gaps in the set of norms protecting migrants and/or regulating migration. Moreover, there is sometimes uncertainty about the exact content or intent

of these instruments and lack of knowledge as to the status of their ratification and implementation by States. A further related issue is the still insufficient dissemination of information about the rights and duties to be enjoyed or respected by all migrants and, at all levels in national administrations, of the international norms to be applied by migration officials. IOM believes that the Inter-American Program on the Promotion and Protection of Human Rights of Migrants, including Migrant workers and their Families could be a good vehicle for disseminating such information. Since there is already an International Convention on the Rights of Migrant Workers and their Families<sup>5</sup>, the Program is a practical approach to the issue that encompasses what all organizations do.

4 IOM promotes the term “irregular” as opposed to “illegal” in order to avoid the criminalization and stigmatization of migrants.

5 The 1990 Convention has been ratified by 34 States, all of them considered “sending” Status.

In addition, the Convention against Transnational Organized Crime, and its supplementing Protocols on Trafficking and Smuggling<sup>6</sup> have been ratified by a majority but not by all OAS Member States<sup>7</sup>. IOM can continue its support to Governments and other partners such as OAS or IDB to build capacities and raise awareness on these issues on the basis of a wide international expertise on areas like victim identification, interviewing techniques, children assistance, information campaigns, return and reintegration, etc., but also advising on legislation.

Given that migration flows in the Hemisphere are not only South-North, but also South-South, there is a real need for improving data and statistics in the migration field, particularly as migration relates to development. Sound data is the key to understanding the complex relationship between migration and development and, thus, to effective policy and programme development. It is also vital

to ensure that gender considerations are fully incorporated into migration and development processes.

Another issue which is increasingly raised in the context of mobility is public health. Migrants connect health environments. Therefore, increasingly mobile populations have significant public health implications making migrant health a critical element of migration policy, which needs to be integrated into migration management strategies for the benefit of individuals and societies alike. The physical, mental, and social well-being of the migrant is vital at each stage of the migration process, from the decision to move, the journey itself, reception in the new community, and possibly the eventual return.<sup>8</sup> In close cooperation with the United Nations and other international organizations, governments and other relevant partners, IOM can provide direct health assistance to migrants during all phases of the migration process.

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6 Protocol to Prevent, Suppress and Punish Trafficking in Persons, Especially Women and Children; and Protocol against the Smuggling of Migrants by Land, Sea, and Air.

7 For updated information: [http://www.unodc.org/unodc/crime\\_cicp\\_signatures\\_convention.html](http://www.unodc.org/unodc/crime_cicp_signatures_convention.html)

8 International Dialogue on Migration, Health and Migration: Bridging the Gap, No. 6, IOM, WHO and CDC, 2004, < [http://www.iom.int/DOCUMENTS/PUBLICATION/RedBook6\\_ebook.pdf](http://www.iom.int/DOCUMENTS/PUBLICATION/RedBook6_ebook.pdf)>



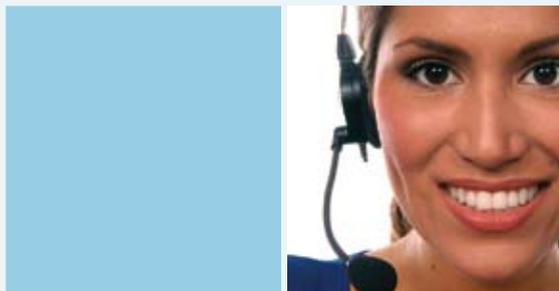




# **International Labour Organization**

The Decade for Promoting Decent Work  
in Latin America and the Caribbean

By Juan Somavia  
Director General, ILO



In May 2006 in Brasilia, a few months after the Fourth Summit of the Americas, the tripartite representatives (governments, employers' organizations, and workers' organizations) of the Member States of the International Labor Organization stated:

“As from this Meeting, a Decade of Promoting Decent Work in the Americas will begin. (...) With the aim of promoting decent work and contributing to the reduction of poverty over the next 10 years, we propose that the policies contained in the report presented to this Sixteenth American Regional Meeting should guide the development policies of the countries of the region, and that each country should determine attainable goals in accordance with their respective national circumstances

and priorities, including, to the extent possible, tripartite follow-up mechanisms, to which end they may seek the support of the Office.”<sup>1</sup>

1. The report cited is the report submitted for the consideration of the constituents of our organization in the Americas: “Decent work in the Americas: An agenda for the Hemisphere, 2006-2015.”<sup>2</sup>

The report takes up the principal concerns of the Heads of State and Government in the Hemisphere when meeting in November 2005 and suggests objectives and goals to be achieved over a period of 10 years. The document is directed to achieving results that can help to change the lives of people and their families.

1 ILO; Conclusions of the Sixteenth American Regional Meeting; nos. 8 and 9.

2 [http://www.oitamericas2006.org/espanol/agenda\\_hesniferica\\_2006\\_2015.html](http://www.oitamericas2006.org/espanol/agenda_hesniferica_2006_2015.html)!2. ILO; Conclusions of the Sixteenth American Regional Meeting; nos. 8 and 9.



As Director-General of the ILO, I participated in the Fourth Summit and had the honor of addressing those in attendance.<sup>3</sup> Without doubt, the report to the aforementioned American Regional Meeting is imbued with the spirit we felt at Mar del Plata on the occasion of the Fourth Summit of the Americas in 2005.

As President Kirchner stated: “There are many subjects on which we agree in the Declaration of Mar del Plata. However, I believe the concept of decent work, as conceived by the ILO, constitutes the most effective instrument for ensuring a trajectory of material and human progress and has become a goal for the next decade in the Americas. Creating more and better jobs means increasing people’s ability

to exercise full and active citizenship and presupposes the existence of governments suited to responding to legitimate social demands in the search for greater social justice.”<sup>4</sup>

I believe that this expression, which both exalts and binds the ILO, brings together the socioeconomic and political dimensions of the concept of decent work with which we have sought to update in practical terms the values that have inspired the ILO in its nearly 90 years of service to the international community and national communities.

The Member States concluded their Summit in Mar del Plata by stating: “With this Declaration and the attached Plan of Action,

<sup>3</sup> <http://www.ilo.org/public/spanish/bureau/dgo/speeches/somavia/2005/ivamericas.pdf>

<sup>4</sup> Kirchner, N.; Prologue to ILO “The Consensus of Mar Plata. Fourth Summit of the Americas (2005). Analysis and Perspectives”; Argentina 2006

we Heads of State and Government of the Hemisphere reaffirm the central role we assign to the creation of decent work, in order to meet our commitments to fight poverty and strengthen democratic governance. We recognize once again the value of work as an activity that dignifies and structures the lives of our peoples, as an effective instrument for social interaction, and as a means of participation in the achievements of society, the primary objective of our governments' actions for the Americas.”

This means that decent work was recognized as central to fighting poverty and strengthening democratic governance in the Americas. Both of these objectives should guide public actions in the hemisphere and the ILO is committed to them.

2. Consistent with the aforementioned Declaration and Plan of Action, the participants at the Sixteen American Regional Meeting of the ILO stated:

“The tripartite delegations from the Region reaffirm their readiness to make efforts to surmount the difficulties that face the countries of

the Region in generating decent work and overcoming extreme poverty. In this connection, we believe that sustained economic growth together with equity and social inclusion and the strengthening of democratic institutions, as well as social dialogue, are indispensable conditions for attaining such objectives. We further underline that, while the efforts made by each country internally to overcome such challenges are indispensable, a favourable international context is also required.”<sup>5</sup>

Tripartite support for the Mar del Plata options is important because the social legitimacy of public policies is enhanced when they are supported by the consensus of those involved. This allows their transformation into authentic State policies that extend beyond the term of a single government administration. Much of what must be done in Latin America and the Caribbean to combat poverty and affirm democracy involves medium- and long-term actions as well as short-term measures.

3. In my first Report to the International Labor Conference in 1999, with globalization fully underway, I elaborated on the concept of decent work, understood to mean productive

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5 ILO; Conclusions of the Sixteenth American Regional Meeting; no. 4



work performed under conditions of freedom, equity, security and dignity, in which rights are protected and there is adequate compensation and social protection. The concept incorporated the tradition of the ILO as well as the content of the United Nations Universal Declaration of Human Rights and expressed a vision of a future that would meet the challenges to development that globalization was beginning to present.

Four strategic objectives are included in decent work: a) promotion of labor rights; b) promotion of employment; c) social protection; and d) social dialogue.

Promoting fundamental principles and rights in employment is the historical mandate of the ILO. The creation of employment is the political mandate that comes from the street,

from the people. I understand the promotion of social protection as an ethical mandate and social dialogue as the organizing principle of democratic societies.

In 2001, the OAS Member States—given the new hemispheric situation affirming democracy—signed the Inter-American Democratic Charter. Article 10 of the Charter states: “The promotion and strengthening of democracy requires the full and effective exercise of workers’ rights and the application of core labor standards, as recognized in the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work, and its Follow-up, adopted in 1998, as well as other related fundamental ILO conventions. Democracy is strengthened by improving standards in the workplace and enhancing the quality of life for workers in the Hemisphere.”

It is important to note that the concept of decent work as an instrument for improving the population's living conditions is taken up in the Salvador Declaration of the Inter-American Conference of Ministers of Labor (IACML) held within the OAS framework in Salvador, Bahía, Brazil (2003). This declaration reaffirms the “conviction that decent work, as conceived by the ILO leadership, is the most effective instrument for the improvement of living conditions for the peoples of our Hemisphere and their participation in the benefits of material and human progress” (..) For that reason, the agenda for decent work should become the axis for national and regional development policies, together with investment in health, education, and culture.”<sup>6</sup> This was an early call for a more active role for Ministers of Labor in the region and for coherent linkage with other policies.

Subsequently, the Fourteenth IACML held in Mexico in 2005 included as one of its central themes the individual and his work in the context of globalization, focusing on analysis of three substantive axes: a) the central role of the individual and his work in the economy, in

government policies, and in globalization; b) social dialogue as a tool for dealing with the social and labor effects of globalization; and c) the social and labor effects of public policies on employment and combating poverty. We should recall that this conference provided the bases for the Fourth Summit of the Americas held in Mar del Plata, Argentina.

Within the region, at the start of the 21<sup>st</sup> century, the values of the ILO and the values of the democratic wave at the end of the 20<sup>th</sup> century (unprecedented in the hemisphere) are coming together to renew socioeconomic and political thought as well as the formulation of government policies in our hemisphere on decent work and democracy.

4. The Hemispheric Agenda<sup>7</sup> with its four general policies and 11 areas of intervention provides a menu of possible actions for promoting decent work in our societies. The areas of intervention are incorporated while acknowledging that the countries in the Americas do not all have the same priorities or social, labor and economic needs to be met. Achievements in these areas are essential and

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<sup>6</sup> Salvador Declaration, Thirteenth IACML, OAS (2003), no. 10.

<sup>7</sup> See summary table attached.



some countries have amassed the experience to suggest good practices that could and should be shared in a renewal of inter-American cooperation.

The agenda recognizes five fundamental challenges for the region: 1) ensuring that economic growth promotes decent work; 2) effective application of fundamental principles and rights in employment; 3) generating greater confidence in democracy and social dialogue; 4) expanding and strengthening prevention and social protection schemes for workers; and 5) increasing social and labor inclusion to reduce inequality.

The strengthening of democracy in the Americas will depend on an effective response to these challenges and that strengthening will be important to world peace and to furthering

development that, because it promotes decent work for all, deserves to be called human development.

The current process of democratic affirmation in the Americas requires that the ILO have renewed capacity to assist social actors in the inescapable task of ensuring that the economic growth that has characterized the region in the last five years translates into effective benefits for the large majority of the population in the hemisphere. Our strategic alliance with the OAS is an important element in our ability to carry out this task.

5. The Hemispheric Agenda is not inconsistent with recent changes in the international arena. While the United Nations Summit of 2000 established the Millennium Goals without giving explicit consideration to the subject of

productive employment and decent work, a posteriori it is the countries themselves that are urging that the subject to identified as a central topic at the national level. In 2005 the World Summit of Heads of State and Government declared that “We strongly support fair globalization and resolve to make the goals of full and productive employment and decent work for all, particularly women and young people, a central objective of our national and international policies as well as our national development strategies, including poverty reduction strategies, as part of our efforts to achieve the Millennium Development Goals.”<sup>8</sup> This was followed by the Ministerial Declaration at the 2006 ECOSOC, emphasizing the significance of full and productive employment and decent work as an end in itself and as a means to achieve the Millennium Goals, including the eradication of poverty. In this context, the Member States asked the multilateral system in general, including the United Nations but international financial institutions and development banks as well, along with regional commissions and the WTO, to consider the objectives of full and productive employment and decent work in all their policies, programs and activities. Thus, the Ministerial Declaration asked for collaboration

from all agencies in order to develop a toolkit for promoting the inclusion of decent work in the activities, programs and projects of the specialized agencies.

The ILO took up this challenge and suggested a Toolkit to the multilateral system to help in this process and assist all agencies, regardless of their specific objective, to include a lens in their activities and policies through which to view their potential impact on employment and job quality, particularly decent work. This tool was approved in April 2007 at the highest levels of the United Nations and the Bretton Woods institutions.

It is important to point out that generating decent job opportunities is not just a task for the ILO but requires broad agreement among national political, economic and social actors and coordinated and consistent work on the policies of international organizations. Generating internal consensus around the idea that decent work is key to achieving stability and equitable growth at all levels seems to be an imperative. Other areas of consensus such as on macroeconomic policy are already broadly accepted and implemented by the countries,

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<sup>8</sup> See Article 47



often relegating to a second tier policies that are conducive to dignity in employment, which ranks in first place among the concerns of the people: having work that is appropriate and can be categorized as decent. Fortunately, this trend is being reversed and the decent work agenda is increasingly supported at the national level and in the international arena, with recognition of its central role in policies targeting human well-being.

6. I conclude by stating that the ILO is intent upon supporting the implementation of ministerial and presidential declarations that are directed nationally and internationally to making decent work a global and national goal, reflecting the real demands of the population. In the Americas, there is a national tool that is relevant to the priorities set forth by Mar del Plata: the national plan for generating decent

work. The ILO has the task of implementing a specific action program in each country in order to support the application of that plan, coordinating with the rest of the multilateral system but remaining in close contact with its constituents.

The final objective is to promote decent work as a central component in the development strategy of the countries of the region so as to ensure growth for all with social inclusion and strengthened democracy.

As of now, the ILO is committed to putting its knowledge, instruments and ability to mobilize at the service of its tripartite constituents, through decent work country programs (DWCP) to assist in the development of national plans to generate decent work.

We trust that the spirit of Mar de Plata, once called the People’s Summit, will guide the management of development for our peoples and that the different organizations in the international system as well as the inter-American system will be able to establish synergies to allow us to assist the countries of the Ame-

ricas in their task of promoting decent work to combat the poverty that afflicts so many of our compatriots and to strengthen the democratic governance that can guarantee that liberty and justice will prevail from Alaska to Tierra del Fuego.

## Decent Work in the Americas: 2006-2015 hemispheric agenda

### I. Challenges:

- A. Achieving economic growth that promotes decent work.
- B. Ensuring the effective application of fundamental principles and rights at work.
- C. Generating confidence in democracy and social dialogue.
- D. Achieving the expansion and strengthening of prevention and social protection programs for workers.
- E. Increase social and labor inclusion to reduce inequality.

### II. Objectives

| Strategic   | Cross-cutting   |
|---|---|
| <ul style="list-style-type: none"> <li>■ Effective compliance with labor principles and rights.</li> <li>■ Generation of greater job opportunities for men and women.</li> <li>■ Expansion and strengthening of social protection systems for workers.</li> <li>■ Promotion of social dialogue and institutional strengthening of the various social actors.</li> </ul> | <ul style="list-style-type: none"> <li>■ Fair globalization.</li> <li>■ Overcoming poverty and social exclusion.</li> <li>■ Promoting equality, particular gender equality.</li> <li>■ Achieving greater influence of international labor standards.</li> <li>■ Promoting dialogue among various sectors of society.</li> </ul> |

### III. General policies:

| Polcies  | Objectives   | Goals  |
|--|--|--|
| 1. Economic growth as a promoter of greater employment opportunities | Creating greater employment opportunities must be considered a central economic policy objective.                    | Achieving a sustained, steady economic growth rate of at least 5% per year during the next 10 years as a necessary condition for a significant reduction of the current deficit of decent work..   |
| 2. Effective enforcement of FPRs                                     | Ensure effective compliance with fundamental principles and rights at work.  | The ILO fundamental rights are a minimum, universally accepted body of labour rights incorporated into the national legislations and labour cultures of countries across the region.               |
| - Child Labor  | Progressive elimination of child labour.   | 1. Eliminate the worst forms of child labour within 10 years (2015).<br>2. Completely eradicate child labour within 15 years (2020).   |
| - Forced Labor   | Progressive elimination of forced labour.  | Reduce the number of workers submitted to a forced labour regime by 20% to 35% within ten years.   |
| - Freedom of association and collective bargaining                   | Improve protection by:<br>- advancing towards effective guarantee of the various elements of freedom of association, | Legislation providing for better trade union protection administrative and judicial processes in cases of violations agreements and contracts of better quality both in terms of number of workers |

| Policies   | Objectives   | Goals  |
|--|--|--|
| - Freedom of association and collective bargaining (cont.)         | particularly no union-based discrimination, optimizing the coverage and expanding the contents of collective bargaining. | covered and contents as well conflict resolution.  |
| - No discrimination at work  | Progressively eliminate discrimination mechanisms in the labour market.  | Reduce segregation indices and gender-based and ethnicity/race-based income differentials by 50% within ten years.   |
| 3. Social protection systems with enhanced efficiency and coverage | Expand and strengthen the various social protection schemes for workers.   | Within ten (10) years, increase the social protection coverage by 20%.   |
| 4. Effective social dialogue                                       | Promote the institutionalization of social dialogue on a voluntary basis.  | Promote the implementation by all countries in the region of actions aimed at strengthening social dialogue, and the creation within 10 years of institutionalized social dialogue and sustained on a voluntary basis. |

- Strategic Objective 1
- Strategic Objective 2
- Strategic Objective 3
- Strategic Objective 4

#### IV. Policies for specific areas of intervention:

| Polcies                          | Objectives  | Goals   |
|----------------------------------|---|---|
| 1. International labor Standards | Put in place labour legislation and practice in line with international labour standards ratified by each country and fully enforced, and thus able to guarantee the rights of workers and employers alike. | 1. Make progress in the ratification not only of ILO Conventions related to fundamental rights at work, but also those found by governments and social actors to be essential.  |
| 2. Gender equality               | Apply public policies aimed at reducing inequality between men and women in the world of work by means of dual strategies based on cross-cutting as well as women-specific actions.                         | Within 10 years, achieve a 10% increase in women's labour force participation rate, and a commensurate increase in women's employment rate, and reduce by half the current gender gaps in the areas of informality and occupational earnings. |
| 3. Employment for young workers  | Promote higher training and better entry into the labour market for young workers   | Within ten years, reduce by half the proportion of young people aged over 15 who neither study nor work.  |
| 4. Micro and small enterprises   | Improve the quality of employment in MSE  | Within ten years, significantly improve the percentage of MSE workers covered by policies and business services promoting productivity, and having access to minimum protection levels and to markets across the region.                      |

| Polcies                                   | Objectives   | Goals   |
|---|--|---|
| 5. The informal economy                   | Progressive formalization of the informal economy.   | Within a maximum period of ten years, eliminate the main legal and administrative causes that contribute to the existence of the informal economy.  |
| 6. The rural sector and local development | Improve the employment and productivity standards of rural economic activities, including those of indigenous populations. | <ol style="list-style-type: none"> <li>1. Within ten years, double the productivity and income of low-income farmers, and substantially improve their employment standards.</li> <li>2. Within a maximum term of ten (19) years, governments across the region will launch local development plans for small villages.</li> <li>3. Make significant progress towards ratification and effective enforcement of ILO Convention 169, and more particularly of its provisions regarding consultation with indigenous populations.</li> </ol> |
| 7. Vocational training                    | Improve human resources competitiveness and expand vocational training coverage among vulnerable groups                    | Within 10 years, increase the percentage of investment of countries by at least one-half of a percentage point (as a percentage of GDP), and double the return on investments in training.  |
| 8. Employment services                    | Increase and improve the capacity and quality of employment services   | Within 10 years, double the number of workers placed through public and private employment services.  |

| Polcies                                  | Objectives   | Goals   |
|--|--|---|
| 9. Wages and other forms of remuneration | Reinstate minimum wages as a wage policy tool, and progressively link increases in remuneration to changes in productivity along with cost of living | <ol style="list-style-type: none"> <li>1. Effectively use the machinery in place under the provisions of ILO Convention 131 for consultation between social interlocutors on minimum wage matters.</li> <li>2. Promote the introduction of productivity clauses and other provisions for wage increases linked to productivity as well as to cost of living variations into the collective bargaining process.</li> </ol>   |
| 10. Occupational safety and health       | Make occupational safety and health a priority for social actors in the region   | Within ten years, reduce the incidence of occupational accidents and illnesses by 20%, and double occupational safety and health protection for sectors and collectives heretofore not covered.   |
| 11. Migrant workers                      | Improve protection of migrant workers by means of managed migration  | <ol style="list-style-type: none"> <li>1. Before 2010, establish a statistical information system about migrant workers as support for policy formulation in this area.</li> <li>2. Make progress in using the general framework the ILO is committed to preparing at ILC's request, and ensure ratification of ILO Conventions 97 and 14.3. Before 2010, ensure that all countries of origin and destination of migrants have a strategy and an action plan for the orderly management of migrations.</li> </ol> |





# **Institute for Connectivity in the Americas**

Regional Challenges and Perspectives

Introduction by Ben Petrazzini  
Director, ICA



In Latin America and the Caribbean (LAC) there is a growing awareness of the possibilities that Information and Communication Technologies (ICTs) offer for poverty reduction, employment creation, and sustainable and equitable development. Governments and stakeholders of the region are responding to the challenges posed by the information revolution by placing ICT policy and regulation and the identification and use of appropriate technologies, at the forefront of national strategies.

Within this rapidly changing context, the Institute for Connectivity in the Americas (ICA) supports innovative approaches that foster and strengthen the capacity of developing countries to apply the potential of ICTs to solve development problems. This document aims at identifying some of the main challenges that the LAC region is currently facing in terms of its insertion into the knowledge economy, including some prospective priority areas where ICA will focus its programming during the period leading to the next Summit of the Americas of 2009.

**Ben Petrazzini**

Director

Institute for Connectivity in the Americas



## 1. Regional Challenges and ICTs

The current rapid rate of economic and social change throughout the world is associated with an even more fundamental and accelerated change in the way technologies are developing, especially information and communication technologies (ICTs). However, these new technologies and their benefits are unequally distributed among and within countries (often referred to as the “digital divide”) and they not only reflect but also deepen other existing divides (i.e., social, economic, political, cultural, environmental, etc.). Despite of the challenges, evident in developing regions such as Latin America and the Caribbean (LAC), the emergence of the information revolution has been also accompanied by a growing awareness of the possibilities that these new technologies offer for poverty reduction, employment

creation, and sustainable and equitable development.

There is growing consensus that in the current interconnected and interdependent world, human development and economic growth in regions such as LAC, rely largely on adequate access and effective use of new information and communication technologies. Hence, a modern infrastructure and advances towards a full integration into the information society, are essential in the developmental context.

The current ICT for development (ICT4D) landscape in the LAC region is unfolding in a context dominated by two outstanding features: (a) few companies have come to dominate most segments of the communication service market; and (b) the fast pace of technological innovation remains unabated. Both of these

elements can, if unattended, deepen the current socio-economic inequity in the region (affecting the established price schemes, trends of infrastructure and service deployment, and the balance of power among key stakeholders). It is therefore imperative to place innovative, applied research on ICT policy and regulation and on “appropriate” technologies<sup>1</sup>, at the forefront of development agendas and national strategies in the region.

Responding to the need of addressing both emerging and outstanding issues of ICT access and appropriation, ICA’s programming in Latin America and the Caribbean seeks to support innovative approaches that foster and strengthen the capacity of developing countries to apply the potential of ICTs to solve development problems. The following are some of the main challenges that the region is currently facing in terms of its insertion into the knowledge economy, including some prospective priority areas where ICA will focus its programming, as it relates to ICT for development in LAC, during the period leading to the next Summit of the Americas of 2009.

## **Poverty and Socio-economic Development**

The most recent estimate of the region’s average growth rate indicates that for Latin America and the Caribbean, 2006 has been another good year for economic growth thus completing the fourth consecutive year of economic expansion – and the third consecutive year of rates over 4% – (ECLAC 2006a) Furthermore, according to recent estimates (ECLAC 2006b) the magnitude of income poverty has been trending downwards. In terms of employment, economic growth seems to have fuelled job creation situating the rate of open unemployment on 8.7% of the EAP.

Despite this “cautious optimism.” -as termed by ECLAC-, the region’s poverty remains acute; the latest figures showing that, in 2005, almost 40% of the region’s population, or 209 million people, were poor and 15.4%, or 81 million, were extremely poor or indigent. Moreover, and although the rate of open unemployment has been shifting downwards since 2004, the region has not succeeded in reducing the large proportion of informal employment and

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<sup>1</sup> The term “appropriate technologies” in this document refers to technologies that are the most appropriate to the environment and culture they are intended to support. [http://en.wikipedia.org/wiki/Appropriate\\_technology](http://en.wikipedia.org/wiki/Appropriate_technology)



income indicators show that many new jobs are low-paying, therefore, the region's decent work "deficits" are still pervasive.<sup>2</sup>

Within this context, the management and flow of information, and its further transformation into knowledge, are redefining the processes of social and economic growth. Wealth creation is increasingly linked to the capacity to use information and knowledge effectively in the production and delivery of goods and services. The challenge of finding innovative ways of working and conducting business — using ICT tools — is essential to improve productivity and maintain competitiveness.

In key developmental sectors for LAC, such as education and health, ICT innovations have opened the door for the delivery of services in ways that were unimagined only a few years ago. Politics and governments are also being transformed by the introduction of ICTs in both the provision of government services and in the modernization of democratic practices. The introduction of ICTs in the economic, social, and political life of countries — and the deep transformation they have carried with them — have led to the advancement of new ideas. Umbrella concepts such as "information society,"<sup>3</sup> tend to include notions such as e-economy, e-government, e-democracy, e-health, e-education, and others that seek to describe these new realities.

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<sup>2</sup> ECLAC 2007 Economic Growth with Equity. Challenges for Latin America; ECLAC 2006a Preliminary Overview of the Economies of Latin America and the Caribbean; ECLAC 2006b Social Panorama of Latin America 2006.

Although government, private sector, and civil society leaders are aware that ICTs are an important component of the development equation, it is less clear “how to” mainstream ICTs in the various socio-economic sectors along with the role that these technologies can play in addressing issues of inequity and poverty reduction.

ICTs often emerge in developed markets and are therefore tailored to the needs of wealthier societies. Yet, in most cases, these technological innovations also carry with them the potential to serve the needs of society’s poorest members. The development of cellular telephony is one of the most tangible and manifest examples in this regard in the region. It emerged as an expensive solution for business people but soon the price of hardware and services dropped (through innovative pricing and regulatory schemes such as pre-paid cards and calling party pays) and cellular phones became the phones of the poor.

Wireless Fidelity (Wi-Fi), a new low-cost wireless communication system, was first tailored

as a computing mobile service for delivery in expensive hotels, airport lounges, and the like. Yet, the fixed version of Wi-Fi can provide Internet access and all its associated benefits to low-income communities, at almost no additional cost.

In Latin America and the Caribbean (LAC), rapid socio-economic changes are increasingly affected by, and dependent on, ICTs as transversal elements that permeate all other aspects of the region’s development. At the national, sub-regional, and regional levels new approaches are emerging as a way to tackle key development priorities such as poverty alleviation, and education and health improvements. ICTs are seen as a key tool to provide innovative solutions to traditional problems.

Several countries have made tangible progress and have been very active and successful in embracing new and emerging technologies and turning them into engines of growth. This is the case in Brazil, Chile, and Costa Rica, now frequently acknowledged as the region’s “technology engines.” Even though these countries

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<sup>3</sup> An Information Society can be conceptualized as being based on technological breakthroughs and is often associated with economic issues and the ICT infrastructure that supports it. Technology has enormously increased the speed and quantity of communications and data transfers, thus transforming every step of the economic process. From this perspective, the spread of information has productivity gains, and consequently, the better the ICT infrastructure and use of information by society, the more aggregative gains there will be in a certain economy.



have very different socio-economic profiles, they have been able, not only to recognize where they stand in relation to the growing use and demand of new technologies, but also to respond to it through national plans and strategies that promote and facilitate their adoption.

These have placed them as leaders in the region in various key ICT areas, such as electronic government services, widespread adoption of ICTs in the educational system, strong and effective adoption of ICTs by small and medium size enterprises (SMEs), intensive use of electronic commerce, clear and reliable public policies to attract ICT-related investments and

industries, and so on. In the case of Brazil, for example, the government is analyzing a new partnership with the World Bank to position the country as a technology supplier for economies in development.<sup>4</sup>

The majority of countries in the region have been slower at mainstreaming ICTs into their development programs and lag behind in incorporating the benefits of the Information Society (IS). Although traditional (voice) communication infrastructure has improved in most countries,<sup>5</sup> a significant number of nations have had difficulties in effectively incorporating ICTs into the various components of the national development equation (i.e.,

<sup>4</sup> Folha de Sao Paulo, Brazil, December 16, 2005.

<sup>5</sup> Cellular telephony, for example, has made significant strides in overcoming fixed-line telephony in most countries of the region. The growth has been considerable among low-income population, posing interesting policy questions related to the future of ICTs among the poor of the region. Among the 31 countries of the LAC region for which data is available, only four countries (Costa Rica, Cuba, Saint Kitts and Nevis, and Uruguay) have more main lines per 100 inhabitants than cellular mobile telephone subscribers (ITU 2005).

education, health, production/trade, political participation, and delivery of public goods and services).

### Education and Health

Although several countries in the region have experienced economic growth in recent years, this has yet to translate into similar improvements in the distribution of income or the creation of employment. Furthermore, the economic transformations of the 1990s went hand-in-hand with the rise of private provisions of education and health and the subsequent deterioration of services provided by public schools and hospitals. This has derived in a growing gap in the quantity and quality of education and health services provided to low-income populations in the LAC region, making this education and health divide one of the great development challenges facing the region in the coming decade.

In the education domain of Latin America and the Caribbean, most countries have undertaken efforts to provide computers to schools across the country. Very few of them however, have been able to develop and implement adequate

policies for the user communities to appropriate those computers as effective and powerful educational tools. Development of adequate local content, teacher training, and a better understanding of the ways in which ICTs can act as key leverage towards a full insertion into the knowledge society, are all pivotal components often missing in the implementation of national ICT strategies in LAC (Fonseca 2005a). Furthermore, large numbers of students from the poorest groups of society have yet to benefit from the information revolution, thus increasing even further the equity gap that affects the region.

A similar situation can be found in the health sector, where a few selected providers have incorporated cutting-edge medical equipment. Little progress, however, has been made in using ICTs, in particular the Internet, as a valuable innovative tool that can help to expand the reach of services to those who need them the most. Some ICT initiatives applied to health services for the poor that have been tested in other parts of the developing world are yet to be seen in the LAC region, where the great majority of health professionals that have access to computers and the Internet hardly go beyond the use of e-mail as a substitute to voice telephony.<sup>6</sup>

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<sup>6</sup> A more detailed description of ICTs applied to health services in LAC can be seen in: Velez (2005) and Utrubey et al. (2004); for a more global perspective see: Demiris (2004) and Fleisher and Dechene (2004); regarding the potential of e-health for primary health care delivery see Health Canada (2004).



### **SMEs as engines of growth**

In the production and trade sectors of the region, the adoption and use of ICTs is more encouraging. A number of large companies have fully embraced ICTs for their operations and are pushing medium and smaller companies that interact with them to do the same. Furthermore, some governments have made considerable efforts to support the development of e-procurement with special attention to the promotion of public procurement opportunities for small and medium size enterprises (SMEs). However, there are sources of concern in the statistics that link ICTs with the potential of e-commerce and improvements in productivity. Only 15% of the companies in the region, for example,

have access to broadband services, an essential component in e-commerce-related activities. Furthermore, the presence of ICTs among micro producers of low-income groups is practically non-existent.<sup>7</sup>

### **Democratic Governance and Citizen Participation**

Governments have also made significant progress in the modernization of public service provision. Several countries have considerably improved the implementation of e-government applications and services. In most cases, however, these developments have concentrated on traditional supply-side applications such as taxation and public procurement. Little progress has been made in

<sup>7</sup> For an in-depth description of this situation see Botelho and da Silva Alves (2005); La Rovere and Hasenclever (2004) and Ueki (2003)

increasing the transparency and accountability of the governance process through the use of ICT tools; this would allow for a more active and committed citizen participation in the acts of government.

Furthermore, the majority of the LAC population has limited access to the Internet and user support policies have been scarce. The result is that only a minority of citizens have benefited from any progress in the supply of e-government services, leaving behind a large number of those with less access to ICTs and the Internet. A couple of countries in the region are the exception; they have implemented user support initiatives such as national programs on digital literacy, user surveys on e-government services, and other related programs.

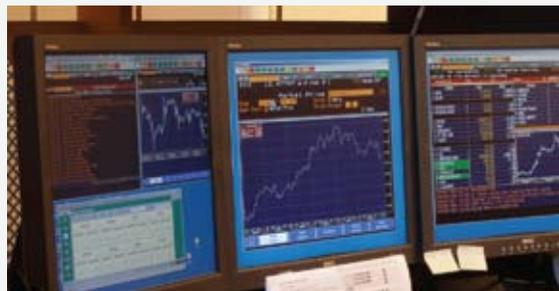
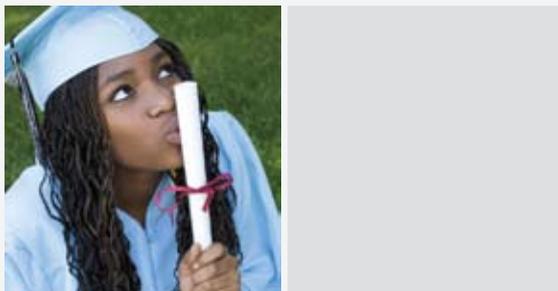
Governments are now aware of the important role that ICTs play in any development agenda (although most are often unsure on how to take the next steps towards implementation). A number of major events in the region and in the world<sup>8</sup>, as well as continuous media

coverage on the boom, bust, and renewed growth of Internet-based activities, have received the attention and raised the awareness of world leaders (including those of the LAC region) on the importance of ICTs for socio-economic development. But it is also true that most of these leaders, their successors, and top decision-makers in the region are having difficulties with the “how to” make this a reality. As a response to that situation, ICA’s programing will attempt to address this bottleneck affecting the rise of the Information Society in LAC.

This overall context of developmental priorities evidences the need for ICA to provide support to regional initiatives that are aimed at the adoption of adequate policies and conditions for social inclusion and improved socio-economic equity. More specifically, it reflects the need to continue implementing programming and working collaboratively with governments, civil society and private sector stakeholders to foster the use and appropriation of ICTs with the aim of: (a) promoting entrepreneurship and decent employment; (b)

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<sup>8</sup> These include the World Summit on the Information Society 2003 and 2005 (WSIS), the United Nations ICT Task Force, the G8 Digital Opportunity Task Force (DOT Force), the Global Knowledge Partnership (GKP), the World Economic Forum (WEF-Davos), the Digital Divide Task Force, and the Summit of the Americas (2001, 2003, and 2005).



improving the provision and access to education and health services; and (c) strengthening democratic governance in order to promote more equitable socio-economic conditions.

## 2. ICA's Programming pillars and potential collaborative efforts

### Programming Pillars

Having identified the main challenges and development priorities through its regional partners and stakeholders, and its experience with programming in the field, ICA is focusing its support to address issues of Access to the Information Economy and Information Society. Working towards that end, ICA has identified three main thematic pillars for project support: e-economy, e-enablers, and e-citizenship.

### (a) e-Economy

The e-economy, a concept that refers in the broad sense to the use of ICTs for product and process innovation across all sectors of the economy has emerged in the last decade as one of the primary engines of productivity and growth in the global economy. The transformation and/or disappearance of certain industries resulting from (or associated with) the rapid spread of ICTs, has evidenced the need for new economic strategies to enhance the capacity of the LAC region to adopt these new tools and exploit their potential in benefit of local economic needs and conditions. Specific topics under this pillar will be geared towards issues such as: (a) ICTs in the informal economy, (b) SMEs, e-commerce, and employment, (c) Youth, digital, and creative industries and, (d) IP rights and public goods.

## **(b) e-Enablers**

Health and education are universally recognized as issues that are the foundations of a nation's development, and socio-political and economic stability. They are also a pre-condition for individual development in any modern society. In other words, health and education are the two most important elements for levelling the playing field and increasing the likelihood of a more balanced distribution of resources within and across countries. Consequently, they are areas in which ICT implementation has the potential of producing a direct impact in the rise of more equitable societies. As part of this thematic axis, ICA seeks to foster initiatives that explore the ways in which the innovative implementation, use and appropriation of ICTs in education (e-education) and health (e-health) can contribute to empower vulnerable and marginalized communities in LAC, thereby having a positive effect on regional equity. In terms of sub-themes, ICA programming will be looking at the following issues: (a) education and skills for the e-economy, (b) education at the bottom of the pyramid, (c) e-health for the poor.

## **(c) e-Citizenship**

The concept of e-citizenship is based on emerging notions that traditional governance models are no longer sustainable, and new approaches to citizen participation, governance, and policy-making are required. Terms such as “active citizenship” are beginning to permeate traditional political structures, and new forms of interaction between government and citizens are unfolding. When translated to the realm of ICTs, democratic practices and citizen participation can be strengthened by the use of these tools to support and enhance the collaboration among relevant stakeholders throughout the policy-making cycle without the limitations of space, time, or other physical constraints. ICA's activities will aim at increasing the understanding of the value of ICTs to: (a) increase the transparency and accountability of public services and political institutions in the region; (b) promote an increase in the effective participation of low income citizens in governance processes, while protecting their privacy and information rights; (c) expand the current e-government initiatives so as to provide widespread access to public services and information to citizens and marginalized communities.



### Partnerships and Collaborative efforts

Partnership development is understood as a process that involves not only the enhancement of collaborative activities between a varied set of actors, but also the strengthening of knowledge and experience sharing, as well as the articulation of strategies to promote joint learning and informed policy-making processes.

Within LAC, and as the ICT field continues to evolve within an increasingly multi-stakeholder context, it is evident that effective partnerships have to involve organizations from the government, the private, and the non-governmental

sectors, as well as from the broader regional and international donor community. Developing effective partnerships will allow the program's priorities to continue to respond and evolve in-sync with the trends and issues identified by the international ICT community.<sup>9</sup> Therefore, ICA will seek the consolidation of new and ongoing partnerships to encourage joint learning, foster innovative research, and leverage multi-stakeholder funding for ICT initiatives in LAC. Future programming will seek articulation with a number of partners.

Several projects have jointly been implemented to date with a number of regional donor organizations, thus leveraging funds, expertise,

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<sup>9</sup> Key issues identified in international fora such as the World Summit of the Information Society (WSIS I in Geneva and WSIS II in Tunis 2005), the Summit of the Americas (Quebec City in 2001 and Mar del Plata in November 2005), the UN Heads of Government Millennium Development Goals Summit (November 2005), the World Social Forum, the World Economic Forum, and the Global Knowledge Partnership (GKP), among others.



and successfully combining both research and implementation support of concrete ICT initiatives in the region. It is expected that existing synergies be strengthened operationally, leveraging funds and continuing to develop a cooperative and complementary donor approach

to ICA initiatives in LAC. This strengthened partnership approach will also include support to the implementation of regional ICT plans such as *e-LAC*<sup>10</sup>, contributing to tackling the issues that the region's practitioners have identified as a priority.

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<sup>10</sup> e-LAC 2007 is the Regional Action Plan for the information society, which was officially approved at the Regional Latin American and Caribbean Preparatory Ministerial Conference for the World Summit on Information Society on June 10, 2005 in Rio de Janeiro, Brazil. <http://www.eclac.cl>



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