

The Millennium Development Goals
in Latin America and the Caribbean:
Progress, Priorities and IDB Support
for Their Implementation

August, 2005

Inter-American Development Bank
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Foreword

The Millennium Development Goals were formalized in the Millennium Declaration, which was endorsed by 189 Heads of State and Government at the United Nations Millennium Summit of 2000.

Achieving these Goals through sustainable growth and advances in key areas such as education, health, environmental sustainability and gender equality, is recognized as a challenge for developing and developed countries alike. The commitment of the governments of Latin America and the Caribbean to meeting the Goals was reaffirmed in the Declaration of the Special Summit of the Americas held in Monterrey, Nuevo León (Mexico) in 2004.

This report analyzes the progress towards the Goals in Latin America and the Caribbean so far and assesses the scope of the challenges that remain. Progress in the area of poverty reduction is insufficient to meet the goal of halving by 2015 the proportion of people that are poor. Trends in other areas are more promising. To better reflect the development needs of Latin American and the Caribbean some of the Goals need to be adapted or reinforced. Of particular importance is placing more emphasis on social inclusion and the reduction of inequality.

The mandate of the Inter-American Development Bank of promoting economic growth and reducing poverty and inequality is fully compatible with the agenda prompted by the Millennium Development Goals. We have developed a far-reaching institutional response that is outlined in this report and we stand ready to continue to support our borrowing member countries in their efforts to achieve the Goals.

Enrique V. Iglesias

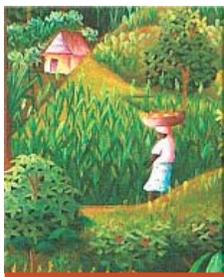
President

Inter-American Development Bank



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Introduction

An international process of dialogue and consensus building that took place between 1990 and 2002 led to the creation of a comprehensive global agenda for development focused on the elimination of poverty. This agenda establishes a set of objectives and targets called the Millennium Development Goals (MDGs), most of which are to be achieved by 2015. The goals were formalized in the Millennium Declaration endorsed by 189 Heads of State and Government during the 2000 United Nations Millennium Summit. The Millennium Declaration offers a new perspective and lays the foundation for a development agenda that is broad, comprehensive and focused on results. The Declaration amounts to a statement of values, with renewed commitments to peace, security, disarmament, human rights, democracy, and good governance. At the same time, it emphasizes the human dimension of development and recognizes the multiple dimensions of poverty.

The Millennium Declaration also recognizes the central challenges that all societies have to confront, including the generation of sustainable economic growth and the equitable distribution of the benefits of that growth; establishing stable institutional conditions; ensuring the quality, efficiency, and transparency of government systems; defining and implementing policies to promote investment and reduce poverty; and being open to the rest of the world. The Declaration spells out an answer to the challenges imposed by poverty and related social ills and sets out concrete measures for evaluating the progress achieved through a set of interrelated commitments, goals, and targets (the MDGs).

The Millennium Declaration devotes unprecedented attention to the implementation of the goals and targets and the means by which they will be reached. The following means are associated with these goals: (i) mobilization of international and domestic resources; (ii) design and execution of programs and policies to follow internationally agreed-upon guidelines; (iii) creation or strengthening of national capacities; and (iv) definition of partnerships within the nation (between governmental and nongovernmental actors) and internationally.

The MDGs take on a central importance in the context of development and constitute the frame of reference for international cooperation. Regarded as parameters for evaluating the cost and efforts needed to attain specific goals, and for measuring the progress made toward the overall goal of eradicating poverty, the MDGs are now a reference point for mobilizing the funds needed to finance the cost of implementing and achieving them; that is, to cover the

financial gap that exists due to the lack of financing capacity, and to increase efforts to speed up development.

The role of the goals in framing international cooperation was confirmed at the International Conference on Financing for Development held in Monterrey in March 2002. This meeting was the first attempt of its kind made to examine comprehensively the means for, and obstacles to, mobilizing resources (domestic resources, trade, official development aid, debt relief, foreign direct investment, and other flows) to reduce poverty, focusing on the objectives and targets of the Millennium Declaration, especially the MDGs. The Monterrey Consensus Document recognizes the shared responsibility of industrialized and developing countries in achieving the MDGs, as well as the need for accountability among countries, thereby laying the groundwork for a new international partnership. The document indicates that developing countries should assume responsibility for good governance and for adopting coherent policies, and should use development aid in such a way as to ensure its effectiveness. For their part, developed countries and donor institutions agree to increase and intensify their efforts to help developing countries achieve the MDGs and other development goals, offering support in creating capacity and furnishing assistance at all levels, including civil society and the private sector. The Monterrey document regards trade, the Doha Round and the level of aid for development and debt relief as issues of central importance.

The MDGs are the foundation for a new era of international cooperation in which all countries have a stake and a role to play. The agenda proposed by the Millennium Declaration recognizes the interdependence of problems and the need for greater coordination and participation with international financial institutions and with other regional multilateral organizations. The significant international effort that is being made to monitor, worldwide, by country and region the results and advances toward the MDGs is not a technocratic exercise. Rather, it reflects the desire to advance toward the implementation of a global political agreement on shared responsibilities that governments should fulfill. What is at stake is the definition of realistic and effective terms for partnerships between developed and developing countries built around the commitments flowing from the Monterrey Consensus.

The MDGs are thus a call for organized collective action and they have strong implications for the governments of Latin America and the Caribbean in terms of agenda setting, strategies, policies, and operational processes. On the basis of the new partnership agreement between developed and developing countries that constitutes the Monterrey Consensus, the governments of the region should implement an ambitious agenda that inevitably poses domestic and international challenges. Governments, with the participation of legislators and in consultation with civil society and the private sector, have to adapt the MDG agenda to the reality of their country, taking into account the equity, ethnicity, and gender equality dimensions among other aspects.

The Inter-American Development Bank plays an important role in assisting borrowing countries in their efforts to adapt and implement the MDG agenda. The Bank's mandates of contributing to the acceleration of economic and social development and the reduction of poverty are fully consistent with the MDG agenda. The Bank's commitment to development effectiveness and management for results is pertinent to the task of monitoring and attaining the MDGs. Since the goals were first unveiled, the IDB implemented several types of supporting activities: (i) institutional arrangements; (ii) sector strategies and policies; (iii) political consensus-building; (iv) country dialogue; (v) capacity building; (vi) lending; (vii) monitoring; and (viii) honing of lessons learned. While these are important individually, collectively they constitute the Bank's institutional response to support countries in reaching the goals.

This report presents a brief summary of the region's progress in attaining the MDGs, some suggestions to adapt the MDG agenda to the realities and stages of development of the countries of the region, a summary of recent Bank activities to support the MDGs, and some reflections on priorities for the period to 2015 and beyond.

The MDGs are development milestones for the region. Achieving the MDGs by 2015 will imply that 118 million people will be lifted out of poverty (53 million people will be lifted out of extreme poverty). In addition, 9 million more children would go to school and millions of women and girls would be able to enjoy enhanced participation in society and personal security. Two million children, who would otherwise die before reaching the age of 5, would be saved; 50 million more people would have access to safe drinking water; and 87 million additional people would enjoy the benefits of basic sanitation, allowing for healthier lives. The benefits of more inclusive societies would spread throughout the region and beyond.

The Millennium Development Goals

<p>Goal 1 Eradicate extreme poverty and hunger</p>	<p>Target 1 Reduce by half the proportion of people living on less than a dollar a day</p>
<p>Goal 2 Achieve universal primary education</p>	<p>Target 2 Reduce by half the proportion of people who suffer from hunger</p>
<p>Goal 3 Promote gender equality and empower women</p>	<p>Target 3 Ensure that all boys and girls complete a full course of primary schooling</p>
<p>Goal 4 Reduce child mortality</p>	<p>Target 4 Eliminate gender disparity in primary and secondary education preferably by 2005, and at all levels by 2015</p>
<p>Goal 5 Improve maternal health</p>	<p>Target 5 Reduce by two thirds the mortality rate among children under five</p>
<p>Goal 6 Combat HIV/AIDS, malaria and other diseases</p>	<p>Target 6 Reduce by three quarters the maternal mortality ratio</p>
<p>Goal 7 Ensure environmental sustainability</p>	<p>Target 7 Halt and begin to reverse the spread of HIV/AIDS</p>
<p>Goal 8 Develop a global partnership for development</p>	<p>Target 8 Halt and begin to reverse the incidence of malaria and other major diseases</p>
	<p>Target 9 Integrate the principles of sustainable development into country policies and programmes; reverse loss of environmental resources</p>
	<p>Target 10 Reduce by half the proportion of people without sustainable access to safe drinking water</p>
	<p>Target 11 Achieve significant improvement in lives of at least 100 million slum dwellers, by 2020</p>
	<p>Target 12 Develop further an open trading and financial system that is rule-based, predictable and non-discriminatory. Includes a commitment to good governance, development and poverty reduction—nationally and internationally</p>
	<p>Target 13 Address the least developed countries' special needs. This includes tariff- and quota-free access for their exports; enhanced debt relief for heavily indebted poor countries; cancellation of official bilateral debt; and more generous official development assistance for countries committed to poverty reduction</p>
	<p>Target 14 Address the special needs of landlocked and small island developing States</p>
	<p>Target 15 Deal comprehensively with developing countries' debt problems through national and international measures to make debt sustainable in the long term</p>
	<p>Target 16 In cooperation with the developing countries, develop decent and productive work for youth</p>
	<p>Target 17 In cooperation with pharmaceutical companies, provide access to affordable essential drugs in developing countries</p>
	<p>Target 18 In cooperation with the private sector, make available the benefits of new technologies—especially information and communications technologies</p>



Progress Toward Achieving the MDGs in the Region

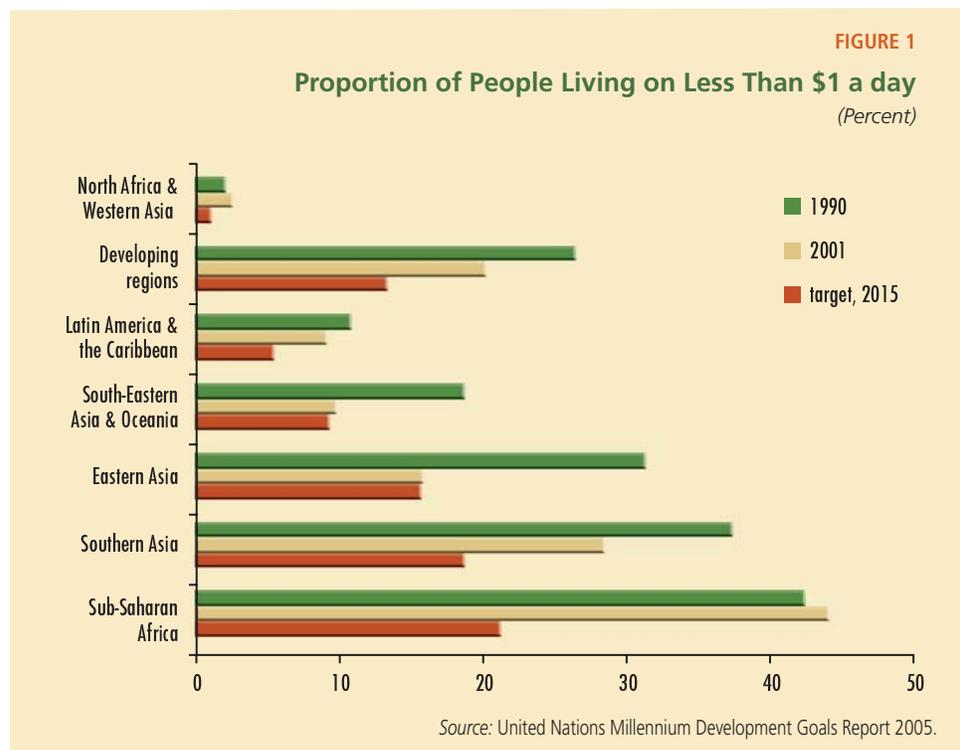
Progress so far toward achieving the Millennium Development Goals in Latin America and the Caribbean has been mixed. Progress to reduce poverty (the first goal) has been insufficient, but the region is on track to meet the goal of reducing by half the proportion of people suffering from hunger between 1990 and 2015. Significant progress has been made in reducing the percentage of the population with less than the minimum consumption of food energy. With respect to the education goals, the region has made progress toward achieving universal primary education enrollment, but progress in completing five years of primary education has been slower, and few countries can boast universal net enrollment for the entire primary cycle. The region has a very high probability of success in reaching the gender MDG of eliminating gender disparities in primary and secondary education, preferably by 2005 and at all educational levels by 2015.

For the health MDGs, child health continued to improve steadily in the region, but some countries will likely not achieve the goal of reducing infant and child mortality by two thirds between 1990 and 2015. The reason for this is, in part, that they are very ambitious goals given the progress already made by some of the countries of the region. With respect to the goal of reducing the maternal mortality ratio by three quarters between 1990 and 2015: the indicator did not improve during the 1990s and, compared with other continents, Latin America will need to make the greatest effort to reach this target. With respect to the goal of halting the spread of HIV/AIDS and the incidence of malaria and other major diseases by 2015 and beginning their reversal: the number of people infected with HIV increased between 2002 and 2004.

For the environment MDGs, the scope of environmental sustainability in Latin America and the Caribbean presents a great challenge. Trend indicators point to a very serious deterioration of the environment and a depreciation of natural capital, which has significant impacts on health, productivity and income, physical vulnerability and the quality of life. In the case of the indicators of access to safe water and sanitation: even though the countries of the region have relatively high rates of access, there is still a long way to go, and progress has been slow compared with other world regions. Finally, the eighth MDG includes a series of indicators related to access to trade, development assistance, debt sustainability, youth problems and development of landlocked countries and small island states. On average, the countries of Latin America and the Caribbean have done better than other developing regions with respect to several of these indicators, but there are some emerging problems that deserve special attention. This section briefly summarizes the progress made by the region regarding each of the MDGs.

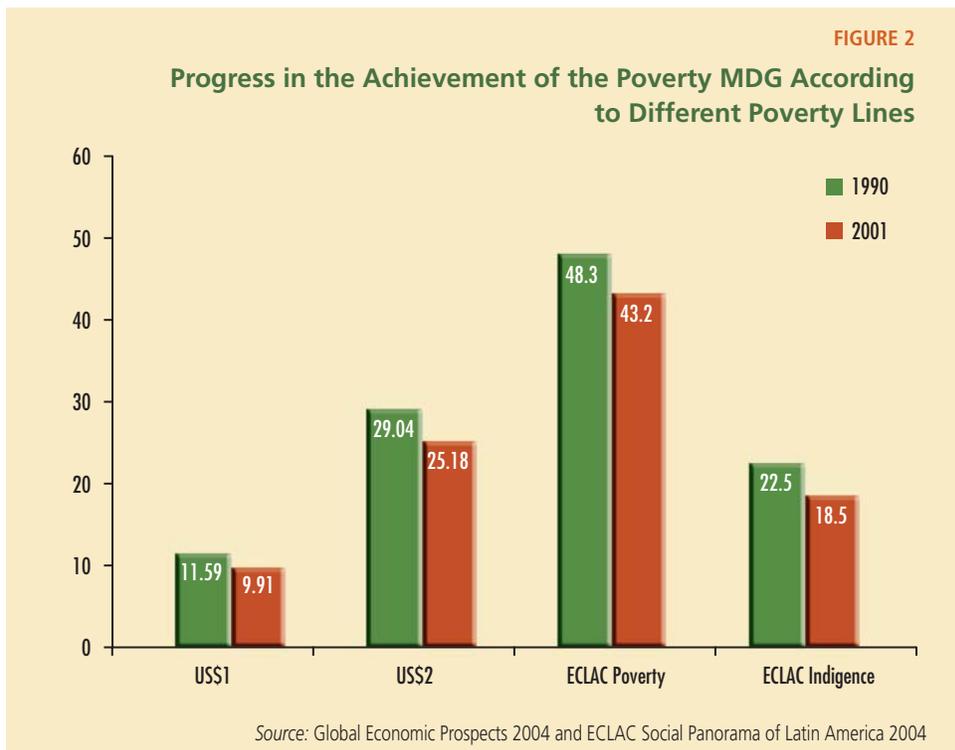
MDG1: Eradicate Poverty and Hunger

The region is lagging behind in terms of achieving the *goal of reducing poverty in half between 1990 and 2015*, which is one of the most important challenges that it faces today. Figure 1 shows that even though the incidence of poverty is lower than in most other developing world regions (using the international poverty line of US\$1 per day), progress in reducing poverty during the 1990s has been lower than in most Asian subregions, surpassing only Sub-Saharan Africa and North Africa and Western Asia. The rate of progress of the region, using international poverty lines, is insufficient to reach the stated goal by 2015.



Using national poverty data from the Economic Commission for Latin America and the Caribbean (ECLAC), which are more appropriate to measure poverty in the region than the international lines of one and two dollars at purchasing power parity, the percentage of the population living in poverty decreased from 48.3 percent in 1990 to 43.5 percent in 1997. Since then, progress in reducing poverty has been slow. By 2004, the share of the region's population living in poverty had only declined to 42.9 percent (or 222 million people). Extreme poverty followed a similar pattern, falling from 22.5 to 19.0 percent between 1990 and 1997 and reaching 18.6 percent in

2004 (96 million people). This slow decrease represents only 34 percent of the decline required to achieve the poverty MDG. In order for the region to be on track for meeting this goal, extreme poverty should have fallen to around 16 percent by 2004 (or a 56 percent progress toward the goal). The international poverty line of one dollar at purchasing power parity shows a lower incidence of poverty, but similar trends over time (see figure 2). Indeed, regardless of the poverty line used, the rate of progress is insufficient to reach the target by 2015.

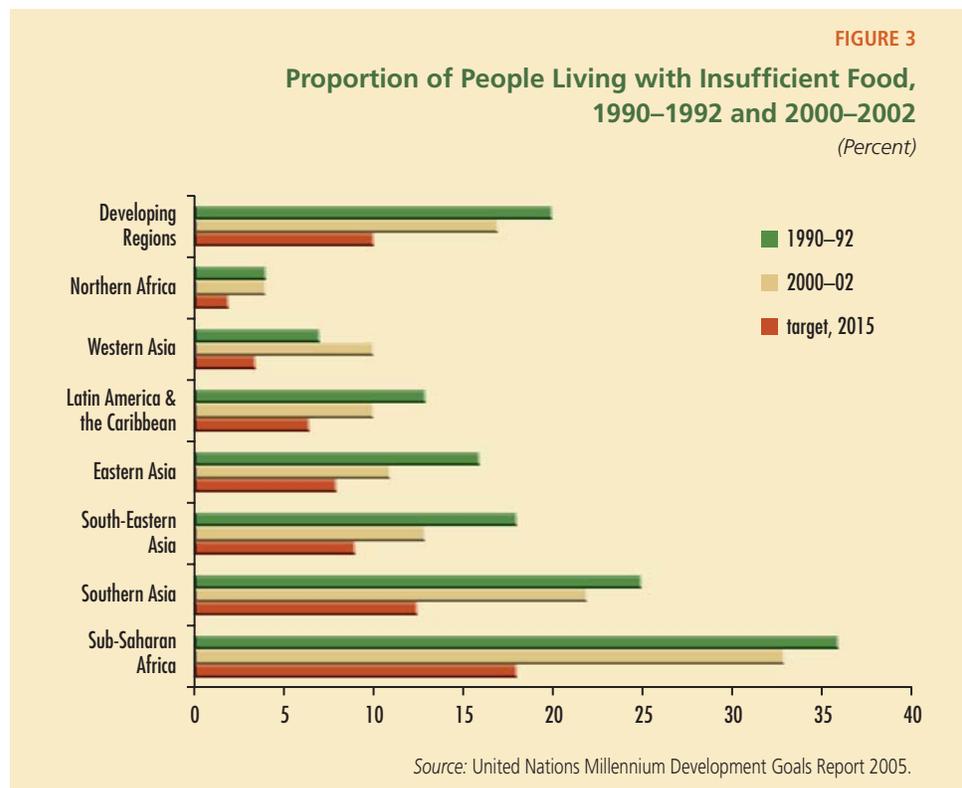


Only six countries (Brazil, Chile, Ecuador, Mexico, Panama, and Uruguay) have made adequate progress toward meeting the extreme poverty MDG by 2015 using ECLAC's national poverty lines. Simulations by ECLAC using the most recent household surveys and assuming no changes in income distribution show that, in order to reach the extreme poverty MDG by 2015, the region, on average, must increase annual per capita GDP growth to 2.9 percent, which requires average annual GDP growth rates of 4.3 percent. If the region were to grow at the rates reached between 1991 and 2004, only Mexico, Panama and Uruguay would be able to reach the goal by 2015 (Chile has already reached it). An additional percentage point of GDP growth (over the average rate reached in the past 13 years) will allow Brazil, Costa Rica, Ecuador, Guatemala and Peru to also reach the goal. In order to reach the poverty MDG at lower rates of GDP growth,

the countries of the region would have to make large inroads into their very high levels of inequality. A 5 percent decrease in inequality (measured by the Gini coefficient) will reduce per capita growth requirements to 2.1 percent (or GDP growth rates to 3.5 percent).

The region is on track to meet the *goal of reducing the proportion of people suffering from hunger in half between 1990 and 2015* and has made significant progress in reducing the percentage of the population with less than the minimum consumption of food energy (see figure 3), as well as the percentage of children under 5 who are underweight for their age. According to FAO estimates, the share of undernourished persons fell from 13 percent of the total population at the beginning of the last decade to 10 percent at the beginning of the current decade. However, these aggregate figures hide the region's heterogeneity. The undernourished population ranges from around 2 percent in Argentina to almost 50 percent in Haiti. Progress in reaching this goal has also varied at the country level. Unless the pace of improvements accelerates, El Salvador, Honduras, Mexico, Nicaragua, the Dominican Republic, Suriname and Trinidad and Tobago will not reach the hunger goal by 2015.

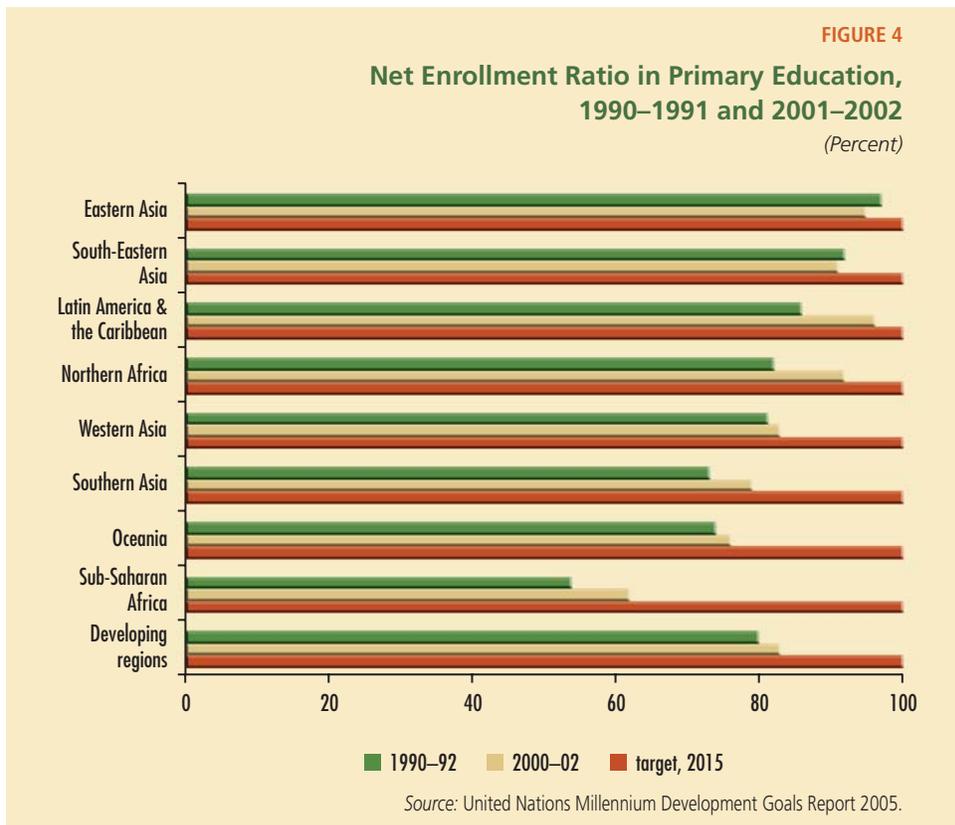
According to ECLAC, the percentage of Latin American and Caribbean children under 5 years of age who are underweight declined from 10.3 to 7.2 percent between 1990 and 2002. This rate of improvement surpassed the progress required to achieve the goal of reducing this indicator to



5.2 percent in 2015. However, it is important to note that these figures contradict UN estimates, which show a deterioration in the percentage of under-weight children during the last decade (from 7 percent in 1990 to around 10 percent 2002). While, as reported by ECLAC, the region as a whole has made progress, some countries (Argentina, Costa Rica, Ecuador, Honduras, Jamaica, Panama, Paraguay and Trinidad and Tobago) have yet to catch up.

MDG2: Achieve Universal Primary Education

The education reforms initiated across the region during the 1990s, which are still continuing, have brought visible progress in the education indicators. More children enter school and spend more hours, days and years in school than in generations past. At an aggregate level, Latin America and the Caribbean have made considerable progress toward meeting the *goal of universal primary education enrollment*. Net enrollment rates at the primary level rose from 86 percent in 1990 to 93 percent in 2001. The region's pace of progress in this indicator has been faster than the developing world average (which rose from 80 percent to 83 percent between 1990 and 2001, see figure 4). Net enrollment rates in 23 countries of the region



(12 in Latin America and 11 in the Caribbean) surpass 90 percent. Some countries, such as Brazil, Guatemala, Nicaragua and Paraguay, were able to improve their rates of primary school completion by 2 percent a year during the 1990s; other countries, however, showed some stagnation or regression. A recent World Bank analysis, which included most countries of Latin America and the Caribbean, did not find a single country seriously in danger of not reaching the MDG enrollment targets in education; five countries were found to have already met the goals; ten were well on their way to meeting them, and eleven showed a moderate degree of risk (World Bank, 2003).

Unfortunately, progress in *completing five years of primary education* has been slower and few countries in the region can boast universal net enrollment at the entire primary cycle. By 2001 only 12 out of 29 countries in the region had rates of fifth grade completion higher than 90 percent, and 10 had rates below 80 percent. The reason for the lack of progress in this indicator lies in persisting inefficiencies in the education system and the socioeconomic conditions of poor children that result in high repetition and desertion rates.

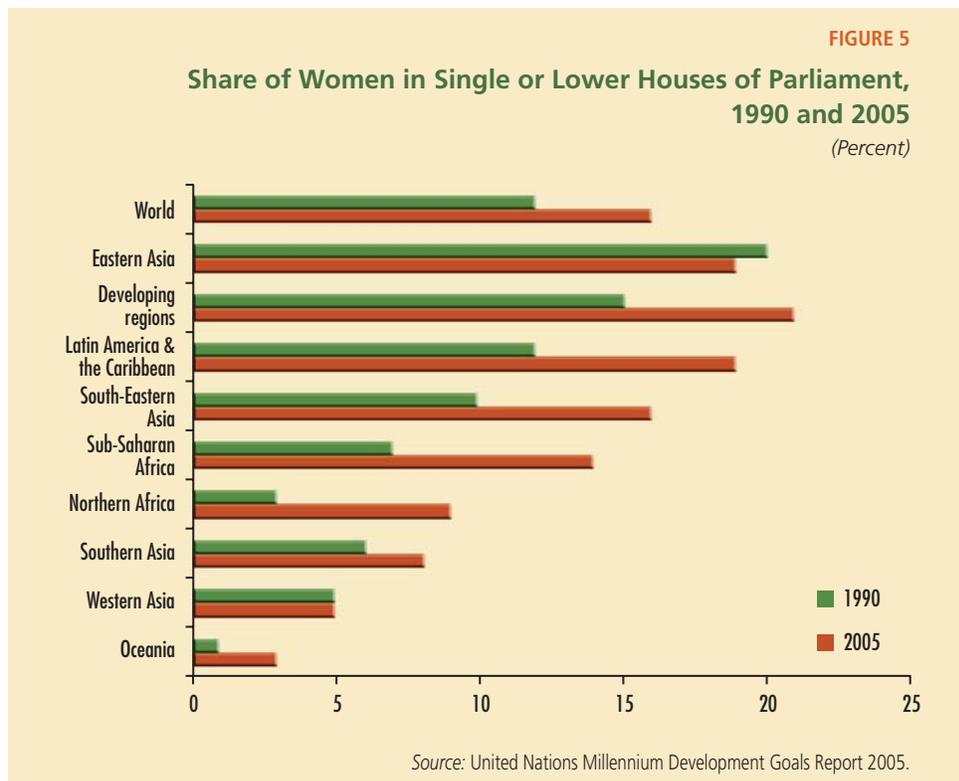
It is difficult to avoid the impression that the countries of Latin America and the Caribbean are falling behind with regard to secondary education. Although this is not included in the MDGs, it is the single most important educational indicator separating upper and lower income groups in the region. Assuming that the transition to secondary education is made, less than 50 percent of the cohort that enters completes the cycle. In many countries, only a third or less of children of secondary school age actually enroll in school. Levels fall precipitously in rural areas, rarely exceeding 10 percent. Despite steady increases in academic achievement, a third or less of the urban workforce has completed the 12 years of schooling deemed necessary to guarantee a decent standard of living and keep pace with the demands and changes of an increasingly globalized economy.

It is also important to note that, even though they are not included in the MDGs, issues of educational quality continue to assume considerable importance throughout the region. Although more children are being educated, the quality of the education they receive leaves much to be desired. This is an unavoidable issue in this discussion. The fact that most countries in Latin America and the Caribbean do not yet participate in international standardized tests makes it difficult to draw comparisons with other regions. However, available national and international evaluations show that student learning remains deficient and well below world averages, with countries in the region ranking near the bottom of the sample.

MDG3: Promote Gender Equality and Empower Women

Women's advances and challenges in Latin America and the Caribbean over the last 30 years accurately reflect the social progress of the region. On average, the region has succeeded in

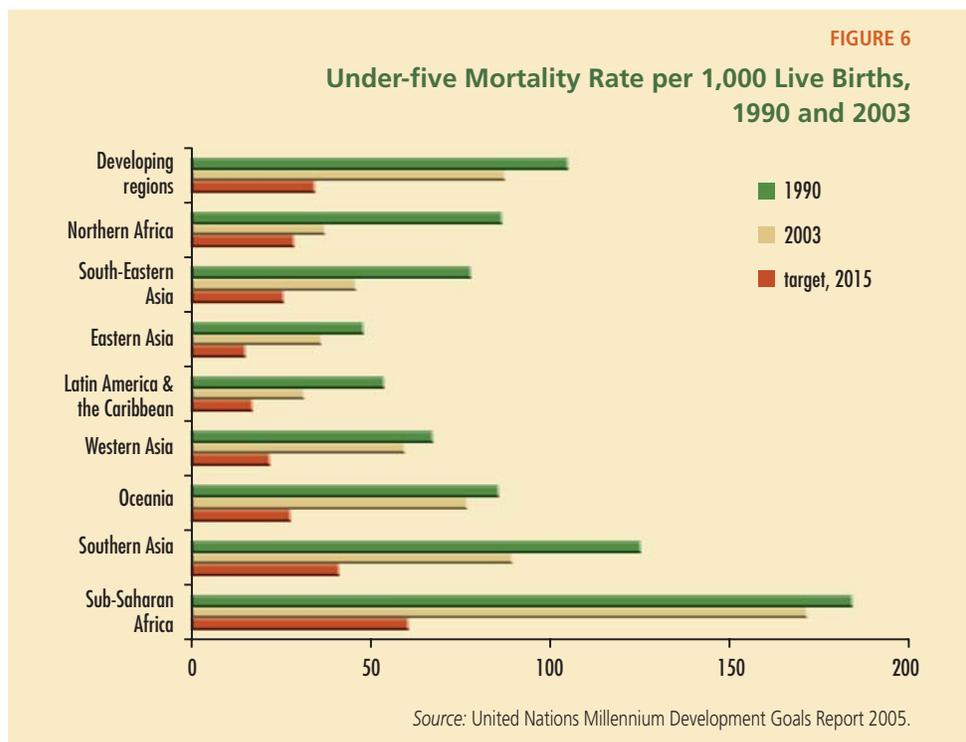
improving the education of girls and women to the point of reaching equality with boys and men. Nonetheless, major challenges remain with regard to women's opportunities in the labor market and in the political arena. An evaluation of the likelihood that Latin America and the Caribbean will be able to reach the target set for *eliminating gender disparities in primary and secondary education, preferably by 2005 and at all educational levels by 2015*, would conclude that the region has a very high probability of success, or even that a large number of countries have already reached the target, since gender gaps in education have closed in the last years in almost all countries in the region. The first indicator for this MDG refers to the ratio of girls to boys at the three education levels. In primary and secondary education this ratio stands at one or above one in most Latin America and the Caribbean countries. At the tertiary level, 12 out of 15 countries for which information is available have already reached the goal. The second indicator, namely the ratio of illiterate women to men, has also been largely reached. The average ratio of illiterate women to men in 25 countries is one. The third indicator refers to the participation of women in paid nonagricultural employment, which currently stands at 40 percent. Finally, the last indicator, which deals with women's participation in national parliaments, averages above 15 percent for the region, the highest in the developing world.



MDG 4, 5, and 6: Reduce Child Mortality, Improve Maternal Health and Combat HIV/AIDS, Malaria and Other Diseases

Following the trend of previous decades, child health continued to improve steadily in the region, even when compared with other developing world regions (figure 6). This said, it is important to recognize that the infant mortality goals (*reducing infant and child mortality by two thirds, between 1990 and 2015*) are very ambitious given the progress already made by some of the countries of the region. The goals currently stand at 14 and 18 deaths per 1,000 live births for infant and under-five mortality, respectively. Given this difficult challenge, the rate of progress in this indicators displayed by the region between 1990 and 2002, while significant, will not be enough to reach the child survival targets. In most countries the progress with respect to the goal was below 50 percent during the period. It is also important to note that infant and under-five mortality rates are very heterogeneous in the region and attention should be placed on the countries with the highest need. Rates vary from around 15 deaths per 1,000 live births in Uruguay to around 63 deaths per 1,000 live births in Haiti.

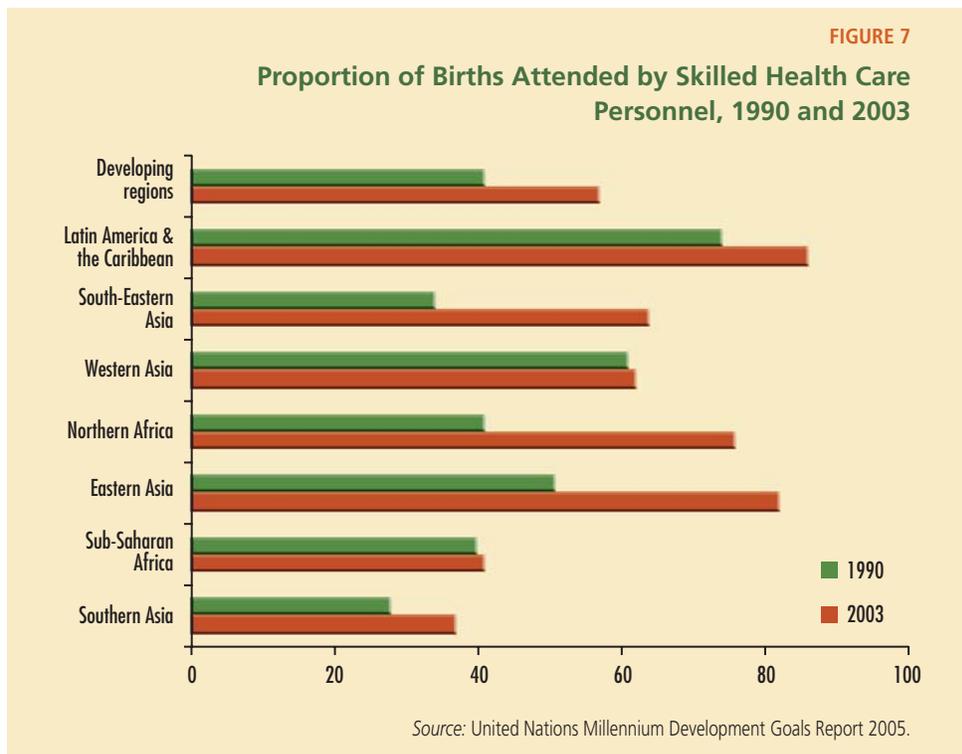
The region experienced great progress in the third indicator of child health (protection against measles) during the last decade of the 1990s. In 1994 the countries of the Americas agreed to stop the spread of measles by the year 2000. This target was reached. With support from PAHO's



Regional Immunization Program routine inoculation coverage against measles increased from 80 percent in 1994 to 94 percent in 2000. The incidence of measles for the region decreased markedly, from 150,000 cases per year at the beginning of the 1990s, to a total of 500 cases ten years later.

Another health goal is *reducing the maternal mortality ratio by three quarters between 1990 and 2015*. According to data calculated jointly by WHO, UNICEF and UNFPA, maternal mortality rates in Latin America and the Caribbean were around 190 per 100,000 at the beginning of the millennium. In global terms, this rate is lower than that for Africa, Asia, and Oceania, although it is far higher than European and North American rates. Maternal mortality rates in the region did not improve during the 1990s, and thus, compared with other continents, Latin America will need to make the greatest effort to reach this target. In order to attain this MDG, average maternal mortality in the region between 2000 and 2015 must be reduced by 8.8 percent per year, compared to the world average of 8.4 percent.¹ The region has one of the highest indicators for coverage of births by skilled personnel, but more effort is needed in ensuring the quality of the service provided.

¹ The comparable reduction is 8.5 percent in Africa, 7.8 percent in Asia and 2.3 percent in Oceania.



The MDGs also call for *halting the spread of HIV/AIDS and the incidence of malaria and other major diseases by 2015 and beginning their reversal*. The countries of Latin America and the Caribbean have one of the most diverse HIV/AIDS epidemics in the world. Prevalence rates and transmission routes are more varied than in any other region. According to PAHO, around 1.7 million people are infected with HIV/AIDS in the region, and 26 percent of them live in the Caribbean. The number of people infected with HIV increased by 220,000 between 2002 and 2004, and 10 percent of the new infections occurred in the Caribbean. Twelve countries now have a prevalence rate of over 1 percent. Limited access to testing and counseling facilities, lack of knowledge, stigma, discrimination, and poor data collection systems, suggest that existing prevalence figures may be underestimated. In the short term, reductions in prevalence levels may be difficult given the lengthy latency period of the virus.

PAHO data shows that the transmission of malaria predominates in tropical areas and is reported in 21 Latin American and Caribbean countries. However, less than 15 percent of the region's population currently lives in malaria-prone areas. Mortality due to malaria in the region declined from 806 deaths in 1994 to 201 in 1998. PAHO estimated that there were between 200 and 250 deaths due to the disease in the region in 2002. The incidence of malaria fell from 418.31 cases per 100,000 inhabitants in 1997 to 404.37 in 1998. Overall, malaria mortality in the region is relatively low. Changes in malaria prevalence rather than changes in morbidity would be a more sensitive indicator of the region's progress toward halting the spread of malaria. There are limited reliable data on the percentage of people in affected areas using preventative methods or receiving treatment.

According to PAHO, the prevalence of tuberculosis did not change significantly in the region between 1990–95 and 1997–02.² Significant reductions will be achieved only by increasing diagnostic coverage and treatment programs. The mortality rate in Latin America and the Caribbean is 11 deaths per 100,000 persons, or just over double that observed in developed countries.

MDG7: Ensure Environmental Sustainability

The scope of environmental sustainability in Latin America and the Caribbean presents a great challenge. With a population of 539 million inhabitants (2004) that is growing faster than the world average (1.6 percent vs. 1.4 percent), the region is experiencing increasing pressure on its natural resources. Trend indicators point to a very serious deterioration of the environment and depreciation of natural capital, which has significant impacts on health, productivity and

² In contrast, UN data show a decrease in the incidence of tuberculosis from 99 per 100,000 to 63 per 100,000, excluding cases related with HIV/AIDS.

income, physical vulnerability and the quality of life. The main demands that the region is facing in terms of the environment have been amply documented in various regional sources. They point out that while the region has indeed devoted considerable efforts to reducing environmental pressures, governments, the private sector, and civil society must intensify their actions to attenuate the negative effects of development and reverse the degradation of the environment.

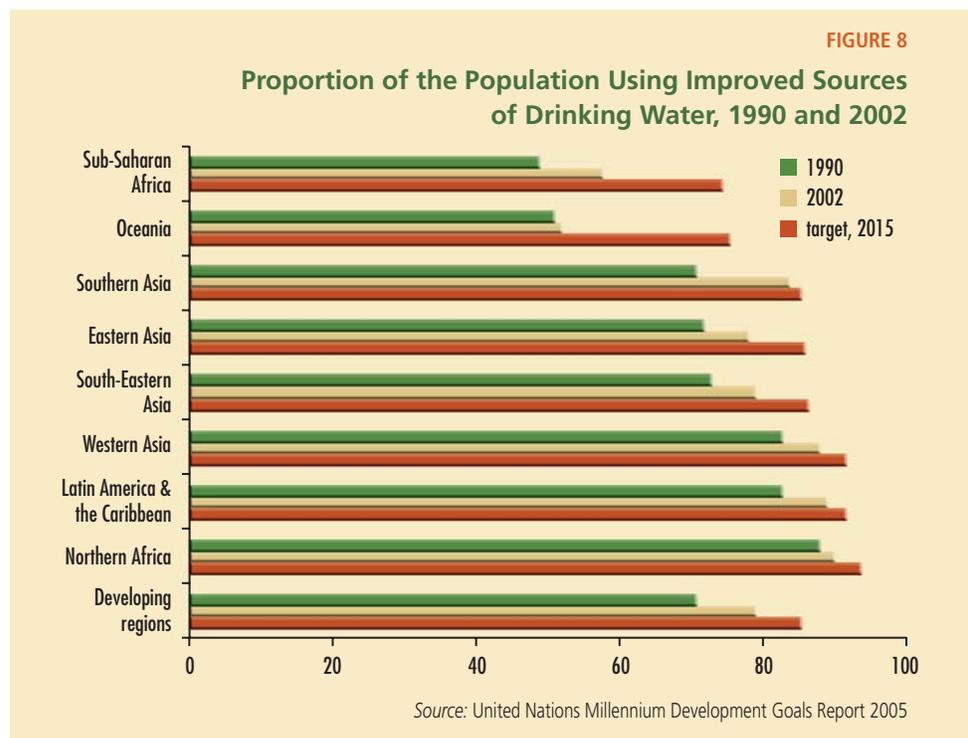
The *targets for protection of forest and biological diversity* are of great importance to the region. Each year Latin America and the Caribbean loses 4.6 million hectares of forest, or the equivalent of 0.5 percent of its total surface (FAO, 2004). Deforestation, defined as the conversion of forestlands to other uses, is caused primarily by the advance of the agricultural frontier, the development of productive activities (mining, for example) and infrastructure development. Commercial logging and firewood gathering are also factors that degrade forest cover and impact natural ecosystems where communities live. The region is also the focus of worldwide attention in terms of the protection of biodiversity. Although it occupies only 16 percent of the earth's surface and is home to less than one tenth of the human population, Latin America and the Caribbean holds 27 percent of the world's known mammal species, 37 percent of reptile species, 43 percent of bird species, 47 percent of amphibious species, and 34 percent of known flowering plants. Protected areas cover a surface of 230 million hectares, or 11.5 percent of the region's total surface. This wealth of species notwithstanding, many countries in the region with mega biodiversity are also the scene of the greatest losses of species in danger of extinction in the world. Data on endemic and threatened species in four countries with vast biodiversity (Brazil, Colombia, Mexico, and Peru) reflect revealing conditions about the unique value and vulnerability of their animal and vegetable species. For example, the four countries have between 360 and 490 species of mammals each, of which between 9 percent and 29 percent are endemic, and between 10 percent and 17 percent are threatened or endangered.

Indicators of energy use and carbon dioxide emissions show that in the past forty years, per capita emissions doubled to a level of 2.5 metric tons, paralleling per capita GDP; total emissions quadrupled in the same period (from 315,861 Mtons to 1,401,928 Mtons). Emissions per energy-consumption unit have remained steady since 1970. From the global standpoint, per capita CO₂ emissions in the region are below the world average (3.8 tons in 2003) and below other middle-income countries (3.2), standing a little above the countries of East Asia and the Pacific (2.1), but reaching only a fraction of the emissions in North America and Western Europe (19.7 and 7.7, respectively). Because the region's per capita income is higher than that of East Asia, but far below the European OECD average, these figures portray a system standing at an intermediate phase of development, with significant industrialization but, thus far, not reaching the development of post-industrial societies. Total CO₂ emissions in the region are still low in global terms, equaling only 6 percent of global emissions. One of the main priorities for the region is the promotion of energy and development policies that together improve the energy efficiency indicators and the economic efficiency of the energy sector.

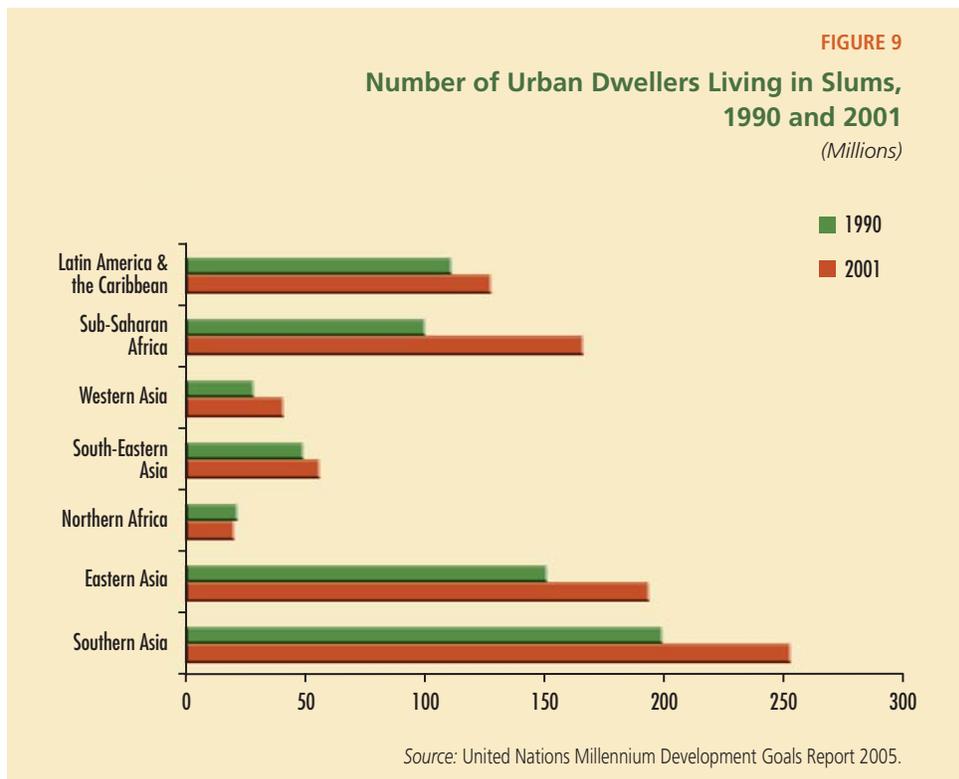
Given its importance for overall economic development, continued growth in electric power is particularly relevant.

The goal of halving the proportion of people without sustainable access to safe drinking water by 2015 was broadened during the Sustainable Development Summit in Johannesburg. It now includes the goal of reducing by half the proportion of people lacking access to basic sanitation services. Even though the countries of the region have relatively high rates of access to drinking water and sanitation services, there is still a long way to go, and progress has been slow compared with other world regions (see figure 8). An estimated 75 million inhabitants, representing 7 percent of the urban and 39 percent of the rural population, do not have access to clean water. Sixty percent of urban and rural dwellings with water hookups do not have continuous water service. Some 116 million people do not have access to sanitation services. This represents 13 percent of the urban and 52 percent of the rural population. The rate of access to drinking water in the region rose by 26 percent during the last decade of the twentieth century, but in order to meet the MDGs, access to the service must increase by 33 percent between now and 2015. The rate of access to sanitation services in the same period was 27 percent, and it must increase by 35 percent by 2015.

The environment MDGs also include *the improvement of living conditions in shanty-towns*. During the past decade, the governments of the region have undertaken programs to



incorporate these settlements into the formal sector of the economy and to integrate them into the urban fabric, by resolving the physical, social, and environmental problems affecting them. Neighborhood improvement programs combine different actions (legalization of land ownership, drinking water and sewer infrastructure, electrification, roads, education and social services, and recreation, primarily) within a single program aimed at improving living conditions. These comprehensive measures have been shown to be effective for reducing urban poverty. Even though this progress is encouraging, the challenges of urban growth (lack of infrastructure, pressures from informal urbanization, urban poverty, etc.) are worrisome. As most of developing world regions, the countries of Latin America and the Caribbean experienced an increase in the number of urban dwellers living in slums between 1990 and 2001 (see figure 9).



MDG8: Develop a Global Partnership for Development

The eighth Millennium Development Goal (*Develop a Global Partnership for Development*) involves a large number of commitments expressed in four targets and sixteen indicators in areas including official development assistance, market access, debt sustainability, youth unemployment, access to affordable essential drugs, and access to information and communication technologies.

On average, the countries of Latin America and the Caribbean have fared better than other developing regions with respect to several of these indicators. Yet, there are some emerging problems that deserve special attention. Specific indicators need to be created to better monitor regional needs related to the policy issues implied in the MDG8.

Latin America and the Caribbean has received a small but relatively stable share of Official Development Assistance (ODA, indicator 32 of the MDGs) since the beginning of the 1990s: the share was 9 percent in 1990, declining to 8 percent in 2002.

Net ODA to Latin America and the Caribbean (including both bilateral and multilateral flows) amounted to US\$6.1 billion or 0.4 percent of the region's GDP in 2003. While there was a slight increase in multilateral funds during the 1990s, by 2002 80 percent of ODA funds reaching the countries of Latin America and the Caribbean were bilateral donations. As with other developing regions, 85 percent of total ODA funds reaching Latin America and the Caribbean were untied resources (*indicator 34*). In line with the commitment to eradicate poverty and support the MDGs, half of those resources went to infrastructure and social services. Support for social services (basic education, primary health care, nutrition, safety water and sanitation, specified in *indicator 33*) has remained relatively stable over the years at levels above those registered for other major developing regions: globally, according to calculations based on published data on ODA,³ the share of ODA allocated to the social sectors was about 32 percent in 2002; in Latin America and the Caribbean it amounted to 46 percent. Two thirds of the resources spent on social services went to support employment and housing programs.

An important share of external development aid for the region is directed to the poorest countries. Bolivia, Honduras, and Nicaragua received 32 percent of all foreign aid going to the region in 2002 (see figure 10). The bias of external aid toward the poorest countries may generate uneven per capita allocations of aid between countries. For example, while Argentina, Brazil, Colombia, Mexico, and Peru are home to approximately 73 percent of the region's poor, they receive only 28 percent of the external aid. Latin America is not an exceptional case in this regard since 90 percent of global poverty is found in 31 countries whose average per capita income is above the international poverty line. The number of poor in these countries ranges from 10 million (Peru) to 860 million (India), and totals 2.6 billion people. Donors should increase efforts to assist poor populations in middle-income countries, aiming to generate and exploit synergies with national governments. Matching grants and resources to increase the progressivity and efficiency of national social spending may be adequate instruments for this purpose.

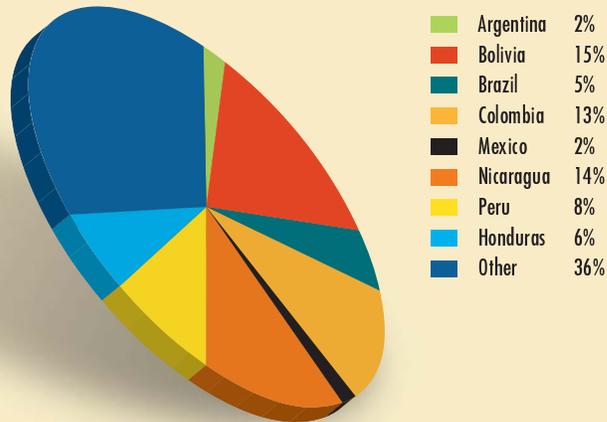
There is little data about ODA resources going to the environment in small island developing states such as the countries of the Caribbean (*indicator 35*). In 2002, total ODA resources as a share of GDP were greater than 10 percent in countries like Dominica, Guyana, and St. Kitts

³ OECD-DAC data accessible through www.oecd.org

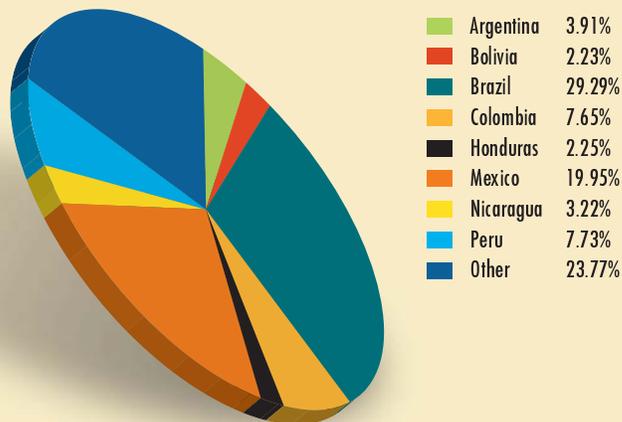
FIGURE 10

Distribution of the Number of Poor and External Aid in the Region, Selected Countries (2003)

Distribution of Development Assistance in Latin America and the Caribbean (selected countries)



Distribution of Poor People in Latin America and the Caribbean (Selected countries, US\$2 poverty line)



Source: World Bank World Development Indicators 2004.

Nevis. Yet, for other countries, such as Trinidad and Tobago, they represented negative flows. The evidence shows that, as a share of the GDP, ODA resources are losing relevance in most of Caribbean countries. Moreover, this type of assistance is extremely volatile as a result of external flows to support the reconstruction after natural disasters, which are very common in the region. In most of these countries, the Caribbean Development Bank and the Inter-American Development Bank played a crucial role in providing development assistance.

The only land-locked countries in the region are Bolivia and Paraguay, both of which are poor, with a large proportion of the population living below the poverty line. Investment as a share of GDP is shrinking in both countries, particularly due the decline in direct international investments. External assistance for infrastructure (including transportation as mentioned in *indicator 36*) has also declined since the 1990s. In 2002, this indicator was 11 percent of ODA resources in Bolivia and 8 percent in Paraguay.

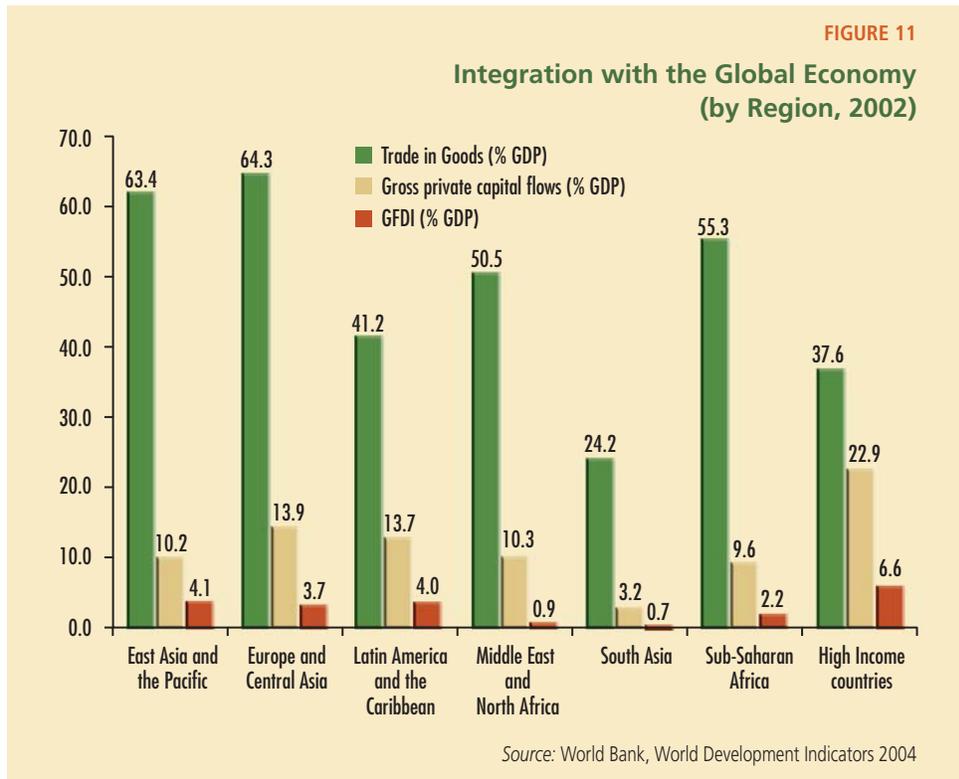
The region is not only a recipient but also a donor of development assistance funds. Some middle-income countries such as Brazil have allocated resources to increase assistance to the poorest countries and to further South-South collaboration. One example is the IBAS trust fund⁴, which was designed to finance social investments in health, education, sanitation and social development and provide debt relief to HIPC countries.

Exports constituted the most dynamic component of regional aggregate demand in the 1990s. As a share of GDP (*indicator 37 on market access*), exports jumped from 12 to 21 percent between 1991–1993 and 2001–2003. Most of this increase was driven by intra-regional trade, which increased by 213 percent. Exports to markets outside the region increased by 60 percent between 1991 and 1997.

The countries of the region face significant constraints in external markets that result from the asymmetric development of duty-free exports and quotas. Indeed, Latin America and the Caribbean, on balance, conceded more advantages to developed countries than they received from them. For example, most countries in the region have accepted and put into practice intellectual property agreements advocated by developed countries. The advantages that the region receives from the liberalization of trade in clothing and agricultural products (*indicator 38*), on the other hand, seem relatively limited. The liberalization of trade in clothing went into effect in 2005 and many important regional exports, such as shoes, still face trade barriers in the developed countries.

Although trade barriers were reduced during the nineties, protectionist practices such as the application of contingencies, antidumping measures, compensatory rights (subsidies to agriculture,

⁴ details about the trust fund are available at: http://www.pnud.org.br/pobreza_desigualdade/reportagens/index.php?id01=116&lay=pde



for example as referred to in *indicator 39*), safeguards and special products regimes, have been reinstated in many developed countries. Labor and environmental rules as well as sanitary controls are posing additional barriers to regional exports to the United States and the European Union.

The countries of the region were not able to build their trade capacity (*indicator 40*) on the basis of the ODA that they received as may have been the case in other developing countries. The region received only 2 percent of total ODA funds to meet this need in 2001 and 4 percent in 2002. Hence, the countries of Latin America and the Caribbean have not received much assistance to create more adequate commercial regulations and trade capacity. This may have weakened their international competitiveness vis-à-vis other regions of the developing world that received more substantial external support in this regard.

The external debt of the countries of the region rose from less than US\$500 billion in 1990 to US\$750 billion in 2003. However, thanks to a positive trade performance, their external debt as a share of exports fell from 240 to 160 percent. In addition, low interest rates during the 1990s meant a reduction in debt service from 41 to 29 percent of exports during the period (*indicator 42 on debt sustainability*). Unfortunately, lackluster economic growth resulted in an increase in the share of the external debt in regional GDP, from 42 percent in 1990 to 46 percent in 2003.

Debt sustainability remains a challenge in the highly indebted poorest countries (HIPC) of the region, i.e. Bolivia, Guyana, Honduras and Nicaragua. In three of the last four years, economic growth in these four countries, which are among the largest recipients of ODA (more than 10 percent of GDP in some cases) was nil. A large share of the ODA received by these countries in 2002 was earmarked to debt relief (*indicator 41*). Despite this assistance, public expenditures in these countries continue to be conditioned by the burden of external debt.

Youth unemployment is one of the urgent challenges faced by the region. The average unemployment rate of persons between the ages of 15 and 29 jumped from 12.8 percent in the beginning of the 1990s to 16.1 percent during the first years of the current decade (*indicator 45*). Despite this increase, regional rates are lower than those experienced in many OECD countries. Unfortunately, unemployment rates in Latin America and the Caribbean measured by official statistics are just the tip of the labor iceberg. Underneath lies a huge informal labor market, where many young workers are employed. The quality of informal market jobs available to youths is worsening. Many have no option but to accept part-time jobs or occupations that are not compatible with their acquired skills.

Another facet of youth unemployment in the region is the fact that it affects different groups differently. The unemployment rate is higher for poor and unskilled youths, reaching 28.1 percent in 2002 for the poorest youth quintile, compared to 8.7 percent for the richest youth quintile. Young women face higher unemployment rates than young men, especially in the poorest groups.

By the end of the 1990s, 36 percent of the region's population lacked access to affordable essential drugs on sustainable basis (*indicator 46 on access to affordable essential drugs*). This is the same percentage as in other developing regions. It stands in stark contrast to the 91 percent coverage rate of the developed countries. There is a huge disparity in this indicator across the region. In 1999, the World Health Organization placed seven Latin American and Caribbean countries on its list of at risk nations (where less than 50 percent of the population had access to affordable drugs). Access to affordable drugs was on a par with that in developed countries in only five countries in the region.

Many countries in the region have high rates of use of information and communication technologies (ICT). The number of telephone lines per 1,000 people (*indicator 47 on access to information and communication technologies*) rose from 64 to 362 between 1990 and 2002, while the number of personal computers per 1,000 people rose from 6 to 68 in the same period (*indicator 48*). The number of Internet users reached 82 per 1,000 people in 2002. This is tempered, however, by the unequal distribution of access to ICT within and between countries, a condition known as the digital divide.



Adapting the MDG Agenda to the Region

In addition to addressing the two regional tasks of reducing poverty and ensuring social development, the MDGs place before Latin America and the Caribbean the challenges of fulfilling the spirit of the Millennium Declaration. These include the definition and monitoring of equitable social development goals (MDGs 2 to 7) and supplementing the indicators established in the internationally agreed MDGs with indicators that are specifically relevant to the region and individual countries therein. The calibration and adaptation of the indicators to local conditions is necessary in order to achieve the ultimate objective of the Millennium Declaration, which is to reduce poverty, hunger, disease, lack of housing, and exclusion, while promoting gender equality, education, and environmental sustainability. This chapter explores the main areas in which the MDGs may be tailored to better reflect the development needs of the region. This includes placing more emphasis on inequality and exclusion, the adaptation of the nutrition goals to the epidemiological profile of the region, more ambitious goals in education, health goals that better reflect the epidemiological profile of the region, and more ambitious goals for gender equality.

Placing More Emphasis on Inequality and Exclusion

Perhaps the single most important change needed to ensure the relevance of the MDGs to the region is to integrate considerations of equity and inclusion into them. The chronic problems of inequality and exclusion are so dramatic in Latin America and the Caribbean that poverty in the region cannot be overcome nor development secured without addressing inequality and exclusion simultaneously. Without adapting the MDGs to the realities of equity and inclusion, they run the risk of not being achieved in key ways or becoming less relevant and even potentially counterproductive.

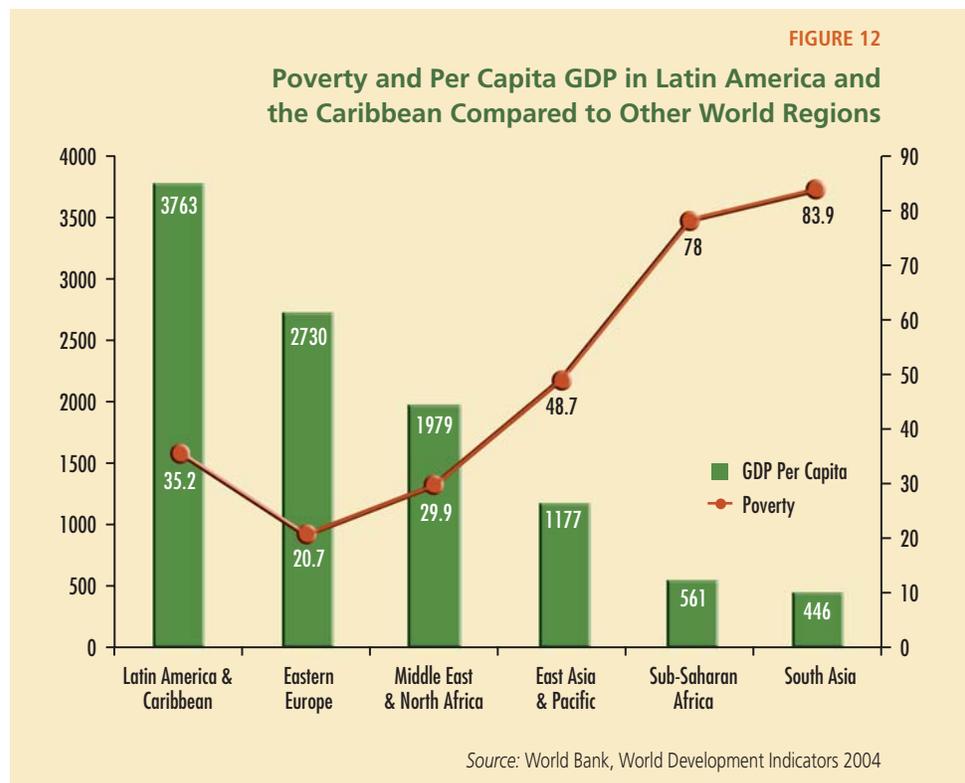
Poverty and inequality in the region are rooted in patterns of social exclusion where individuals are denied access to quality services or opportunities to overcome poverty because of their group affiliation. The poorest people in Latin America and the Caribbean are, disproportionately, members of excluded populations; namely, Afrodescendants, indigenous peoples, persons with disabilities, persons with HIV/AIDS, and poor women. In Bolivia, Guatemala and Peru, indigenous populations make up 60 percent of those living below the poverty line (IDB, 2003). Inequality and exclusion are reinforced and deepened in many different ways in Latin America

and the Caribbean: via cultural norms, discrimination, ignorance, land tenure laws, and the misallocation of public resources. Exclusion is not a minority trend, rather taken together, the excluded encompass the majority of the region’s population, the overwhelming majority of the poor, and the absolute majority of the population of many countries.

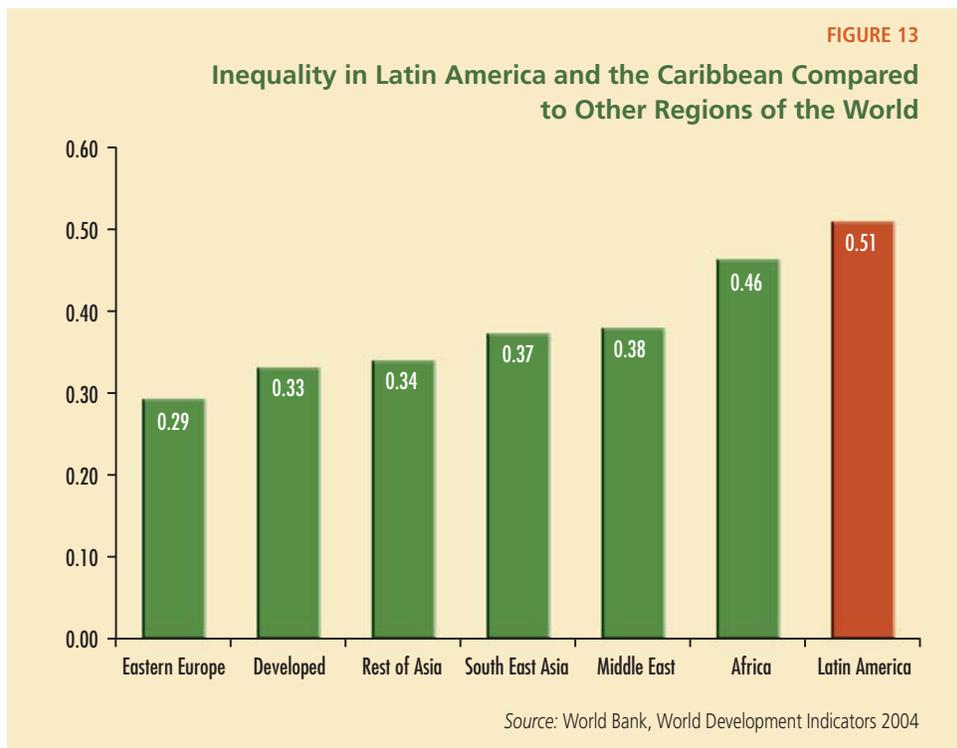
Placing Emphasis on Inequality Indicators to Monitor MDG1

The MDG indicator that often raises the most concern in Latin America and the Caribbean is the poverty target. Despite increases in social investments, and improvements in educational and social indicators, poverty has not decreased in many countries and even worsened in some. While there is no single explanation for this, there is a consensus surrounding the importance of the “poverty trap” in this outcome. Poverty in the region is transmitted and reinforced across generations of people suffering from exclusion and inequality. Poverty in Latin America and the Caribbean, which has the highest average per capita income of the developing world, is higher than one would expect it to be on the basis of a comparison of major world regions (see figure 12).

The explanation for the disparity between aggregate indicators of well-being (such as per capita income, human development and social indicators) and poverty can be found in the unequal distribution of assets across the region. In terms of income, the countries of the region



are among the most unequal in the world. Estimates from the mid-1990s show that the Gini coefficient for the region was 25 percent higher than would have been expected given per capita GDP. If income distribution corresponded to what would be expected given the region's level of development, the number of poor people would be half as large as it is (Londoño and Szekely, 2000). During the 1990s, high inequality and exclusion reduced the impact of overall economic growth on poverty reduction. Moreover, in several countries, the decrease in poverty that would have resulted from income growth was compromised by increases associated with rising income inequality.



Inequality is key to ensuring compliance with MDG1 because it determines how quickly growth reduces poverty. With no changes in the distribution of income, the region will need annual per capita income growth of at least 2.9 percent (higher than the 1990s average) to achieve the MDG of halving the percentages of the population living on less than one dollar and less than two dollars a day (in purchasing power parity) by 2015. Countries where the incidence of poverty is high will require even greater efforts to spur economic growth. A reduction in inequality in the region to levels currently existing in Africa (that is, a 10 percent reduction in inequality or a 5 point reduction in the Gini coefficient) would reduce by half the rate of growth necessary to reach MDG1 by 2015.

Underlying income inequality, there are huge inequities in the distribution of assets, including education, land and credit. According to recent studies, the average length of schooling for the poorest 20 percent is only four years, while the richest 20 percent stay in school for an average of 10 years. In countries where data is available, the children of the poor accumulate many more disadvantages (or developmental “failures,” including child mortality, school dropout and youth unemployment) and much sooner than children of the rich, significantly reducing the odds of them ever joining a competitive work force and escaping poverty. In Brazil, for instance, only 15.2 percent of the children in the richest quintile had accumulated one or more developmental “failures” by age 18. This compares to 64.3 percent for those in the poorest income quintile. Girls experience fewer developmental “failures” than boys; nonetheless, the distribution of assets, including access to capital and ownership rights to family assets, is slanted against women.

Inequities between people and groups mirror inequities between regions or other geographically based divisions with unequally distributed endowments of resources, economic attributes, heritage and linkages to the modern economy. Growth does not spread well to backward regions that are only marginally connected to the modern economy. This adversely affects income and employment and further exacerbates income and opportunity gaps between well-integrated, usually large city-regions, and marginal, usually rural localities where socially excluded groups reside. Spatial segregation is also present within cities, with low-income households residing in much less diverse neighborhoods than their counterparts in the developed world, helping to perpetuate poverty and inequality.

Inequality imposes severe costs on poverty reduction, growth, and social and political progress in the region, and thus, reducing it should be a high priority for governments and the international community. Indicators currently used to monitor progress in reaching MDG1 include one measure of inequality; that is, the share of the poorest quintile in national consumption. Unfortunately, this indicator is not easy to monitor in Latin America and the Caribbean. A large part of the surveys undertaken in the region mostly collect data on income. When available, data on consumption is usually for recent years. Income indicators of inequality, which are used more frequently both in and outside the region, facilitate benchmarking, monitoring and comparisons across regions.

Numerical targets for income inequality reduction goals in the region may include reductions of the region’s excess inequality with respect to developed regions or to the average of the developing world.

Including Consideration of Inequality and Exclusion in the Health and Education MDGs

Policies to attain the health and education MDGs should make it a priority to improve the status of excluded populations and create indicators to monitor progress in these areas that take into account the gaps and needs of excluded populations. MDG health targets in Latin America and the Caribbean, for example, are likely to have a high correlation with exclusion and inequality. Data

on prevalence rates for HIV/AIDS infection by race or ethnic background are often not provided, but there are clear indications that the incidence is much higher among afrodescendent and indigenous populations. Such delineations are essential to designing the right kinds of prevention and treatment programs that will have an impact on achieving both the MDG goal and significant reductions in the spread of the disease. One study indicated that the indigenous afro descendent Garifuna community of Honduras had an 8 percent HIV/AIDS prevalence rate compared to a national rate of 1 percent. A joint PAHO/ONUSIDA report faulted the lack of data but suggested that infection rates were rising particularly in rural indigenous or forested areas (IDB, 2004).

A PAHO analysis of the situation in Brazil demonstrates that, because of regional concentrations of poverty among Afrodescendants in the Northeast, targets for maternal health could be reached by investing only in the southern regions of the country where the poor have greater access to hospital care. That is, investing not in the area of greatest need, but in those areas where the ability to reach the MDG is easiest. Doing so, however, would leave the neediest populations of the Northeast in a relatively worse position.

Another example that the disaggregation of the MDG targets by gender, race, ethnicity and other factors of exclusion is important for policy design is the case of gender and primary and secondary education (Goal 3, target 3a). In countries such as Guatemala and Peru, indigenous women have much lower graduation rates than the general population. Improving secondary schooling for indigenous women requires a much more targeted and culturally appropriate investment than more generalized approaches to secondary education. In such cases, disaggregation of key MDG indicators is an important tool for monitoring achievement of the goal and insuring proper policy design.

Without incorporating indicators and analysis of the key fault lines of inequality and exclusion in a given country, achievement of the MDG goal might lead investments away from those policies that may have a larger impact on national development (e.g. differences in educational quality, or differences in secondary school achievement). Thus, there is a compelling need for supplementary indicators and data disaggregation related to inequality, and at a minimum, disaggregation of indicators of excluded groups, so that the MDGs do not inadvertently become tools for obscuring, undermining, or missing the most pressing problems of long-term poverty and sustainable development.

Taken together, the potential to thwart the achievement of the Millennium Development Goals by not taking into account considerations of equity and inclusion present a compelling case for more serious consideration of equity and inclusion in implementing them. To do so requires many building blocks of both analysis and policy, including:

- Systematic monitoring of levels of inequality and exclusion along with MDG monitoring to 2015 and beyond;

- Disaggregating MDG indicators on the basis of race, ethnicity, gender, disability and other factors of exclusion;
- Emphasis in MDG-related investments on improving access for excluded groups and insuring equitable distribution of services (e.g. services in native languages, rural outreach services) to avoid reinforcing inequalities;
- Development of supplementary indicators that reflect key national developmental needs in terms of equity and inclusion;
- Analysis of key social/economic policy interventions to achieve the MDGs in terms of their impact on reducing inequality and exclusion; and
- Diagnostic work on exclusion and inequality at the country level where needed.

The incorporation of a wider range of policy instruments to achieve the MDGs with equity (including antidiscrimination instruments) should focus on territorial investments, life cycle social investments, labor market interventions and education-to-work links, and regional integrated development.

More Ambitious Education Goals

The Millennium Development Goals provide a “first line of accountability” by establishing minimum performance standards to be promoted by both governments and the donor community. However, insofar as the education MDGs appear to be well within reach of most countries in the region, more demanding output goals must and will appear on education agendas across the region. It will become incumbent upon governments to marshal the resources required to move their systems toward higher bars of achievement.

The Summit of the Americas goal of 75 percent enrollment at the secondary level by 2010 emerged in this context. As is the case with primary education, the region displays a high level of heterogeneity in terms of secondary enrollment. The Summit did not clarify whether “secondary level” meant lower secondary (grades 7–9) or complete secondary (through grade 11 or, in some cases, through grade 12). As indicated in the last column of table 1, on average, the region does not appear to be that distant from the more demanding goal of secondary enrollment, if it is understood as encompassing the lower secondary grades. The picture worsens significantly if secondary is defined as the complete post-primary cycle. Recent estimates (Urquiola and Calderon, 2004) indicate that enrollment rates for the 14 to 18 year-old cohort in urban areas exceed 75 percent in a number of countries, yet fall substantially in rural areas (see table 1), pointing again to issues of inequality within countries as a major issue to be faced in this regard. Thus, whereas achieving the MDG for education across the region by the year 2015 may be largely feasible, achieving the Summit of the Americas goal of 75 percent enrollment five years earlier remains a far more challenging undertaking.

More challenging goals like these are not only the natural consequence of the current developmental stage of education in Latin America and the Caribbean, but they are a requirement of the competitive environment in which the region finds itself.

All existing sources indicate that the countries of the region lag behind not only the OECD but also East Asia when it comes to the quality of education. Latin American countries score between $\frac{1}{2}$ to $1\frac{1}{2}$ standard deviations below their competitors in those regions. At the primary level, half a standard deviation is approximately equivalent to the increase in learning between grades 3 and 4. Between grades 7 and 8 the difference is around one third of a standard deviation. This suggests that what children know in the region is at least one full grade below what children know in the OECD or newly industrialized Asian countries. Thus, children completing grade 6 tend to know only as much as fourth or fifth graders in those countries, and, similarly, children completing grade 12 would probably know no more than tenth or eleventh graders. Clearly, in order to be meaningful, education goals for Latin America and the Caribbean must look beyond sixth grade completion to issues of lower secondary school completion and, in any case, to the completion of quality cycles, and not just the accumulation of years of schooling (Wolff and Gurría, 2004).

Education quality and secondary enrollment are also key to reducing exclusion in the region. A study entitled “MDGs and Ethnic Gaps in Peru” (Benavides and Valdivia, 2004), which was

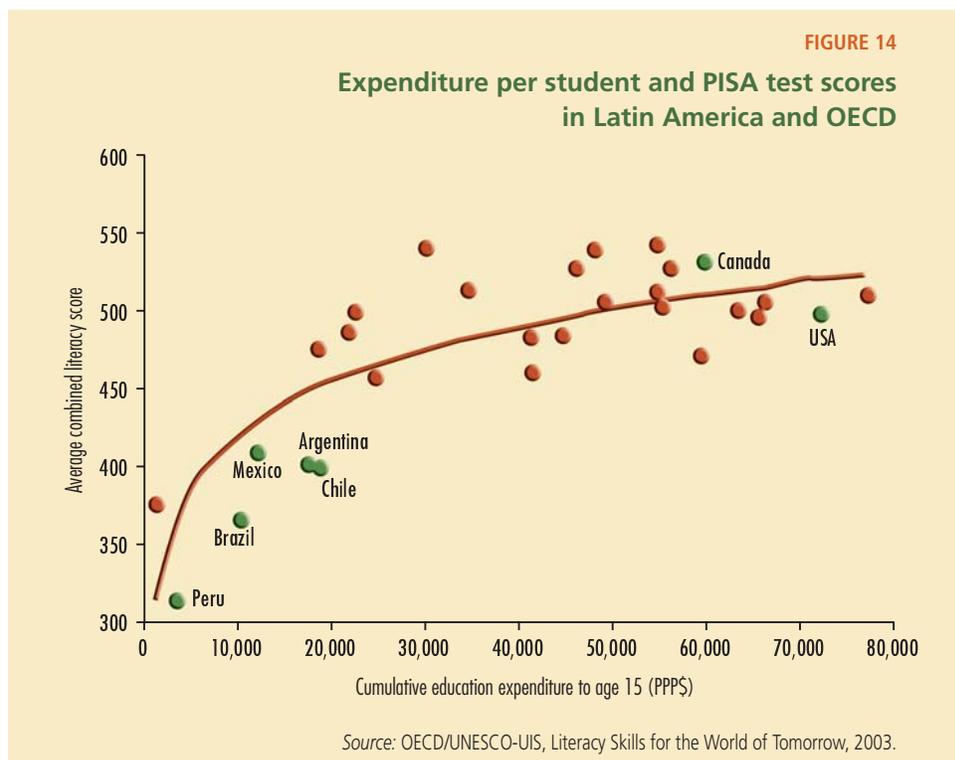


Table 1

Enrollment Rates for Ages 14 to 18
(by Country)

Enrollment: Ages 14-18						Avg. yrs. of schooling at age 18	
Urban		Rural		National		Country	Years
Country	Rate	Country	Rate	Country	Rate		
Argentina	84.0					Argentina	9.8
Belize	71.3	Belize	43.6	Belize	56.5	Belize	6.6
Bolivia	87.0	Bolivia	52.3	Bolivia	74.7	Bolivia	8.9
Brazil	79.7	Brazil	67.8	Brazil	77.1	Brazil	7.3
Chile	88.7	Chile	70.2	Chile	86.1	Chile	10.4
Colombia	72.4	Colombia	52.4	Colombia	64.3	Colombia	8.4
Costa Rica	71.2	Costa Rica	47.1	Costa Rica	58.3	Costa Rica	7.8
Dom. Rep.	84.6	Dom. Rep.	79.1	Dom. Rep.	82.7	Dom. Rep.	8.3
Ecuador	73.5	Ecuador	42.1	Ecuador	62	Ecuador	8.7
El Salvador	72.8	El Salvador	47.8	El Salvador	61.3	El Salvador	8
Guatemala	60.9	Guatemala	30.6	Guatemala	41.9	Guatemala	5.5
Guyana	55.9						
Haiti	72.9					Haiti	5.9
Honduras	56.8	Honduras	27	Honduras	40.8	Honduras	6.2
Jamaica	78.9	Jamaica	70	Jamaica	75.6	Jamaica	8.8
Mexico	69.7	Mexico	45.5	Mexico	59.8	Mexico	8.7
Nicaragua	70.2	Nicaragua	40.9	Nicaragua	58.1	Nicaragua	5.9
Panama	82	Panama	61.9	Panama	74.2	Panama	9.5
Paraguay	75.2	Paraguay	51.3	Paraguay	64.4	Paraguay	8.4
Peru	74.7	Peru	59.1	Peru	68.8	Peru	9
Trin. & Tob.	66.1						
Uruguay	71.6					Uruguay	8.7
Venezuela	72.2	Venezuela	66	Venezuela	66.7	Venezuela	8.6

Source: Urquiala and Calderon, 2004.

commissioned by the IDB, found that none of the MDG indicators capture the areas of greatest inequality gaps between indigenous peoples, Afrodescendants and the white population. In education, the MDG goal concentrates on primary education coverage, rather than educational quality, which is more central to inequality and the spread of poverty in Peru. Educational exclusion is perpetuated by bias in public spending allocations. More than half (54 percent) of the differences in the educational performance of Peruvian children can be explained by differences in the allocation of resource in schools (World Bank, 1999). Without supplementing the educational goal with measures of quality or public spending, the primary education indicator for the Millennium Development Goals might indicate progress in obtaining increased coverage, but fail to report growing deficiencies and inequalities in the quality of education.

How Much is Feasible?

While more ambitious education goals must be established for the region, they must be tempered by a close examination of existing and projected policy constraints. Foremost among

these is financing. By some estimates (see Wolff and Gurria, 2005), ensuring that 100 percent of the primary age cohort is enrolled in school and that the education they receive is of quality would require about US\$12.2 billion over the course of the next ten years (through 2015), a figure that translates into investing an additional 1 percent of GDP in primary education (ECLAC, 2005). Much of the costs involved would be associated with reaching out to isolated, marginalized or extremely impoverished segments of the population, as well as with improving overall quality.

Increasing enrollments at the secondary level to 75 percent by 2015 (up from a regional average of 62 percent in 2000; see ECLAC, 2005) would require a considerably greater effort. Across the region, education systems would have to incorporate almost 22 million additional students, with projected costs exceeding US\$51 billion, more than four times the amount required to meet the goal of universal net enrollment of the primary cohort (Wolff and Gurria, 2005).

Although the region has seen a steady increase in the volume of public and private resources allocated to education, and public spending on education as a share of GDP currently stands at around 4.7 percent (up from 4.1 percent in 1990), the sustainability and further expansion of this level of education spending is by no means guaranteed. Indeed, if overall economic performance in the region stagnates or declines, progress in education, including the attainment of the MDGs, could become problematic. Countries at greater risk in the event of a downturn will be the poorest, those which commit low levels of resources to public spending on education, and those with relatively slower progress in reaching the Millennium Development Goals in the sector.

In any scenario, public domestic resources will remain the most important source of education financing, but external financing will continue to play a role, and it should become focused on helping countries stay the course and make the “extra push” where it is most needed.

Additionally, mobilization of fresh financing is not the only route that should be followed when looking for ways to expand the overall resources available to the education sector. As a “window of opportunity” of ever smaller school-age populations and falling rates of dependency opens across the region, governments should be better able to reallocate education budgets and reverse the regressive tendencies in financing that have been observed in some cases, focusing on ensuring quality completion of the primary and secondary level for all populations. Indeed, it has recently been estimated (e.g., Bruneforth et al., 2004) that the total primary cohort (adding up all countries in the region) will fall by about 4.6 million children (however, the impact of this demographic shift will not be uniform across countries).

Sound policymaking and sector management will also have to play a key role. Student flows will need to be improved and savings (potentially at \$11 billion PPP/year for the region as a

whole) redirected toward improving quality and access where most needed. Brazil offers the clearest example in this regard. If it were able to reduce its current rate of repetition (25 percent in 2000; see ECLAC, 2005) to 5 percent by 2015, no additional resources would be required to achieve 100 percent net enrollment at the primary level. The efficiencies gained by decreasing repetition would compensate any projected cost for expanding access. If, however, current rates of repetition were maintained, the country would require an additional US\$200 million per year to achieve the goal of 100 percent net enrollment (ECLAC, 2005).

Adapting the Health MDGs to the Epidemiological Profile of the Region

The advanced demographic and epidemiologic transitions being experienced by most countries in the region reduce the relative importance of the health-related MDGs. Achieving the original MDGs would impact only 17 percent of the regional burden of disease, compared with 95 percent in Sub-Saharan Africa and 42 percent in all developing countries. Two thirds of the burden of disease in Latin America and the Caribbean is associated with noncommunicable diseases (cardiovascular illnesses, cancer and mental disorders), and an additional 14 percent is related to injuries due to external causes, where violence and traffic accidents predominate. These health problems affect mostly the poorest population groups and the socially excluded. Thus, the most salient dimensions of noncommunicable diseases and injuries should be considered by the countries of the region and by the international community as valid targets for poverty reduction in the framework of the MDGs.

Achievement of the original health-related MDGs is addressing important poverty needs in the region. However, given the epidemiological profile of the poor, those goals need to be supplemented by others related to their predominant health needs. It should be kept in mind that the epidemiological profile varies widely across countries. For example, life expectancy at birth is only 53 years in Haiti but 78 years in Chile, Costa Rica and Cuba. This precludes the establishment of identical goals for all the countries in the region. Each country should evaluate its specific burden of disease as well as its distribution across income level, and identify relevant health priorities. Based on that, they can set the goals and select the indicators that better reflect their health needs. Although some additional targets are suggested here, individual countries may set their own priorities, goals and targets. Thus, the methodological approach of *results-based management* proposed by the MDGs becomes a common approach to all countries, regardless of their specific priorities, goals and targets.

Individual countries may want to consider the following topic areas to adapt the original health-related MDGs to the changing epidemiological profile: reduction of obesity in childhood; access to school health programs; access to contraceptive services and products; reducing violence, specifically domestic violence; and reducing the incidence of relevant communicable diseases, like Chagas disease and tuberculosis, among others.

Reducing Obesity in Childhood — The second target of the first MDG (malnutrition) will likely be achieved by most countries in the region. The only exceptions are the countries of Central America where nutritional status actually deteriorated during the 1990s. Making sure that this negative trend is reversed and the goal is achieved by all countries constitutes a priority for national and international action. But there is an emerging nutritional threat looming in the horizon; that is, increasing obesity among all age groups starting with children under five years of age. The proportion of obese young children (with obesity measured as weight for height) in Latin America and the Caribbean is 4.4 percent, compared with an average of 3.3 percent for all developing countries. The share of obese children is lower in Central America, larger in the Caribbean, and the largest in the countries of the Southern Cone where it reaches almost 5 percent.

Table 2 Regional Prevalence of Overweight and Wasted Preschool Children (Aged ≤ 5 years of age) in 1995

Region	Population Covered %	Proportion Overweight	Population Covered %	Proportion Wasted
Developing	87.8	3.3	94.1	9.4
Africa	70.9	3.9	94.5	9.6
Asia	92.4	2.9	93.7	10.4
Latin America and the Caribbean	94.1	4.4	97.2	2.9
Central America	97.9	3.5	99.8	4.9
South America	95.5	4.9	99.6	1.8

Note: "Overweight" is defined as a weight for height higher than 2 SDs of the NCHS/WHO international reference median; "wasted" is defined as weight for height lower than 2 SDs of the reference population. No information is available for the Caribbean countries as a subregion of Latin America and the Caribbean. Source: De Onis and Blossner, 2000.

Overweight and obesity among young children is a precursor of a larger problem among adolescents and adults, both in terms of prevalence and burden of disease. Using data on the body mass index (BMI), a compilation made by the Nutrition Unit of PAHO/WHO of 45 national or subnational studies in 12 countries in the region, presents startling evidence of the obesity epidemic.⁵ Most of the studies reviewed consistently found that between 50 and 66 percent of adults are overweight (BMI ≥ 25) and between 25 and 30 percent are obese (BMI ≥ 30). As in developed countries, obesity is more prevalent among the poor. The countries of the region may consider childhood obesity as a development priority and, using the body mass index as an indicator, establish as a target, reducing the share of overweight children by 2015.

Reducing the Incidence of Tuberculosis and Chagas Disease — The burden of these two diseases in the region is five to ten times larger than that of malaria. Public health programs aimed at

⁵ PAHO: National and subnational male and females adult prevalence rates of overweight (BMI ≥ 25) and obesity (BMI ≥ 30) for the Americas

preventing and controlling tuberculosis and Chagas have deteriorated in many countries. The inclusion of specific targets related with these two diseases would be a good way to improve the response of the national epidemiological surveillance systems and to improve the health status of millions in the next decade.

Adapting the MDG3 to Strengthen Gender Equality and Women's Empowerment

Women in Latin America and the Caribbean have made significant advances in their levels of education, health and nutrition, and in almost all other measurements of well-being that constitute human capital and determine marketable skills. Women have also witnessed an increase in opportunities to generate income and participate in the social and political processes that define their future and that of others. Nevertheless, national averages for women as a whole conceal persisting inequities between women of different income levels, between women who live in urban and rural areas, and between women of different ethnic or racial origin.

Most countries in the region have already achieved the target established to track MDG3 on gender equality and empowerment of women; that is, the elimination of gender disparities in primary and secondary education, preferably by 2005 and in all educational levels by 2015. In fact, by 1990 most countries had no significant gender gaps in primary level enrollments, and even showed higher enrollment rates for girls than for boys in the secondary level.

MDG3 has been defined as a goal in itself and as a means to achieve all of the other Millennium Development Goals. However, the promise of gender equality and women's empowerment cannot be approached by equality in education alone. Even though education is extremely valuable for empowering women, gender equality also involves having the opportunities to use the skills acquired and participate fully in the economic and political arenas. Recognizing the limitations of the target and the indicators that were established to monitor progress in MDG3 is the first step to address relevant challenges on gender equality and women's empowerment in the region.

The spirit of the goal on gender equality and empowerment of women can be approached through the conceptual framework developed by the Gender Equality Task Force of the Millennium Project.⁶ The Task Force has proposed three main areas of inequality that need to be addressed: capabilities, access to resources and opportunities, and security.

⁶ UN Millennium Project 2005. Taking Action: Achieving Gender Equality and Empowering Women. Task Force on Education and Gender Equality.

Gender Equality in Capabilities

Education. By all accounts, women's educational achievements have been remarkable. In many countries of the region girls are outperforming boys in terms of enrollment, graduation rates and educational attainment. Nevertheless, more subtle challenges to gender equality remain. The educational lag of boys is an emerging problem for the region and is beginning to be addressed in a number of countries, particularly in the Caribbean. Concerns with respect to the quality of the education systems and their relevance to the labor markets present specific challenges for gender equality. Schooling as a catalyst for change in gender relations will require attention to textbooks, curriculums and educational technologies that teach equality between women and men and likewise, eliminate teaching practices, curriculums and materials that continue to project stereotypes that limit the capabilities and opportunities of women and men alike. Technical and higher education are segregated according to traditional gender roles, which contributes to some of the biases later seen in the labor market. Still, social, geographical and racial inequalities burden indigenous girls and women.

Reproductive Health. One source of women's empowerment, which has the potential of having a high impact on reducing poverty and increasing the quality of life of families is the sexual and reproductive health of men and women. This has multiplier effects throughout the lifecycle of men and women, by reducing maternal mortality and the incidence of HIV/AIDS; by delaying the age at which women first become pregnant and allowing adolescent girls to accumulate more years of education and training for the labor market; and by increasing the spacing between children, which allows mothers to recover physically and reduces infant mortality. Progress in women's control over their fertility has reduced the average family size (however, the decline in family size has varied for different population groups). At low-income levels and among indigenous populations fertility is still considerably high, placing pressures on the standard of living of the poorest households. Declines in fertility among 12 to 19 year olds are also lower than that for other groups, indicating high levels of teenage pregnancy.

Maternal mortality rates have had scant improvement over the past years. In this regard, efforts should be made to extend basic mother-child health services coverage, such as prenatal and postnatal care, emergency obstetric care, and diagnosis and treatment of sexually transmitted diseases, and to promote sexual and reproductive education for adolescents, in particular for low-income families in Afrodescendant and indigenous populations.

Adolescent pregnancy has become one of the few health indicators that is not improving or is even worsening in some countries. As in the case of most challenges to women's well-being, lowering teenage pregnancy calls for paying concerted attention to a number of interventions, including school-work transition programs, quality job training, and overall, empowering boys and girls to discuss pertinent sexual behaviors. There is clearly room for improvement in terms of better access to sex education programs in schools, especially those from marginalized populations.

Gender Equality in Access to Resources and Opportunities

Labor markets. In spite of clear progress, women's labor market participation in many countries continues to be low by international standards. Despite the fact that, on average, women in the labor force have one year more education than men, unemployment rates are greater for women than for men. The gender gap in wages, although narrowing, remains. In most countries, women are overrepresented in the informal sector, resulting in a large and growing majority of working women who are not covered by labor laws and face the constant threat of illness, job loss, or poverty in old age. Labor markets continue to be highly segregated by gender, which not only restricts economic opportunities for women, but also reduces overall economic efficiency.

The best way to achieve autonomy and economic empowerment for women revolves around an integrated set of interventions aimed at improving their resources and incomes, and facilitating their participation in the economy. One challenge for the region is to combat gender segregation in training and education, which will allow women to enter more competitive sectors with higher pay and better work conditions. A second challenge is to establish effective anti-discrimination instruments that can ensure women that they will face fair competition in the labor market. A third challenge for governments is to increase investments in support services for early childhood development and daycare centers. Enforcement of current legislation regarding non-discrimination, maternity protection, daycare services, and leave to take care of sick children is overdue. To avoid having these protections backfire against women, they should be extended to all parents, men and women alike.

Ownership and Control of Assets. Women's economic security, investment decisions and income are hampered by their limited access to assets. Land and home ownership not only provide direct use-value to women, but studies have shown that they also protect women against domestic violence and increase household expenditures on children's well-being. Furthermore, ownership increases women's access to credit by providing an asset that can be used as collateral. The gender distribution of land ownership in Latin America is extremely unequal: less than a quarter of landowners are women. Inheritance laws and practices, discriminatory land markets, and gender-neutral land reform demonstrate that explicit and enforced public policies are needed to strengthen women's access to economic resources. Housing, urban improvement, land titling programs, as well as those that legalize informal settlements need to incorporate specific actions to address the gender asset gap. Attention should be given to undocumented women and men who can be excluded from the protection of legal titles.

Increasing Women's Voices in Decision-making. Women's participation in current debates about improving governance in the region has been limited. They have also been underrepresented at national cabinets and legislatures. However, since 1990 the region has made efforts to improve this record. Quota laws and place reservation have been effective strategies in raising the participation of women in the executive and the legislative. Fostering democratic institutions,

modernizing the state and strengthening civil society depend largely on whether countries open their governmental and political institutions to women and other excluded segments of society. Gaps in representation require a concerted commitment to inclusionary practices by all power-holding bodies, including political parties. Also required are activities and programs that strengthen the capabilities of women leaders and empower female constituencies to favor leaders whose agendas include gender equality.

Enhancing Women's Security

Violence against women is widespread in the region and represents a serious barrier to women's empowerment. In addition to the suffering and costs to individual and family well-being, it also entails heavy costs for society in terms of reduced productivity, treatment of victims, and prosecution of the perpetrators of crimes. The region has advanced in approving legislation to prosecute and convict violent criminals. However, budget allocations to enforcing existing

Table 3

Proposed Indicators to Strengthen Monitoring of the Gender MDG

Area	Goal	Indicator
Capabilities	Strengthen opportunities for post-primary education for girls while meeting commitments to universal primary education	<ul style="list-style-type: none"> National school systems that have undertaken an equal opportunities exercise in textbooks, curricula and teaching practices. The ratio of female to male completion rates in primary, secondary and tertiary education
	Guarantee sexual and reproductive health and rights	<ul style="list-style-type: none"> Proportion of contraceptive demand satisfied Adolescent fertility rate
Access to resources and opportunities	Invest in infrastructure to reduce women's and girl's time burdens	<ul style="list-style-type: none"> Hours per day (or year) women and men spend fetching water and collecting fuel
	Guarantee women's and girl's property and inheritance rights	<ul style="list-style-type: none"> Land ownership by male, female, or jointly held. Housing title, disaggregated by male, female or jointly held
Enhancing women's security	Eliminate gender inequality in employment by decreasing women's reliance on informal employment, closing gender gaps in earnings, and reducing occupational segregation	<ul style="list-style-type: none"> Share of women in employment, both wage and self-employment, by type Gender gaps in earnings in wage and self-employment
	Increase women's share of seats in national parliaments and local government bodies	<ul style="list-style-type: none"> Percentage of seats held by women in national parliament Percentage of seats held by women in local government bodies
	Combat violence against girls and women	<ul style="list-style-type: none"> Prevalence of domestic violence Prevalence of gender-based murders and sexual violence against women

legislation and adapting the judiciary system to better address the problem (including appropriate training of judges, police, and other service providers) continue to fall short of what is needed to reduce violence. The region has made great progress in this field; a zero-tolerance approach would go even further.

Including Vulnerability to Natural Disasters in the Environment MDGs

The linkage. The linkages between poverty and disaster risk are clear. The conditions of poverty (poor housing, employment, economic insecurity, lack of access to information, environment, etc.) place individuals and households at risk in the face of a natural hazard. As a result, disasters can adversely affect economic conditions, exacerbating and perpetuating poverty, and turning back any progress that the poor may have made in the path out of poverty. There are numerous strategies to reduce the vulnerability of the poor to natural hazards, requiring a newfound vision of proactive disaster risk management, through integrated multi-sector long-term development planning, state of the art technology and the political and social will for change.

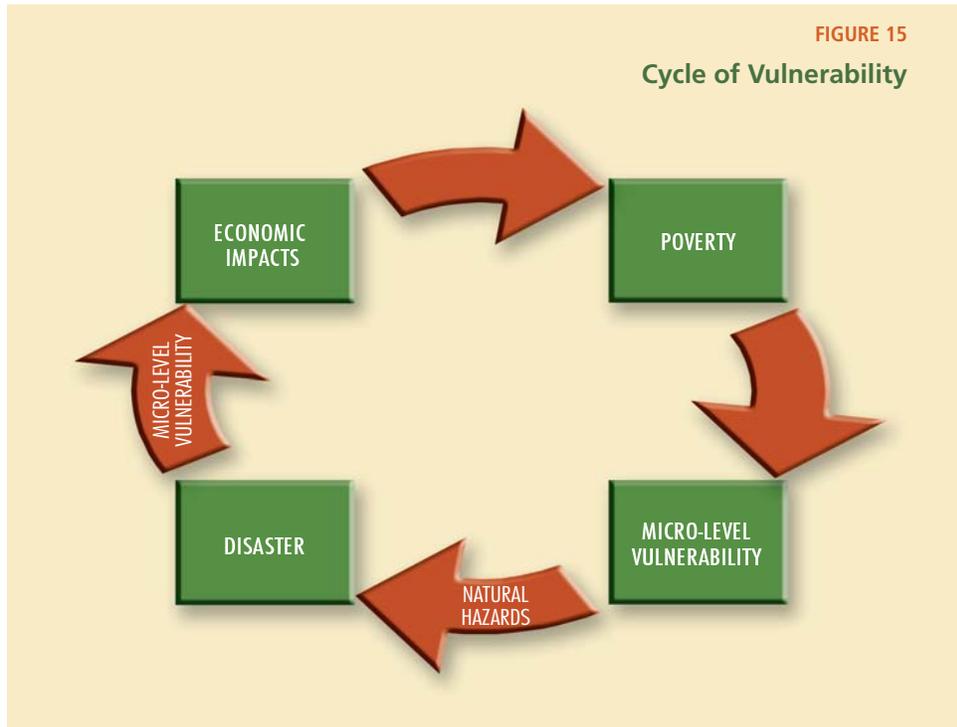
Losses due to disasters. Over the past three decades, nearly 5 million people in the region have been affected annually by disasters, resulting in an average of 7,500 deaths per year and costs valued at over US\$3.2 billion.⁷ Moreover, there are indications that the incidence of disasters is on the rise.⁸ Social and natural phenomena, such as rapid urbanization especially in coastal cities, as well as weather-related events such as El Niño, suggest an increasing tendency toward natural hazards in the region.

Vulnerability of the poor. Poverty triggers a series of conditions that contribute to the vulnerability of communities, households and individuals. When a natural hazard is added to these factors, the risk of disaster increases. The degree to which a disaster will have economic impacts depends largely on various macro factors of vulnerability of the country. These economic repercussions can further stunt the process toward poverty reduction, thus, perpetuating the cycle of vulnerability (see figure 15). Poverty significantly weakens the resilience of poor individuals and communities to external shocks, whether natural or man-made.

The conditions that often typify the life and livelihoods of the poor (substandard housing, unstable employment and lack of information) make them vulnerable to disasters. Yet, most poor people forego precautions against the generally uncertain probability of a natural hazard in order to meet the more pressing demand for their basic needs and that of their families. This often implies sacrifices of long-term security to ensure immediate survival.

⁷ Charvériat, Céline. 2000. "Natural Disasters in Latin America and the Caribbean: An Overview of Risk". *Working Paper No. 434*. Washington, DC: Inter-American Development Bank, p. 9-12.

⁸ World Bank. 2001. *World Development Report 2000/2001—Attacking Poverty*. Washington, DC: The World Bank, p. 170.



Location and Quality of Housing: Demographic trends, notably rising population (in absolute terms) and continued urban migration, are outpacing development planning in much of Latin America and the Caribbean. Seventy-five percent of the over 500 million Latin Americans live in urban centers, principally in cities of more than one million inhabitants (ECLAC, 2004). Moreover, 60 of the 77 largest cities in the region are located on the coasts, further aggravating the degree of vulnerability to natural hazards (Charvériat, 2000). Consequently, the growing demand for housing, employment, public services, and so on, has generated a large informal sector in the region, which generally lives and works under suboptimal conditions. The poor often opt for informal, insecure housing, located on uninhabitable, high-risk lands. The *barrios* or *favelas* that line the cityscape of most Latin American capitals display amorphous, dimly lit, tin-roofed, compressed dwellings of a seemingly countless number of people precariously positioned on the edge of a hillside or by the waterside. Without legal titles and access to credit, occupants are reluctant to make substantial investments in their property, often using inexpensive materials that are rarely hazard-resistant. The risky location and unreliable building materials and housing construction place poor people in a position of vulnerability in the face of natural hazards.

Income Insecurity: The informal economy now accounts for approximately 42 percent of the gross national income in the region, second only to sub-Saharan Africa (World Bank, 2004). In countries, such as Bolivia and Peru, the informal economy is greater than 60 percent (World Bank, 2004). The very nature of the informal sector implies limits on the ability to implement

and enforce regulations. While the informal sector has become a large source of employment, it often means income without job security, health benefits or pensions. This lack of income protection proves detrimental in the face of a natural hazard. The poor, who regularly assume jobs in the informal sector, lack the financial safety nets to secure their well-being in the face of a crisis, natural or man-made. Formal insurance schemes generally are outside of the reach of the poor, due to cost relative to known risk. Their jobs also may be at risk when a natural hazard strikes, as productive activities may be affected by the hazard and as attention shifts to relief and reconstruction.

Women and female-headed households, traditionally vulnerable groups, tend to face greater difficulty to recover from a disaster. Latin American women are often employed in sectors that are vulnerable to natural shocks, such as tourism, agriculture and food processing. This trend may also be the result of their inability to migrate easily to locate work, lack of access to many reconstruction jobs and their limited capital assets.

MDG8 – Strengthening International Cooperation for Development

On average, the countries of Latin America and the Caribbean show a better performance than other developing regions regarding many of the twelve indicators included in MDG8 (Building a Global Partnership for Development). Yet, some emerging problems deserve special attention, and specific indicators have to be created to better monitor regional needs. The proposed indicators take into consideration the region's progress as well as its constraints.

Official Development Assistance

In the area of ODA, as indicated earlier, there is a need to devote attention to direct ODA to where the poor are. In addition, the creation of an indicator that measures the *proportion of ODA resources allocated to subnational and local development programs* would be helpful. This indicator would facilitate the effort to evaluate progress toward creating local capabilities and reducing regional disparities.

Market Access

Despite the existence of local capacity and skilled persons, the region's competitiveness is limited by the inability to effectively take advantage of advances in basic and applied science to create new products and broaden the use of technology. Development assistance should support new ways to build local capacity and generate and apply science and technology to integrate local capacity into international knowledge networks and develop new ways to market and export new products. Three indicators that could be used to measure progress in this area are proposed: (i) *the share of developing country exports in international high technology markets*; (ii) *the number of new patents issued in developing countries as a share of total international patent*; and (iii) *the proportion of ODA resources going to science and technology in developing countries*.

Debt Sustainability

The privatization process as well as difficulties in implementing budget and tax reforms in the region have increased the use of private, bilateral and multilateral investment flows to finance development needs. During the 1990s the high volatility of private external flows necessitated the reliance on resources from multilateral banks and the International Monetary Fund to address cyclical problems. Clearly, there is a need to consider fiscal reforms to generate added internal resources to finance development and the pursuit of the MDGs.

Youth Unemployment

In addition to relying on the youth unemployment rate to measure progress in this area, three other indicators should also be monitored: (i) *the share of youths employed in the formal labor market*; (ii) *youth unemployment disaggregated by family income quintile*; and (iii) *new skilled jobs created as a share of total new jobs created each year* (the indicator should be disaggregated by gender).

Sustainable Access to Affordable Drugs

The biggest challenge in this area is to guarantee that special needs are met with regards to: (i) *vaccines*; (ii) *special drugs for regional transmissible diseases that have major consequences in health and which are so-called "orphan drugs," that is, commercial laboratories have not shown an interest in producing the*; and (iii) *technical assistance to develop national capacities to produce drugs domestically when it is cost-effective to do so, or to buy affordable drugs available on international markets*.

Access to Information and Communication Technologies

Additional indicators that would be useful in measuring progress in access to information and communication technologies (ICT) in the region include: (i) *the amount of technical assistance provided to create ICT community centers*; (ii) *the population (15 years and older) that is digitally literate⁹ as a share of the national or regional population*; and (iii) *the proportion of micro, small, and medium enterprises using ICT solutions for commercial and management needs as a share of total micro, small, and medium enterprises*.

⁹ This concept was developed in the project CH-L1001 and represented not only the proportion of the population using the Internet, but also the population using some basic computer skills in their day-to-day work and home lives.



IDB Activities to Support the MDGs

The Bank plays an important role in assisting countries in their efforts to adapt and implement the MDG agenda in the region. The Bank mandates of contributing to the acceleration of economic and social development and the reduction of poverty are fully consistent with the agenda of the MDGs. The Bank's commitment to development effectiveness and management for results takes on particular relevance in light of the task of pursuing and monitoring the MDGs. Since the goals were launched, the Bank has adopted relevant institutional processes to better support the policy agenda linked to the MDGs. The Bank has strengthened country strategies and programs in order to take the MDGs fully into account and tailor them to country characteristics and needs, and it has promoted efforts to build capacity to address these goals. Likewise, the Bank has provided lending to scale up programs that show themselves to be promising in view of the MDGs, and it supported monitoring and evaluation to ensure the development effectiveness of MDG-focused policies and programs. Finally, the Bank has promoted research into lessons learned and best practices to improve MDG-focused policies and programs, and made those findings widely available. While these actions are individually important, collectively they constitute an institutional response to support countries in reaching the goals.

The IDB's Institutional Commitment to Social Development and the MDGs

The IDB was established to promote the individual and collective, social and economic development of its regional member states. Its aim is to help create and maintain a propitious environment for solid economic growth in the region, and the achievement of the highest levels of human development for all, including groups excluded from society and economic opportunity. The Bank's Eight Replenishment of Resources reaffirmed these objectives, emphasizing the need to provide incentives for operations and activities that contribute to reducing poverty and promoting social equity, including investments in infrastructure, productive activities and services for small and medium enterprises and rural producers. Other areas of strategic focus include social development and modernization of the State.

Following the recommendation resulting from the Eight Replenishment of Resources, a new *institutional strategy* was fashioned in 1999 to maximize the development impact of the Bank's lending and provide a renewed strategic framework its activities.

The new institutional strategy takes the challenges, strengths and development objectives of the region fully into account. It establishes two overarching objectives for Bank action: promoting sustainable economic growth, and engaging in efforts to assist its member countries to reduce poverty and enhance social equity. Given the specific needs of the region and the comparative advantages of the Bank, four areas of action were identified through which the institution could contribute more efficiently to achieve these objectives. Those four areas are social development, modernization of the State, regional integration and competitiveness. In addition, the new institutional strategy recognizes that the environment is a crosscutting area that affects progress and results in all the other areas and must be taken into account.

New sector strategies that take the MDGs fully into account were approved in 2003 for each of the areas identified in the strategic framework. On the basis of the experience gained by the institution during the 1990s, the new strategies show that economic growth and poverty reduction are not contradictory goals, but rather, they are complementary and reinforce each other. Growth provides the necessary flow of resources for generating income and employment, and to finance programs to reduce poverty. However, because persistent inequality limits a country's growth potential, greater attention to it in areas such as human capital and the poor's access to productive assets helps create better opportunities and raise economic growth. Following this analysis, the new strategic framework recognizes that the Bank's support for regional development strategies should include policies that encourage growth, as well as specific actions to assist the poorest populations, excluded persons, and geographic areas where levels of income are the lowest. These actions are essential to achieve the MDGs, especially the poverty MDG.

A new set of specific sector strategies will be developed during 2005 for important areas of MDG concern, including education, health, indigenous peoples, and rural development. The new health strategy will consolidate and advance the experience of the Bank in the healthcare sector in order to increase the effectiveness of IDB projects and actions in this area during the next 10 years. The strategy helps further the health MDGs by supporting national health objectives, reducing equity gaps in healthcare and promoting access to quality healthcare services for the poorest and the socially excluded populations. The education strategy will promote the attainment of the education MDG by supporting actions to reduce gaps in schooling, expand and reform higher education, and promote flexibility with respect to curriculums and teacher qualifications to better respond to demand. The Bank has also approved a new environmental policy to ensure the environmental sustainability of its policies and programs (see box 1).

The Bank's Board also approved an integrated strategy implementation plan, which takes the MDGs fully into account and is currently being implemented. The Bank's new sector strategies are being disseminated via different mechanisms (e.g., training all IDB employees, engaging in applied policy analysis and researching promising practices, and fostering outreach through publications, seminars, and the internet).

Box 1

The Bank's New Environment Policy and Blue Ribbon Panel

The philosophy in the Millennium Development Goals of integrating environmental considerations into a broader holistic framework for stimulating sustainable development is at the core of the new Environment and Safeguards Compliance Policy being developed by the Bank.* The new policy focuses on integrating good environmental and natural resources management and stewardship into mainstream national and regional efforts to promote sustainable economic growth and reduce poverty and inequality. The policy, as well as the Bank's 2003 environment strategy,** highlight the need to link the environment to human health, productivity, and income growth. The environment should be seen broadly as a source of value as well as a source of amenities. The strategy also highlights the importance of investing in people and institutions, as well as capital, in order to ensure sustainability. It also includes safeguard provisions whose aim is the establishment of a world-class bar for environmental and natural resource protection.

The environment policy, as well as the strategy, specifically underscore the importance of addressing key local and global issues that also figure prominently in the environmental MDGs; namely, sustainable water management (target 10), clean energy, and protection of biodiversity and ecosystem services (target 9). A blue ribbon panel of distinguished international experts, which advises the Bank on the new environment policy, has recommended that the institution pursue specific targets for environmental lending in these areas.*** In the case of sustainable water management, this would include increased support for integrated watershed-based resource management. In the case of energy, it would mean increased support to lowering barriers to renewable energy and energy efficiency. In the case of biodiversity, the goal, in part, is to rely on the Bank's investment program to strengthen support for protection of important biological diversity corridors that provide local, national, and global benefits. These efforts could be supported in part by expansion of the Bank's project portfolio with the Global Environment Facility (GEF), among other resources. Such efforts in water, energy, and biodiversity assume particular importance in the context of major regional development and infrastructure programs being undertaken by the Bank, such as the Plan Puebla-Panama in Mexico and Central America (<http://www.iadb.org/ppp/index.asp>), and the Initiative for the Integration of Regional Infrastructure in South America (http://www.iirsa.org/home_ENG.asp?CodIdioma=ENG).

*The draft policy document can be accessed at http://www.iadb.org/sds/env/site_5512_e.htm

**The environment strategy can be accessed at http://www.iadb.org/sds/env/publication/publication_183_3439_e.htm

***This report can be accessed under the heading "Key Documents" on the Bank's home page, <http://www.iadb.org>.

New Institutional Arrangements for Effective MDG Support

To implement its new strategic framework and improve its capacity to support the MDGs, the Bank has reinforced its institutional arrangements, establishing an *Inter-departmental MDG Group* to ensure that the MDGs are integrated into Bank activities. In addition, *departmental business plans and budgets* have been adapted to explicitly take into consideration the MDGs. Finally, *departments have been re-engineered* to better respond to MDG support requirements.

Box 2**Elements for IDB Action to Reduce the Vulnerability of the Poor to Disasters**

As the IDB sets forth a new policy for disaster risk management, proactive actions may incorporate support to member countries' efforts to manage disaster risk from an ex-ante perspective, including:

Inclusion of poverty and disaster risk assessment in IDB programming. In order to more accurately assess levels of vulnerability, conditions of poverty should be integrated into methodologies of risk analysis. The IDB has already begun to establish a Prevalent Vulnerability Index which incorporates indicators of exposure and susceptibility, socioeconomic fragility and resilience.*

Strengthening social safety nets. Well-targeted support to individuals and households most vulnerable to natural hazards can help to buffer the impact of a natural hazard. Public works-related transfer programs, can support mitigation investments and reconstruction efforts, while providing needed income assistance for workers affected by natural hazards.

Appropriate risk financing mechanisms. Prevention and mitigation of the vulnerability of the poor to natural hazards should be incorporated into project risk management strategies. Microfinance institutions can offer a greater range of financial products to provide for savings and insurance schemes to protect the poor in times of disaster.

Environmental management. Environmental degradation seen in many poor communities proves a risk factor for natural disasters. The IDB should focus its efforts on offering alternatives to mitigate, and when possible reverse, environmental damage in high-risk areas. Given their level of vulnerability, poor communities will likely fall high on the list of priorities in responding to these disaster-prone areas.

* Cardona, Omar Dario. 2005. Indicators of Disaster Risk and Risk Management, Sustainable Development Department, Environment Division, IDB.

As part of its ongoing efforts to ensure that it contributes effectively to the economic and social development of its borrowing member countries, as well as to the attainment of the MDGs in the region, the Bank developed a *Medium-Term Action Plan for Development Effectiveness* in 2004. The plan calls for an ambitious set of activities to establish a development effectiveness system, and includes long-term goals as well as short-term actions spanning the period 2004 to 2006. The plan is made up of three interrelated pillars that deal with external, internal and corporate matters, and are detailed in box 3.

As a result of the new action plan, the Bank created the new *Development Effectiveness and Strategic Planning Department* in 2005 to strengthen support for the Millennium Development Goals, in particular, by ensuring more effective operations and monitoring, procurement, fiduciary risk assessment, and project financial management among other activities.

Box 3**The IDB's Medium-Term Action Plan (MTAP) for Development Effectiveness**

The Bank's Medium-Term Action Plan (MTAP) for Development Effectiveness should be regarded as a first step toward the establishment of a comprehensive development effectiveness system. The action plan will be revised as experience is gathered, and its implementation will be monitored annually.

The MTAP sets out an array of actions aimed at strengthening the Bank's development effectiveness in a systemic manner. It builds on past and current efforts and reflects the lessons learned from Bank activities in the region. It also reflects a growing focus on establishing integrated risk management approaches. Accordingly, it constitutes the foundation of a coherent development effectiveness system, which will be extended and deepened over time.

The MTAP consists of three interrelated pillars that deal with external, internal and corporate issues and are detailed below.

The external pillar focuses on helping borrowing member countries to build and/or strengthen their management for development results capacity, and on enhancing Bank coordination with other development institutions. This pillar has two components. The first component helps interested borrowing member countries to strengthen their long-run capacity to manage for development results (see box 7). The second component enhances coordination among development institutions at the country level to reduce their combined burden on in-country management for development results capacity, and to ensure that results and experiences in the areas of management for development results and development effectiveness are shared among development institutions.

The internal pillar strengthens the Bank's own internal approaches to management for development results and risk management, as well as the processes and procedures governing them. The aim of this pillar is to enable the Bank to better help borrowing member countries attain development results. The internal pillar focuses on Bank performance in the design and implementation of strategies and projects. Underpinning the internal pillar is the partnership between the Bank and its borrowing member countries in the development process. The Bank will do its utmost to ensure the quality of its development activities (e.g., the design of strategies and projects, and its supervision effort, i.e., the assistance it offers to countries during project execution).

The corporate pillar focuses on a set of interconnected corporate actions that deal with staff incentives and learning, reporting and budgeting, and accountabilities and oversight, whose aim is to support the other two pillars.

Building Consensus: A Policy Agenda for Reaching the MDGs

The MDGs require broad consensus among national and international actors on the reforms, policies and programs needed to achieve them. Countries need to reach a consensus regarding the measures to promote economic stability, establish a legal framework, and create a propitious infrastructure and business climate to foster private sector activity and economic growth. Other

areas that require a national consensus include strengthening democratic governance; promoting the modernization of the State to enhance the capacity and development effectiveness of public policies and programs; and scaling up MDG-related investments and programs, especially in the areas of health, education, and social protection.

In order to reach this consensus, governments must promote a participatory dialogue involving legislatures, civil society organizations, and the private sector to make public opinion aware of the Millennium Development Goals so that they can be appropriated by the nation as a whole.

To foster consensus, governments should also adapt the MDGs to the specific realities of their own countries, taking equity, ethnicity, and gender into account. A consensus around the MDGs as adapted to each particular country may be fostered through the establishment of poverty reduction strategies and programs, which should include: (i) an analysis of the determinants of poverty; (ii) clearly defined priorities with a long-range vision; (iii) selection of measurable targets based on the MDGs; (iv) a plan of action for implementing the strategy and programs; and (v) an information mechanism for overseeing program implementation and evaluating achievements based on results.

The Bank has supported consensus building at the highest political levels, as well as country dialogues to identify and define MDG-related country programs. The IDB has also supported activities to disseminate information about the relevance of the MDG campaign for the countries of Latin America and the Caribbean both inside and outside the region. In 2003, the IDB co-sponsored the *Brasilia International Conference on the MDGs in Latin America and the Caribbean*, which included the participation of presidents, legislators, government authorities, private sector and civil society representatives, and donors. The Brazilian conference made it possible to move forward in defining the role played by the various parties (governments, parliaments, civil society, and the donor community) in joint efforts aimed at achieving the MDGs. The conclusions of this high-level meeting are expressed in the Brasilia Declaration, which is a proposal for implementing the MDGs in the region.¹⁰ Most of the conclusions are in line with the ten key recommendations expressed in the United Nations Millennium Project document, which was published in January 2005 (see box 4).

In addition to its activities to support the MDG campaign at the national level, the Bank recently launched a broad effort to generate consensus on MDG attainment at the subnational level. As a follow-up to the 2003 Brasilia International Conference on the MDGs in Latin America and the Caribbean, the Bank, the United Nations Development Program, the government of the state of Bahia in Brazil, and the Luis Eduardo Magalhães Foundation, sponsored a seminar on the MDGs that brought together 42 representatives of 16 Brazilian states. The

¹⁰ Available at http://www.iadb.org/NEWS/Docs/528_comp.pdf.

aim of the seminar was to renew and strengthen ownership of the Millennium Development Goals at the local level, and to explore ways and means for a more effective linkage of local governments projects, programs, and planning with the central government to better serve the social agenda.

Box 4

The Brasilia Declaration

The Brasilia Declaration is a proposal for implementing the MDGs in Latin America and the Caribbean. Below are some of the priority actions identified for each responsible party.

Governments. Activities revolve around adapting the MDGs to specific conditions of each country, improving policy and financial effectiveness in the public sector by focusing on results-based programs, ensuring transparency in budget execution and incorporating the MDGs in planning and budgeting, creating information systems that enable follow up of the results of public policy and MDG implementation, stimulating national debate around the MDGs, and creating ties between the national and international communities to help mobilize resources needed for national programs, especially those designed to mitigate hunger and poverty.

Legislators. Legislative bodies play a role in informing their members about the MDGs and the policies, programs, targets and indicators involved; supporting development plans through the promotion of laws, strategies, public policies, financing and budget allocations needed to achieve the MDGs; designing mechanisms to improve the effectiveness of parliamentary committees, especially those dealing with budgets and finance, on matters related with poverty reduction, equity and social inclusion; helping in the oversight of progress and results in meeting the MDGs; and strengthening the linkages with government at the national, regional and local levels, as well as with civil society and the private sector.

Civil Society. The role that different social actors can play in promoting implementation of the MDGs could be enhanced by acknowledging the role of civil society organizations and the private sector in the implementation of the MDGs; strengthening the ties between civil society organizations and government bodies and multilateral organizations; promoting the wider dissemination of the MDGs in local languages to ensure broad segments of society have knowledge of them; promoting participatory structures in those countries that do not have poverty reduction strategies; involving state entities and social agents in monitoring, following-up and evaluating the MDGs.

The International Community. The international community could provide more effective help in reaching the MDGs by directing its efforts toward a system of shared responsibilities; renewing the dialogue under the Doha Development Round and reaching a satisfactory conclusion, thereby increasing the opportunities for trade, progressively eliminating distortions in international market prices, supporting technological progress and taking steps to reduce the digital divide between countries and regions. The international community could also support the adoption of international environmental indicators and standards and back their effective implementation. Finally, it could contribute effectively to meeting the eighth MDG, which implies a set of commitments on the part of developed economies to support initiatives that lead to more development aid, the building of a nondiscriminatory trade system, and the relief and sustainable financing of foreign debt, as well as the periodic follow-up and evaluation of the commitments made by developed countries.

The Bank has also been active in promoting the creation of a consensus around a social cohesion agenda for Latin America and the Caribbean. Social cohesion is instrumental to achieving the MDGs in the region because it promotes mutual support, trust and cooperation between citizens (who must exercise their rights and meet their obligations) and governments (which, in turn, must be fair, transparent and accountable and promote inclusive policies). In cooperation with the European Commission, the Bank produced a series of books on social cohesion in the region that were presented in the 2004 EU-LAC summit in Guadalajara, Mexico. Social cohesion was featured as one of the main topics of that summit. The Bank, the Andean Community of Nations and the European Commission co-sponsored a conference on social cohesion in the Andean countries, which was held in Lima, Peru, in May 2005. In addition, the Bank also organized a high level meeting with the International Monetary Fund, the World

Box 5

Toward a Social Cohesion Agenda for Latin America and the Caribbean

While social cohesion encompasses social inclusion, it is a much broader concept that conveys the notion of a society that operates under an agreed-upon fair system of cooperation between citizens, which is based on reciprocity and the best interest of society at large. Social cohesion implies a society where there is consensus surrounding a social contract between a transparent and accountable government, guided by the principles of fairness and solidarity, and empowered citizens who have defined rights and responsibilities. Cohesive societies are at the center of development. Trust and solidarity among citizens and between citizens and government are key factors if market institutions are to reach their full potential to promote human progress and represent the backbone of a dynamic economy. In addition, from an ethical standpoint, cohesive societies are fertile ground for individuals to realize their aspirations and being recognized as active agents in society. The lack of a broad-based, politically sustainable social contract stymies economic and social progress in Latin America and the Caribbean. Promoting social cohesion in the region, therefore, is a key mandate of the Inter-American Development Bank.

The three books that the Bank produced for the 2004 EU-LAC illustrate the Bank's commitment to support the advancement of a social cohesion agenda for the region. The volume titled *Building Social Cohesion in Latin America and the Caribbean* (by Bouillon, Buvinić, and Jarque) lays out the overall framework for a social cohesion agenda in Latin America and the Caribbean by discussing the costs of inequality and exclusion, proposing a comprehensive framework for understanding the factors that influence the development of cohesive societies in the region's countries, and highlighting effective policies to promote cohesion. The accompanying volume, *Reforms and Social Equity in Latin America* (Social Equity Forum), deals in greater detail with recommendations that collectively would create more appropriate macro conditions to advance the social cohesion agenda. Finally, the book titled *Social Inclusion and Economic Development in Latin America* (Buvinić and Mazza) presents specific issues at the micro level of policies and programs that constitute best practices for social inclusion as a basic element of social cohesion. Implementation of the recommendations in these three books will contribute to greater social cohesion in Latin America and the Caribbean, and move forward the process of promoting social justice and fairer societies.

Bank, and the European Commission to discuss joint activities to increase social cohesion in the region.

The IDB also participated in drafting declarations for the *Summits of Heads of State* that make reference to the MDGs, including the 2004 Summit of the Americas in Monterrey, Mexico, and the 2004 Euro-LAC Summit in Guadalajara, Mexico.

Country Strategies and Programs: Tailoring the MDGs to Country Needs and Characteristics

Although relevant for Latin America and the Caribbean, the objectives envisioned by the Millennium Development Goals must be adjusted to the social and economic situation of each country, group of countries or subregion. Because the goals envisioned are not utterly fixed, adapting them thus could help demonstrate or reaffirm the multiple dimensions of poverty and inequality in the region. It would also highlight the significant differences that often exist within one country, even middle-income nations.

The MDG commitments must be interpreted broadly in Latin America and the Caribbean. The key understanding is that progress toward each of the targets must be attained without leaving any population group behind, regardless of ethnic origin, gender, socioeconomic condition, or geographical location. Only in that way will achieving the Millennium Development Goals lead to the consolidation of human development in the region.

The Bank has incorporated the MDGs into its Country Strategy Papers and country lending programs, placing especial emphasis in adapting them to realities and priorities of specific countries. The Bank's regional departments have integrated the MDGs into their dialogue with borrowing countries, and have included MDGs among indicators for tracking strategy implementation. Meetings with government officials, notably the Regional Policy Dialogues, increasingly focus on the MDGs. These policy changes will achieve greater country focus in the lending program, pay more close attention to the needs of borrowing countries, and make it possible to harmonize procedures and rules more closely with other multilateral lending organizations.

Similarly, the Bank has supported *comprehensive efforts* for the reduction of poverty and the promotion of equity. In its dialogues with member countries, the Bank has also attempted to ensure that all policies and programs are linked in a coherent form in order to avoid wasting resources, duplicating programs or even incompatibilities among various programs. As part of this process, the Bank has provided assistance to nearly ten countries in the design and implementation of the National Poverty Reduction Strategies (NPRS).

Box 6**Donor Network and Coordination for Poverty Reduction Strategies**

The Poverty Reduction Strategy Donor Network meets once a year to support the regional Poverty Reduction Strategy (PRS) process in Latin America and the Caribbean. The first meeting, held in December 2003 in London, focused on the value of the Poverty Reduction Strategy process to the region and donors' support to the process. The discussion concluded that the PRS process had increased the effectiveness of poverty reduction, although not as much as had been hoped. The group also identified a number of areas where everyone agreed that further work and thinking is required by donors (and others). The group also highlighted the relationship between the MDGs and the poverty reduction strategies.

In the second meeting held in September 2004, there was a wide consensus about the relatively weak PRS process and the importance of monitoring and evaluation (M&E) for the region. In particular, the participants highlighted the key importance of promoting sustainable change in statistical capacity building and the importance of a long-term commitment by donors to provide financial support to the M&E process, which is a regional public good. The last meeting concentrated on three main topics: (i) monitoring and evaluation of PRS; (ii) donor alignment with PRS; and (iii) consolidation of the network, future work and meetings.

These national strategies include a detailed analysis of the principal factors that determine poverty and inequality, as well as and the definition of clear long-term priorities. Another focus of the national strategies is the selection of quantifiable and feasible objectives to reduce poverty based on the MDGs and other regional commitments. Finally, the national strategies contain a plan of action that takes into account the coordination between international financial institutions and the donor organizations in financing specific programs and projects, as well as a mechanism to supervise and evaluate their impact.

Building Capacity to Attain the Millennium Development Goals

There is growing recognition that developing countries require the administrative and institutional capacity to reach the Millennium Development Goals. This includes the capacity of governments to identify needs, collect and allocate resources, and define and implement policies. Incorporating national development targets into the budget process is especially important, as is the implementation of multi-year budgets to assure the mobilization of the domestic funds as well as consistency and efficacy in social programs. In this sense, it is important to adopt a management focus aimed at results and impacts with special attention to inter-sector links. Having a horizontal coordination mechanism within the government, possibly through an inter-ministerial commission to promote initiatives and intensify integrated inter-sector MDG-related activities, is also important.

The IDB has provided a significant amount of support to build capacity in the region, including increasing the effectiveness of public expenditures (especially social spending), improving institutional arrangements and budgeting processes, enhancing coordination, fostering communication, and ensuring adequate data gathering and management. In addition, in recent years the Bank has also supported the strengthening of civil society with regards to their capacity to hold governments accountable or provide alternative channels for empowering the poor. The IDB has included capacity-building support as a priority component of its new strategic framework and institutional arrangements, and is providing support through an array of tools at its disposal, including financial (loans and technical cooperation programs) and nonfinancial instruments (policy dialogues, knowledge creation, and training).

Enhanced Strategic Framework and Institutional Arrangements to Support Capacity-building

The Bank's *Modernization of the State Strategy* (which was endorsed by the Board of Executive Directors in 2003) was a key step for the promotion of capacity building in the region. The strategy establishes a framework for the construction of institutional capacity by supporting a sustained process of reducing poverty and promoting social equity. That framework guides Bank programs, defines priority areas of action, and details the financial and nonfinancial instruments available to address issues surrounding the modernization of the State and strengthening democratic institutions and civil society. This is in line with a cumulative growth of experience and academic knowledge that has reaffirmed the idea that the success of efforts to reduce poverty and achieve sustainable development requires a substantial increase in institutional capacity.

The *Poverty Reduction and Promotion of Social Equity Strategy*, which was also endorsed in 2003, addresses the importance of capacity building by emphasizing the prioritization of resources for the institutionalization of the poverty reduction policies. It also highlights the importance of managing social public expenditures efficiently through accountable and service-oriented institutions, as well as the development of the fiscal capacity of the state to ensure that investments contribute to reducing poverty. In particular, the strategy focuses on the development of the capacity to coordinate and formulate national policies for reducing poverty. Those policies should include targeting programs to ensure the participation of relevant social actors; ensuring transparency in resource management; establishing system to allocate budget resources that promote equity (for instance, based on poverty indicators) and efficiency (for instance, linking expenditures to the quantity and quality of services). Additionally, they should also streamline public institutions through the establishment of a merit-based civil service and management of capacity building; and modernize the management of public services by incorporating the participation of beneficiaries through community organizations. Finally, the policies should promote the administrative decentralization of expenditure management by strengthening the institutions that coordinate multi-sector actions in disadvantaged regions, and they should encourage the use of new technologies to improve the access of poor and marginal populations to public services.

The Bank is also promoting *management for development* results in its borrowing member countries through the program to implement the external pillar of the Medium-Term Action Plan for Development Effectiveness (PRODEV) described in box 7.

Under its new institutional approach the Bank is also supporting *corporate social* responsibility in the private sector and disseminating information about its social and economic benefits. Ensuring that corporations become socially responsible will help advance the Millennium

Box 7

The External Pillar of the Medium-Term Action Plan for Development Effectiveness (PRODEV)

PRODEV is an IDB initiative that operates as a nonreimbursable fund to finance technical cooperation operations in support of the borrowing countries. The program financed by the fund encompasses a series of specific actions to enhance the effectiveness of the governments of the region and allow them to achieve better results in their development interventions.

PRODEV will facilitate the harmonization and integration of IDB activities in support of national initiatives to strengthen results-based management and, consequently, development effectiveness. PRODEV's main objective is to support borrowing member countries interested in improving public sector management (including design, implementation, monitoring, and evaluation of policies, strategies, programs, and projects) in a manner consistent with efficient allocation and use of public sector resources in central ministries and departments (e.g. finance, planning, and budget), sector line ministries (e.g. health, infrastructure, and education), and subnational governments (state, provincial, municipal, and local governments).

All IDB borrowing member countries are eligible to participate in the program. To do so, they must make a full commitment to the program objectives, carry out agreed measures, and show actual progress in strengthening results-based management and government effectiveness. Participation in the program is voluntary, however. Under the program, Bank support will be tailored to meet the specific needs of each country, placing them in the position of being the owners of the design and implementation of effective development programs.

The areas covered by the initiative are good governance, the evaluation of national priorities, public policy, budgeting, results-oriented management, and evaluation, statistics and information systems. *Good governance* is needed to align priorities, generate positive expectations, and establish the conditions for robust socioeconomic development. The *evaluation of national priorities* enables the development of a cohesive action plan that evaluates alternatives and selects the best ones from a national welfare point of view. *Public policy* serves as the vehicle by which well-thought-out plans are put into effect. *Budgeting* allows execution to be monitored on the basis of performance. *Results-based management*, through the use of reliable performance indicators, is an effective way to enhance the quality and impact of State interventions. *Finally, evaluation, statistics, and information systems* support public sector decision-making.

The program has US\$30 million in resources. There is a per-country ceiling, to avoid concentrating resources in a few countries. Considering the nature of the operations to be financed, which will eventually translate into recurrent expenses for the countries, beneficiary countries must provide counterpart funding equivalent to 10 percent of the project's total cost.

Development Goals in the region. Responsible companies can make a significant difference in the social and economic development of the region. The Bank is also supporting countries in *building trade capacity and enhancing fiduciary and fiscal systems* to enable a more effective absorption of aid.

Financial Support and Technical Cooperation for Building Capacity

In order to make its new strategic focus on capacity building operational at the country level, the Bank has in place a variety of financial instruments, including loans as well as reimbursable and non-reimbursable technical cooperation programs. Bank support to projects in dealing with modernization of the State between 2000 and 2004 totaled US\$6,629.2 million. Most of the countries in Latin America and the Caribbean have embarked upon ambitious government reforms. The IDB has offered its support through a broad range of operations in the areas of fiscal reform, reform and decentralization, financial sector reform, public sector reform, the administration of justice and strengthening of legislatures.

The Bank is also promoting new flexible lending instruments that are particularly effective at supporting capacity building because they are more streamlined and readily adaptable to different contexts. IDB technical cooperation programs address capacity building through research, dissemination, training, and consensus-building activities.

Especially important are the trust funds that support capacity building. For example, the UK's Department for International Development (DFID) committed US\$3.2 million for a three-year period (1999–2002) for the establishment of the CABILICA Fund (Capacity Building of Local Development Institutions in Central America). Its purpose was to build and enhance the executive and developmental capacity of local governments and civil society institutions, thereby strengthening innovatory and participatory partnerships with the IDB. Examples of projects include one to train local leaders in Nicaragua's Atlantic coast, another to disseminate information about experiences with the privatization of municipal services in Honduras, and a third to study the feasibility of creating a local financial management association in El Salvador.

The Program for the Support of Women's Leadership and Representation (PROLEAD) is a trust fund that supports capacity building and furthers the Millennium Development Goals. PROLEAD is a three-year initiative to enhance women's capacities and their leadership opportunities in Latin America and the Caribbean. It furthers these goals by providing opportunities for building organizational capacity to grantees and other organizations in the region, by promoting the creation of networks to foster linkages and the exchange of information, and by sharing successful experiences and best practices, both in and outside the region. Since 1998, PROLEAD has awarded US\$3.2 million in grants to some 60 organizations throughout Latin America and the Caribbean. Examples of projects include one to empower young women in the barrios of Santo Domingo, another to strengthen the economic self-sufficiency of indigenous women in Costa Rica, and a third to prepare young women for leadership in Jamaica.

Another area where the Bank plays a key role in supporting capacity building is by providing access to knowledge, including creating and disseminating it. This includes carrying out technical and best practices studies, and hosting workshops, seminars and conferences. The Bank has also supported sector work to enhance national institutional capacity for planning, cost assessing, implementation and monitoring of activities and policies for the MDGs. An example includes the public expenditure reviews that are carried out jointly with the World Bank for the countries of the region.

The Bank also supports policy discussions that include the topic of capacity building. The Regional Policy Dialogue was created in 1999 to strengthen the capacities of borrowing member countries to solve problems and draft successful policies. The dialogues provide opportunities for countries to discuss and explore various issues through meetings, studies and the dissemination of best practices. The regional policy dialogues are organized into seven major topics: trade and integration, poverty reduction and social protection, education and training of human resources, macroeconomic and financial policies, management and transparency of public policy, management of natural disasters, and the environment.

The dialogues are currently focusing on the analysis and discussion of subtopics that have been prioritized by members as important from the vantage point of resolving actual or potential challenges. To this end, they have advanced significantly in imparting knowledge regarding regional and extra-regional best practices to all members. In addition to the tremendous importance of the topics discussed during meetings, the dialogue initiative also promotes activities and communication between meetings, produce high-quality studies, and gather and disseminate best practices. The Dialogues are an exemplary means of generating subregional cooperation processes for building capacity to solve problems and draft successful policies.

In addition, the Bank sponsors the Social Equity Forum, which was created in 2000 with the support of the governments of Norway and Sweden. Its role is to assemble political leaders, academics, entrepreneurs, and representatives of civil society and the media to debate social policies and analyze the best ways to achieve more equitable societies. Included in those debates is how to improve institutional capacity and human resources needed to make policies work.

The Bank is also providing training to government officials in the region that focuses on the MDGs. The Inter-American Institute for Social Development (INDES), which functions as a training center for the design and management of policy and national programs, provides courses on capacity building for government officials and social sector professionals from the region. Examples of courses that promote capacity building include those on leadership and social management, design and management of social policies and programs, and social management for indigenous leaders, as well as the INDES-Guatemala Program, which trained 630 professionals in the design of policies, social projects and social management. INDES carried out a social management training program in Bolivia in 2001 that brought teachers from several universities to Washington, D.C.

Box 8**Social Equity Forum for Institutional Reform**

The Social Equity Forum is an initiative of the Inter-American Development Bank that was launched in March 2000, and has, to date, celebrated six plenary meetings. It seeks to elevate concern about social equity to the top of the agenda on economic reforms and social policies in Latin America and the Caribbean. The Forum promotes effective policies toward social equity in the region and the exchange of knowledge about the lessons learned from rigorous evaluations of regional development experiences. The Forum is comprised by a group of regional actors involved in social and economic policy making, who are committed with regional equity promotion.

During its sixth meeting in 2004, the Forum focused mainly on the institutional challenges for sustainable and equitable social policy in Latin America and the Caribbean. As a result of the dialogue and experiences shared during the event, participants agreed to set forth a declaration (http://www.iadb.org/sds/pov/site_4327_e.htm##2) that exhorts governments, civil society and citizens in the region to renew efforts on building solid and coherent institutions that promote equity and sustainable social policies. This is an answer to the three fundamental challenges the region faces, which were identified during the sixth forum:

- *Equity and social inclusion.* IDB borrowing countries are still among the most unequal in the world and the socially excluded population ranks last in terms of meeting the Millennium Development Goals. The goal of these countries should be to build fairer societies that enforce social cohesion and take the common responsibilities into consideration.
- *A greater redistributive effectiveness of social spending.* Despite significant increases in social spending in the past decade, access to social services remains deficient. It is essential that social programs include criteria of effectiveness objectives, equity and quality in education, health and housing.
- *Effective social policies and institutional strength.* The institutional weakness in many of the region's social sectors explains part of the insufficient progress in poverty reduction. Continuity in strategies for social poverty programs with long-term horizons is required.

The forum Participants also identified six priority areas for institutional development:

1. *Leadership for institutional strengthening.* The Forum recognized that committed and competent leadership is needed to achieve social progress and institutional enforcement, particularly in unstable and institutionally weak countries.
2. *Attention to social rights with fiscal responsibility.* Social policies should be based on efficient legislation that allows for growing inclusion of beneficiaries with long-term sustainable social budgets within fiscal restraint.
3. *Institutional development for coordinating a comprehensive poverty reduction strategy.* Poverty reduction requires an integral policy that shares information, assigns responsibilities, articulates efforts and assigns resources efficiently.
4. *Institutional continuity of resources, actors and programs.* Transparent selection of program coordinators so that they are not unnecessarily changed or interrupted with renewal cycles independent from political cycles.
5. *Access to reliable statistical information.* National statistic systems with technical capability, independence and credibility must provide the empirical evidence to evaluate social program's performance and reformulate policies.
6. *Expanding the participation of social actors.* Social actors participation will strengthen successful social programs, demand quality improvement, offer direct support and protect from political cycles.

Lending: Scaling Up Effective Programs to Reach the Millennium Development Goals

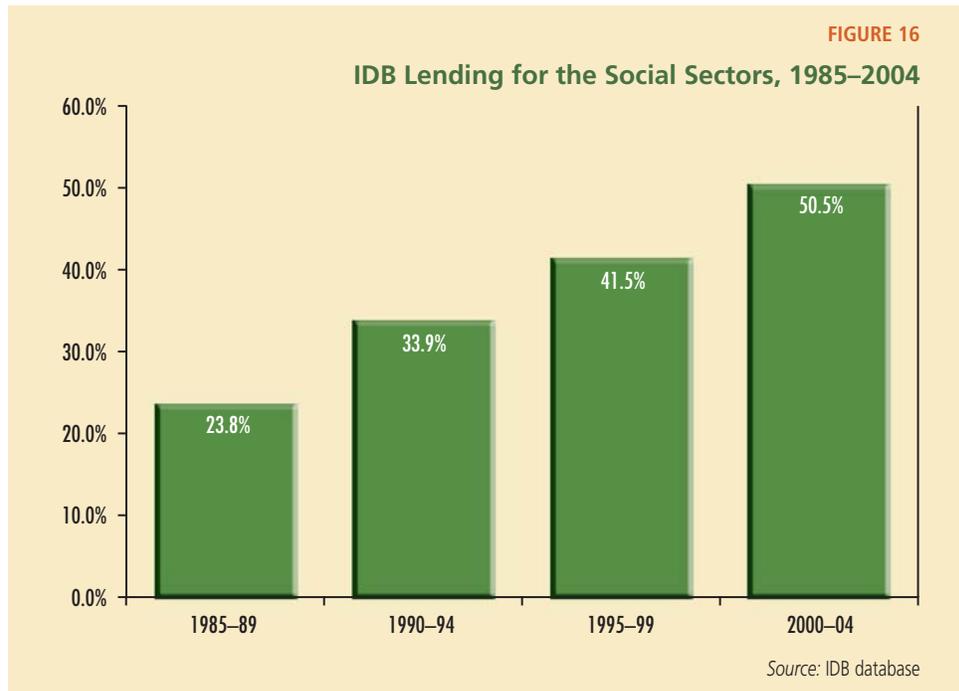
The scaling up of successful policies and programs for poverty reduction and social development is recognized as a key instrument to fight poverty and attain the MDGs. In this area the IDB has a comparative advantage due to its involvement in knowledge management. Thus, in order to reduce poverty and meet the MDGs, one of the priorities for the next decade should be to increase the effectiveness of government policies to adapt, implement and scale up successful interventions and “quick win” actions to reduce poverty and promote equity, including reducing the vulnerability of the poor to natural hazards and enhancing response capabilities. This implies removing financial and institutional obstacles; supporting the development, evaluation and dissemination of innovative or promising programs and approaches to unresolved problems; supporting needed reforms in social sectors; strengthening social cabinets; and putting into place adequate systems for strategy, policy, and program monitoring and evaluation, as well as mechanisms that facilitate the gathering and analysis of, and access to, reliable information.

The aim of these policies and programs should be to identify synergies between interventions to attain the MDGs. Given the multi-dimensional nature of poverty, effective social policy must be comprehensive and should be well coordinated with other government policies and programs that are key for reducing poverty (such as programs to create economic opportunities for the poor by enhancing the business climate and basic infrastructure, among others).

Bank action to reduce poverty and promote social development is based on a multidimensional vision of welfare. Its aim is to confront the diverse factors that limit the opportunities and capacity of the poor and socially excluded to generate income. These include an insufficient level of assets to cover basic necessities, lack of capacity to avoid and deal with adverse shocks that have a negative impact on income and assets, low levels of human capital development, low levels of social mobility, high incidence and high levels of vulnerability and exposure to social ills, and restrictions on social and political participation on an equal footing.

The IDB: Leading Source of Multilateral Financing in the Region

The IDB has aligned many of its social investment and technical assistance programs with national strategies and plans designed to achieve the MDGs, and has given priority to these investments. In 2004, for the eleventh consecutive year, the Bank was the leading source of multilateral development financing in the region, particularly for the smaller and more vulnerable countries. New Bank loans and guarantees reached US\$6 billion that year. Forty-two percent of investment loans (totaling US\$1.6 billion) were targeted for poverty reduction, and 55 percent of nonemergency lending (US\$3.2 billion) was dedicated to promoting social equity. The growing priority that the Bank gives to reducing poverty and attaining the MDGs means that an increasing proportion of resources are being directed toward the social sectors and loans that focus on the poorest. Between 1985 and 1989, 23.8 percent of the value of



total Bank lending was geared toward social sectors that are directly related to the attainment of the MDGs. This percentage increased to 31 percent between 1990 and 1994 and 51 percent between 2000 and 2004.

In general, IDB operations geared toward sectors that are key for attaining the MDGs (such as education, health and social investment) increased significantly during the last 10 years. An important part of this increase was associated with the implementation of the mandates of the Eight Replenishment, which emphasized education, health, and social investment.

Scaling Up Innovative and Effective Programs to Reduce Poverty and Reach the MDGs

IDB lending in MDG priority sectors has diversified into a series of innovative areas in order to scale up successful interventions. The Bank has promoted the implementation and expansion

Table 4 IDB Lending in Education, Health and Social Investment 1985–2004 (US\$ millions)

Sector	1985–1994	1995–2004	Growth (%)
Education	1,798	3,130	74%
Health	611	2,123	247%
Social Investment	689	16,988	2367%

Source: IDB database

in coverage of a variety of successful programs, including conditional cash transfer programs, social investment funds, urban development programs, water and sewerage, microfinance, and innovative interventions in health and education.

Conditional Cash Transfer Programs. The Bank has implemented these programs to provide incentives for families to invest in the human capital of their children. They have been implemented in nine countries, including Brazil (*Bolsa Família*), Colombia (*Familias en Acción*), Costa Rica (*Supermonos*), the Dominican Republic (*Tarjeta de Asistencia Escolar*), Ecuador (*Bono Solidario*), Honduras (*PRAF*), Jamaica (*PATH*), Mexico (*PROGRESA/Oportunidades*), and Nicaragua (*Red de Protección Social*). Lending for them reached US\$2.6 billion between 2000 and 2004. All these programs provide transfers that are conditional on changes in behavior intended to build up the human capital of children. The immediate objective of these programs is to increase food consumption, school attendance and use of preventive health care among extremely poor and poor families. The expected long-term impacts of the interventions include reducing poverty and malnutrition and improving schooling completion rates. This will increase the accumulation of human capital (measured by increased educational attainment and reduced mortality and morbidity) and, as a result, also raise potential labor market returns for the beneficiaries, as well as overall productivity.

Rigorous and independent evaluations of these programs show that they can be very effective tools for reducing poverty and inequality in the long term, and for alleviating poverty in the short term. The programs have had a substantial positive long-term impact on the education, nutrition and health of its beneficiaries, especially children.

Social Investment Funds. The Bank has also been a leader in providing support for social investment funds in the region. Between 1989 and 2004 the Bank approved 146 loans (US\$2.8 billion) to support social investment funds (SIF). This represented 17 percent of total Bank lending for social investments. Social investment funds were originally conceived and implemented as a response to the macroeconomic adjustment programs at the end of the 1980s and early 1990s. They were an attractive instrument for governments because of their potential for offsetting spending cuts and the negative impact of the reforms on the poor. Donors also found them attractive because they offered an alternative to inefficient line ministries. The central objective of the traditional fund is financing and, in certain cases, the provision of social and economic infrastructure on a small scale in rural areas and low-income urban areas. Some more recent SIFs have expanded their portfolio of interventions to include pilot social programs using cutting edge technology (FOSIS in Chile) or programs to support productive activities (tourism, agriculture and livestock, agroindustry, etc.).

Governments and the international community think of social investment funds as effective channels for assistance to the poorest communities. This is reflected in their ability to attract financial support from a wide range of bilateral and multilateral sources. In many countries SIFs

are playing a new role as part of comprehensive strategies to enhance the human capital of the poor, and have become key supply-side elements of nascent human capital strategies providing direct cash transfer incentives to poor families.

Evaluations show that SIFs have invested in large numbers of generally well-designed and implemented projects, mainly primary schools, sanitation, potable water and health centers. In terms of targeting, the evaluations show that the funds are successful in using geographical targeting to identify and benefit poor households. In the area of education, SIFs show success in building or rehabilitating schools in the communities covered and improving school performance indicators. Investments in water and latrine systems were successful in increasing connections and access to these systems, with important positive effects in the incidence of diarrhea and other health indicators.

Urban Development Programs. The Bank has also been very involved in the implementation of urban development programs in the region. Latin America and the Caribbean differs from the rest of the developing world in many aspects, one of them is its high level of urbanization. The urban population grew from 50 percent in 1960 to 77 percent in 2003. While poverty rates tend to be higher in rural areas, the high degree of urbanization in the region makes reducing urban poverty an important task in the fight against poverty. For example, 84 percent of the poor in Chile live in urban settings, while the comparable figure for Brazil is 70 percent. Given the different nature of urban poverty, it is necessary to customize programs to the specific needs and risks faced by the urban poor.

Since its creation, the Bank has supported a total of 216 urban development projects, of which forty-eight urban were approved between 1995 and 2004 totaling US\$4 billion. One of the best known is *Favela Bairro* in Brazil. This project was developed by the municipality of Rio de Janeiro and partly financed by the IDB through two investment loans approved in 1995 and 2000. *Favela Bairro* symbolizes a change in focus by the government from eradication to development and inclusion of the city's favelas. The program is a mix of infrastructure, land tenure and social development components. The infrastructure component provides water, gutters, sewerage and lighting hardware as well as road improvements. The social component included the construction of early childcare centers. In the first phase of the program, 284 public works were executed in the targeted favelas.

Water and Sewerage. The Bank has been involved in projects for the provision of water and sewerage since its creation. Between 1995 and 2004, 46 projects were approved in the area of sanitation totaling US\$3.3 billion. The Bank has supported traditional projects for the expansion of water and sewerage in urban and rural areas, as well as programs to support the privatization of water services. Evaluations of a sample of these programs show that they helped reduce child mortality.

Microfinance. The Bank has also supported the expansion of microfinance in the region. Microenterprises and small businesses—which are the main clients for micro-credit—employ about 70 percent of the region’s poor workers. Thus, the sector presents a significant potential for reducing poverty and promoting equity in the region. The provision of financial services for smaller companies and low-income households helps to reduce poverty and inequality through four main channels: increases in income as a result of using credit for productive activities; increases in the stock of assets through the use of noncredit financial services, particularly savings; benefits from the reduction in the volatility of consumption, thanks to access to financial services; and indirect impacts caused by the expansion of the economic activities of microenterprises (increases in employment, for example). While there have been advances in the region, wide gaps remain in the use of formal or informal financial services between poor and nonpoor households.

Over the last 25 years the Bank has strongly supported the creation of microenterprises and development of microfinance institutions in the region. The IDB group provides support to small and medium enterprises through the Social Entrepreneurship Program, the Inter-American Investment Corporation (IIC) and the Multilateral Investment Fund (MIF). Since 1978 the Social Entrepreneurship Program has approved 570 operations for a total of US\$302 million. The MIF was established in 1993 and, since then, has approved over 650 projects for a total commitment of US\$950 million approved as of the close of 2004. The IIC has approved a total of 350 loans total US\$1.6 billion since its creation in 1989. In addition, in the 1995–2004 period, the Bank approved 7 loans to promote social equity in the area of support to microenterprises for a total value of US\$360 million.

Health. In addition to an increase in the number of operations and resources in health, the Bank’s focus in this sector also shifted. Until the end of the 1980s, approved loans for healthcare were concentrated basically in infrastructure and went to the construction of hospitals and health centers. Since the Bank’s Eighth Replenishment of Resources, loans have been directed to the implementation of reforms to improve the efficiency of the delivery of healthcare services to the population. Loans have also been made to programs focused on primary healthcare that are capable of improving access and equity for the poorest groups, as well as improvements in the qualification and training of personnel. Most recently, the Bank has supported innovative programs that link broad sector financing with health targets. In most cases, this is directly linked to the fulfillment of the health MDGs. The Bank has also increased the health components of more comprehensive social investment loans, local development programs and policy-based lending.

Education. The Bank has also expanded its support to the education sector and made important innovations in it. Until the late 1980s, IDB lending to education centered on financing infrastructure projects for higher education and, in some cases, primary education and vocational training. During this period, operations were modestly financed. Judged by the current standards, the Bank

had not consolidated its education expertise into a critical group able to produce and disseminate relevant knowledge for the improvement of educational policies in the countries of the region.

Since 1990 the IDB has occupied a crucial place in the financing of education for Latin America and the Caribbean and is the principal source of external financing for educational investments in the region. In the past ten years, it has also become the main source for support in the expansion of secondary education, and an important source of financing for vocational training projects and the development of science and technology. The IDB also finances regional cooperation operations in education, promotes policy dialogues, disseminates ideas about good practices in education, and is the source for innovations and a strategic vision for the sector.

The increase in financing for education was accompanied by a substantial change in the content of operations. From an emphasis on building schools and university campuses, beginning in the mid-1990s, the Bank changed its strategy to focus on loans for evaluations of learning, integration of information technology in the classrooms, institutional strengthening, decentralization, school autonomy, demand subsidies for the poorest children and investments in the integration of public, private and academic initiatives for the promotion of scientific and technological activity.

More Flexibility and Effectiveness in Lending Instruments

The Bank has been improving its menu of financial instruments to support the development needs of its member countries. In 2000, the Board of Executive Directors approved a set of four new flexible lending instruments (FLIs): innovations loans (ILs), multi-phase program loans (MPLs), sector facilities (SFs), and the project preparation and execution facility (PROPEF). Since then, the Bank approved 111 operations utilizing these instruments for a total of US\$3.1 billion, representing 38.5 percent of the total number and 24 percent of the dollar amount of IDB investment loans approved between 2000 and 2003. Among these, multi-phase loans were the largest in terms of amounts approved, registering significant increases in 2001 and 2002.

Since 2002 the Bank has continued the development of specific lending instruments under the new framework approved by the Board of Executive Directors in 2000. The new instruments include the sector facility for institutional development, the international trade finance reactivation program, guarantee for disbursement loans with sovereign guarantees, the sector facility for transnational infrastructure projects, the emergency reconstruction facility, the conditional credit line for investment projects (CCLIP), the lending program for trade, integration and competitiveness, and the performance-driven loans (PDL). These new lending instruments fall primarily under the investment-lending category. They have been developed in response to the needs and priorities of Bank borrowers.

PDLs are investment loans that disburse once the project or program's actual developmental results or outcomes are achieved, and the Bank has verified the expenditures incurred by the

Box 9**Multiphase Lending for the MDGs: IDB Support to Mexico's Progres/Oportunidades**

The largest program ever approved by the IDB was a loan to Mexico in 2002 to consolidate and expand the Progres/Oportunidades anti-poverty program, which provides education, health and nutrition aid to millions of indigent families. IDB resources will support a US\$4.8 billion, six-year, multi-phase project that will expand Progres/Oportunidades's coverage to urban areas, ensure the medium- and long-term impact of its aid to poor families and improve its operating efficiency.

Progres/Oportunidades combines incentives and requirements for its beneficiaries to help indigent families keep their children in school, obtain access to basic health services and improve their nutrition. The program seeks to break the vicious circle of structural poverty, which is transferred from generation to generation. Progres/Oportunidades is one of the few poverty-reduction programs that have been able to prove its impact on the levels of schooling of its beneficiaries, their use of health services, the quality and quantity of their food, and the reduction of child labor. The success achieved by the Mexican program (which has stood out for its system of identifying beneficiaries and the rigorous evaluation of its results) has led other Latin American and Caribbean countries to use its experiences and lessons learned to improve their own poverty reduction programs.

Launched in 1997, Progres/Oportunidades focused initially on rural areas that have the highest concentrations of extreme poverty in Mexico. To join the program families are chosen through established rules, in a process that must be validated by local communities. Families can receive support during three years as long as they meet their counterpart obligations. After that period, they can reapply for benefits but must undergo a certification of their socioeconomic conditions. Another feature of Progres/Oportunidades, which is coordinated by Mexico's Social Development Secretariat, is that it works directly with women in beneficiary families, trusting they will manage resources in the best interest of their children.

The program provides free food supplements to expectant and lactating mothers and to infants between the ages of 4 months and 2 years to prevent undernourishment from the pregnancy stage. It also awards cash grants to families to help them improve the quantity, quality and variety of their diet, as long as beneficiaries comply with a series of medical consultations and attend courses on health and nutrition. The program provides student grants and school supplies to encourage indigent families to keep their children in school. The size of the grants increases as children pass to higher grades. After the sixth grade girls get larger grants than boys, who have lower dropout rates at that stage of education.

IDB support has been instrumental in expanding the program's coverage to urban areas and offering education support to students in the higher grades of secondary education. As a result of the project's three-year first phase, the program is expected to reach one million additional families. During its first year it benefited 400,000 families. By the end of 2004, it had reached 5 million families, benefiting some 25 million people in 82,815 communities across Mexico, covering virtually its entire target population. One of the goals of the program's new phase is to focus on the care and advice provided to families rather than on expanding enrollment. The program, which is operating in every Mexican state, will also expand its network of local offices.

borrower to reach the outcomes. *Outcomes* are the effects from using the specific products and services (or *outputs*) that result from a development intervention. During project preparation the project's expected outcomes are clearly defined, and outcome indicators are selected to track each outcome. A schedule of targets for the selected outcome indicators is agreed upon between the Bank and the borrower, and is included in the loan contract.

With disbursements linked to the achievement of outcome targets, the Bank focuses its efforts on project outcomes rather than project inputs and processes. The focus will be primarily on the identification of project outcomes, the selection of outcome indicators, setting outcome targets, ensuring that a solid and reliable system is in place to track outcome indicators, and verifying the achievement of targets for disbursement. The Bank assists the borrower in defining the interventions required to achieve the agreed-upon outcome targets. However, the primary responsibility for how outcomes are finally achieved falls on the borrower, giving them flexibility to make the necessary adjustments to reach the targets. Approvals of PDLs to date have centered on areas of support for MDG attainment, including a loan to Nicaragua to support maternal-child health and a loan to Colombia to support vaccinations.

In 2004, the Bank continued refocusing its ongoing work on operational policies and lending instruments to respond more effectively to borrowers' current needs and demands, and to better align the Bank with emerging trends among the multilateral development banks and international donor community. To this end, the Bank approved the *Sector Wide Approach (SWAp)* lending modality. The SWAp is an approach to investment lending through which development agencies collaborate to support a government-led program for a sector. It is based on a comprehensive sector strategy agreed upon by the participants (MDBs, bilateral donors and the government), which is reflected in a program of specific interventions where the proportion of the program that each participant will finance is identified. Pooling of donor and government funds into one common Bank account is one of the options offered to eligible countries.

SWAps are increasingly being seen by the international donor community as an effective tool to harmonize development financing, encourage the use of country systems and strengthen them where needed. Significant efforts are now underway in the harmonization exercise among MDBs and donors to harmonize SWAps. A preliminary agreement exists to prepare joint SWAp guidelines. SWAps have become popular in recent years as a result of the advantages they provide and the features they offer. First, by supporting the government's development vision for the sector, they strengthen country ownership and leadership. They provide development cooperation within a single agreed-upon sector strategy and expenditure program, reducing duplication of efforts and increasing resource allocation efficiency and development effectiveness. SWAps also improve donor coordination and harmonization of procedures, significantly reducing borrower transaction costs. In addition, they enable borrowers to institute a single procurement, financial management, and disbursement system,

Box 10**PDL Lending for the MDGs: Childhood Immunization in Colombia**

The Bank has extended a US\$107 million loan to the Government of Colombia to strengthen the country's immunization program for children up to five years of age, focusing on improving the system in low-income municipalities where coverage is below the national average. The resources will enable the Ministry of Social Protection and the National Health Institute, to purchase vaccines, syringes and other equipment, and to acquire technical assistance and train the necessary personnel to support the expanded national immunization program, known as EPI. The vaccination program targets polio, hepatitis B, tuberculosis, diphtheria, tetanus, meningitis, yellow fever, measles, mumps, rubella and influenza. Increased and maintained levels of timely vaccination will reduce future outbreaks of vaccine-preventable disease.

The operational capacity of the EPI will be enhanced, ensuring that vaccinations take place at proper intervals. Coordination will be improved between the public sector, which will carry out the EPI, and the private sector, which manages insurance programs that participate in the financing and provision of vaccinations. The network of cold storage for vaccines will also be improved. EPI will be strengthened in 71 poor municipalities, about 6 percent of the nation's total, where immunization rates are below 80 percent. Colombia's poorest afrodescendent and indigenous communities, where vaccination rates are the lowest, will be among the main beneficiaries of the program.

The Bank and Colombia have agreed on a performance-based lending program in which funds will be disbursed in four tranches according to results-based measurement and evaluation systems. The use of a performance-driven loan instrument allows for improvements in the effectiveness of EPI (more children vaccinated on time, with an emphasis on the poorest communities) while simultaneously providing incentives to improve the accuracy and timeliness of the program's results measurement systems.

thereby reducing the administrative burden of parallel systems. Finally, by emphasizing the use of government procedures, SWAs provide a real opportunity to strengthen the country's own capacity, systems and institutions.

SWAs have also been used by the Bank to support key programs for MDG attainment. The first SWAp approved was a US\$1 billion loan to Brazil for the *Bolsa Familia* program. The program relies on Brazilian government procedures to disburse and account for funds. The newly created Ministry of Social Development and Hunger Eradication will be in charge of the program. The National School of Public Administration will be a co-executor for training activities. The objectives of the program are to expand the coverage of the *Bolsa Familia* program to all eligible families in an effective and efficient manner, strengthen the Child Labor Eradication Program, assess and improve the quality of complementary safety net programs, and strengthen the newly created ministry as well as the decentralized social assistance structure. The *Bolsa Familia* program was launched in 2003 with the unification of several existing cash transfer programs, and represents the government's most important poverty reduction initiative. The unification of several programs under *Bolsa Familia* reduces institutional and sector fragmentation and

promotes efficiency in the use of public resources. However, the government's sector strategy recognized that cash transfers alone are not sufficient to address the risks faced by poor and vulnerable families, and it is investing in complementary policies and social assistance programs, which are also being supported by the IDB. These include the after-school activities for former child laborers, a new Program of Integrated Assistance to Families, and the creation of a network to train social program managers.

Monitoring and Evaluation: Ensuring the Development Effectiveness of Policies and Programs Focused on the MDGs

As established at the 2002 Conference on Financing for Development in Monterrey, measurement and monitoring of the effectiveness of actions in support of development, and especially the MDGs, requires special attention. To that end, mechanisms need to be established to monitor progress in implementing poverty reduction strategies and activities, with indicators, and monitoring and evaluation systems for policy, program, and development target tracking. Support for monitoring and evaluation capacity development, with participatory elements, is crucial to be able to improve, adjust and adapt poverty reduction policies on the strength of lessons learned.

The Bank has placed special emphasis on helping create capacity to monitor and evaluate progress in reaching the MDGs, both internally and among its borrowing member countries. Bank activities in this area include new institutional arrangements to strength the monitoring and evaluation of Bank operations and programs to improve information systems on socioeconomic conditions in the region, surveys of living conditions (such as the MECOVI program), demographic surveys, censuses, administrative records, and strengthening of national statistics institutes. The Bank's action in this field gives priority to generating information on progress in indicators of effort and results associated with the MDGs, and other regional commitments, placing special emphasis on countries with less capacity in the field.

Internal Arrangements to Enhance Monitoring and Evaluation of Bank Projects and Policies

The internal pillar of the Bank's medium-term action plan for development effectiveness focuses on Bank performance in the design and implementation of strategies and projects. Underpinning the internal pillar is the partnership between the Bank and borrowing member countries in the development process. The Bank will do its utmost to ensure the quality of its policies and operations. Thus, it will take steps to ensure that country strategies and projects include monitoring indicators to ascertain progress toward reaching stated objectives; have adequate means of verification of attainment of results through self- and independent evaluation; and incorporate lessons learned from experience. The medium-term action plan includes an integrated risk management approach that calls for greater managerial attention to higher-risk projects.

The 2002 Annual Meeting of the IDB's Board of Governors (Fortaleza) placed a strong emphasis on results and reaffirmed the Bank's conviction that ensuring development effectiveness is its very *raison d'être*. In order to ensure the highest level of quality in Bank performance, the medium-term action plan underscores the need for robust results frameworks in strategies and projects, and for self-evaluation and quality reviews as a basis for institutional learning, decision-making and oversight. The plan also calls for establishing an integrated risk-based approach to the design and implementation of strategies and projects.

With regard to project supervision, the action plan highlights the need to take steps to strengthen country offices and results-focused teamwork between headquarters and country office staff; further improve Bank monitoring instruments to take into account risk factors, among other things; ensure the accuracy and timeliness of information contained in monitoring instruments and their utilization as a tool for day-to-day project management, and continue retrofitting projects in execution; pay greater attention to higher-risk projects (including carrying out mid-term evaluations and project restructurings); and establish a mechanism to carry out structured reviews of the quality of the Bank supervision, which will focus on those aspects that are within the Bank's control.

Supporting Data Generation, Monitoring and Evaluation Systems and Evidence-based Policymaking for the Attainment of the MDGs

The capacity to monitor and evaluate public policies is directly related to the availability of statistical data to inform the process. High quality and timely data are essential for evidence-based policymaking that is transparent and promotes accountability. In this sense, the effort needed to monitor progress in the MDG indicators has underlined the importance of statistical data. It is impossible to produce good indicators without high quality inputs, and in the production process of indicators statistical data is the most important of those inputs. Hence, the relevance of paying attention to the agencies in charge of generating information, mainly the national statistical offices but also the sector specific agencies that produce administrative records. The need to have high quality and timely data for monitoring and evaluation is not limited to the MDG indicators, but they have provided a common framework for countries to build on or improve their information and monitoring systems.

The Bank has supported data generation and dissemination, methodology development, and use of both data and methodologies, to strengthen capacity building of national statistics institutions. It has provided support to a broad project to strengthen household surveys in the region (the MECOVI program) and has approved multiple loans to strengthen the capacity of governments to generate data, evaluate programs and policies, and put in place monitoring and evaluation systems for social programs and other public programs and investments. The Bank has focused its efforts in three areas: (i) improvement of the statistical base and the capacity to maintain it; (ii) strengthening of the agencies responsible for the main data production activities; and, (iii) enhancement of the ability to engage in evidence-based policymaking.

Improvement of the Statistical Base

In this area, the Bank has asserted that any resources spent on the collection of high quality and timely data are an investment because of the relevance of data for planning purposes. In line with this view, it has provided crucial financing to support the national implementation of population census for the round of 2000. Loans for this purpose were extended to Bolivia, Colombia, Ecuador, El Salvador, Honduras, Nicaragua, Paraguay and Surinam. This support was paired with technical assistance and collaboration for the inclusion of questions that allow for the disaggregation of data based on race and ethnicity.

In coordination with ECLAC and the World Bank, the IDB established the Program for the Improvement of the Surveys and the Measurement of Living Conditions in Latin America and the Caribbean (MECOVI by its Spanish acronym) in 1996. Through this program the Bank has provided technical and financial assistance to national statistical offices (NSOs) in the region to enhance the quality of their household surveys, in terms of geographic and thematic coverage, timeliness and relevance. This has been achieved through country specific technical assistance programs in 10 countries, and regional activities. The scope of the region-wide events has centered on promoting the exchange of best practices and lessons learned, and training NSO professionals. Bank resources for these activities have come from technical cooperation and trust funds.

Another important element in the improvement of statistics is the standardization of methodologies, definitions and variables across countries, so that data comparability is feasible. To support this goal, the Bank has approved a project as part of its Initiative to Promote Regional Public Goods that supports collective action and coordination among NSOs in the search for common answers to similar problems across countries.

Recent events in this area include training courses for the dissemination of best practices and workshops to promote the exchange of lessons learned targeted to NSO technical staff. Two training courses on the design and use of household surveys were conducted in Aguascalientes, Mexico, in February and August of 2005 with the collaboration of Mexico's statistical institute. A training course on the methodology to generate estimations for small areas combining census and household survey data was conducted in coordination with Peru's statistical agency during the month of August of the same year.

Institutional Strengthening of National Statistical Agencies

Many of the NSOs in the region are institutionally weak, have serious budgetary problems, and outdated legal frameworks, and lack true autonomy. The road to high-quality indicators starts with high-quality data and necessarily goes through stronger and more independent statistical agencies. In this area, the Bank has stand-alone operations in Guyana and Honduras, loans in process for the Dominican Republic and Venezuela, and smaller institutional strengthening components in other operations. Plus, the institutional support provided by the MECOVI

program in the area of household surveys. Recent Bank activities include a seminar in Santo Domingo, Dominican Republic (May 18–20, 2005), to assess the role of NSOs in monitoring the MDG indicators. The recommendations from this seminar were integrated into the conclusions of the third meeting of the Statistical Conference of the Americas (Santiago, Chile, June 1–3, 2005).

Promote Evidence-based Policymaking

The use of information as a tool to inform decisions does not come automatically with the availability of data; access to statistical data is a necessary but not a sufficient condition. As reviewed in the section on capacity building, the Bank is supporting important efforts to enhance management by results among the governments of its borrowing member countries. To complement these efforts it is crucial to ensure open access and the broad dissemination of information to foster a statistical culture that uses data to inform decision-making and as a tool

Box 11

Regional Workshop “The National Statistical Offices and the Millennium Development Goals” (Santo Domingo, Dominican Republic, May 18-20, 2005)

The workshop was organized within the framework of a regional technical cooperation entitled “Reaching the Millennium Development Goals: Searching for Political Consensus.” It was carried out in close coordination with ECLAC, the World Bank and the UNDP, and with the full support of the National Statistical Office of the Dominican Republic. The workshop built upon the close coordination that the MECOVI Program has fostered between these international agencies and the national statistical offices of the region.

The objective of the event was to evaluate the role that the national statistical offices (NSO) play in monitoring of the Millennium Development Goals. This role was analyzed from different perspectives: (i) the extent of the participation of the NSOs in preparing the MDG national reports; (ii) the extent to which the NSOs appropriated the MDG indicators; and, (iii) monitoring the MDGs as an opportunity to promote evidence-based policymaking.

Seven main conclusions emerged from the event. The first was an acknowledgement of the importance of the MDGs as a window of opportunity for the NSOs to assert their role as providers of information for the public policy process, a role that should go beyond the MDGs. The second conclusion was that strengthening statistical capacity should be an explicit national and international goal. Thirdly, the event participants agreed that multilateral agencies should coordinate their support to avoid duplications. Fourth, the meeting concluded that there was a need for NSOs to take a more proactive role in the preparation of national reports and to participate fully in the process. Fifth, it was agreed that multilateral agencies should encourage and support this involvement, as well as a more visible role for the NSOs. The sixth conclusion was emphasizing the need for high quality data to promote evidence-based policymaking. The participants also underscored the intrinsic relationship between (technically and financially) strong NSOs and high quality and relevant data. Finally, it pointed to the need to promote an ongoing dialogue between the NSOs and main data users, so that supply and demand of information are synchronized.

to promote transparency and accountability. To facilitate this exercise it is essential to encourage an open dialogue between data producers and data users so that the supply and the demand for information are synchronized. It is also necessary to strengthen the capacity of NSOs to disseminate data and to make it easily available to users.

Recent Bank activities in this area include a video produced in collaboration with the Partnership in Statistics for Development in the Twenty-first Century (Paris21) that has been widely disseminated throughout the region.

To promote the use of first hand information the Bank developed the MECOVI databank of household surveys that encompasses more than 300 micro-data sets from 21 countries. Using this information as input, the Poverty and Inequality Unit of the Sustainable Development Department has designed an interactive database of MDG and other socioeconomic indicators that highlights the disparities in achieving the MDGs within each country. When the base data is available the indicators are presented disaggregated by income group, urban and rural areas, gender and ethnicity. Providing open access to the Equity and Social Indicators (EQxIS) database through the Bank's website is in progress, as is the transfer of the technology to NSOs in the region.

Monitoring MDG Progress Through Inter-agency Initiatives

The IDB has actively monitored MDG progress in the region in conjunction with national governments and other agencies. The United Nations, through the UNDP, has led an effort to monitor advances made in each country. Reports have been completed for almost all countries of the region. The IDB has actively participated in the elaboration of the reports, especially in the UNESCO MDG progress reports; CARICOM MDG report; in-depth Pilot Report in Peru; Ethnicity Report; and costing exercises for Nicaragua and Peru.

Lessons Learned and Best Practices: Improving MDG-focused Policies and Programs

Poverty is a multidimensional phenomenon closely related with low accumulation of human capital and scant economic opportunities for the poor. Government initiatives to help households overcome poverty require actions on multiple fronts. Although sustainable economic growth, macroeconomic stability and governance are essential ingredients for poverty reduction, they are not sufficient. *Specific actions* to boost capacity (assets), opportunities and risk management options for the poorest and most excluded groups are also required to promote greater equity and increase the impact of growth on poverty. In particular, it is necessary to offer productive opportunities; increase access by the poor to physical and social infrastructure; address structural inequalities in the distribution of assets (especially human capital); address social problems that have a disproportionate impact on the quality of life of the poor; eliminate social barriers that keep ethnic groups and women at a disadvantage; promote a more efficient, effective and

Box 12**Social Indicators and Equity (EQxIS)**

Income inequality in Latin America and the Caribbean is one of the highest in the world. This level of inequity is not limited to the distribution of income, the picture repeats itself in different levels in other indicators, such as those derived from the MDGs. The data available at the national level to measure the MDGs hide the inequalities among urban and rural areas, genders, and ethnic groups.

Most countries in the region have a vast amount of data at the household level from their regular household surveys. The IDB, through the MECOVI Program, has created a regional databank of household surveys. With the issue of inequality in mind, the Bank, with support from DFID and UNDP, has developed a database of disaggregated MDG indicators using the micro-data from the household surveys at its disposal.

The disaggregation is done by income quintiles, urban and rural areas, gender, and when possible, race and ethnicity. Using definitions of MDG indicators established by the United Nations, the Bank has developed a web-based interface to make the information available in a user-friendly format.

The availability of disaggregated social indicators makes it possible to assess:

1. *the equity of social indicators*: that is, the gap between poor and nonpoor;
2. *pro-poor social development*: that is, if achievements or setbacks harmed or benefited the population equally;
3. *comparisons of social development among countries*: that is, it makes it possible to find out which countries have advanced faster than others; and
4. *assess sector priorities*: that is, which sectors have wider access gaps for the poor.

The Social Indicators and Equity System (EQxIS, in its Spanish acronym) is a web-based information tool that allows users to monitor equitable social development goals (MDGs), identify the main challenges associated with each sector, and make available disaggregated measures. This can be done in several ways: (i) access gaps among population groups and geographic areas; (ii) inter-temporal and between country comparisons; and, (iii) displays of inequalities within countries in the achievement of the MDGs.

inclusive State that is sensitive to the needs of the poor, is more accountable and recognizes their human rights; and establish comprehensive social protection systems.

These actions are urgent in our region. Despite the major political and institutional changes in recent decades, there are still wide differences in the distribution of assets between the high- and low-income persons, different ethnic groups, men and women, urban and rural areas and/or more advanced and less advanced regions. In its dialogue with member countries and the financial support that it provides, the IDB has made an important effort to identify, disseminate and scale up innovative programs to increase the capabilities and economic opportunities of the poor while at the same time ensuring that a strong emphasis is placed on attaining the MDGs.

The partnership of the Bank and its borrowing member countries in implementing and evaluating the portfolio of interventions to improve capabilities and opportunities of the poor has led to useful lessons for the identification of best practices to reduce poverty and inequality and promote MDG attainment. The Bank has worked on lessons learned and the dissemination of best practices for MDG attainment through several initiatives. One of these is the creation of databases of best practices in social projects.¹¹ The Bank has also organized *conferences and seminars* related to the MDGs and best practices. This includes conferences held during the annual meetings of the Bank's Board of Governors.¹² The Bank Group is *implementing programs in important areas* that are a source of development with links to MDG attainment, areas recommended in several UN reports and those where the IDB already provides significant levels of support (e.g., private sector development, corporate social responsibility, remittances and development, trade, and science and technology, etc.).

The Bank has also promoted several events (workshops, seminars and conferences) to disseminate best practices in policies and programs to attain the MDGs. These include, among others, periods of intense discussion of particularly relevant topics such as social development, the environment, and gender, as well as Bank participation in the Shanghai conference on scaling up poverty reduction. The Social Development Week took place in November 2003 at IDB headquarters. The focus of this event was discussing social development issues in depth, sharing best practices, and exploring some of the new priorities of the Bank's social development strategy (2003). The week offered a wide range of activities, including panel discussions, presentations of case studies by Bank staff, workshops, brown bag lunches, and keynote addresses. Similarly, the Environment Week, which was held in 2004, included seminars, working lunches, exhibits, and fieldtrips related to a number of relevant environmental issues. These events served to share lessons on environmental performance and promote environmental sustainability across development sectors supported by the Bank in the region.

To commemorate International Women's Day and the tenth anniversary of the Beijing Platform for Action, the IDB held a series activities collectively known as "Gender Week." The aim was to highlight innovative areas IDB work on gender issues, including gender, ethnicity and race as factors that affect social exclusion. Also discussed was the role of judicial mechanisms in the protection and defense of the human rights of women. The event highlighted two good practices and innovative approaches to addressing gender disparities. One of those, Pro-Mujer, is an international civil society organization that targets poor women with a comprehensive approach to microfinance, going beyond the provision of credit and also providing training and

¹¹ See, for example, the SDS web site, http://www.iadb.org/sds/publications_type_1_e.htm, and the Lessons Learned Retrieval Network, LERN.

¹² A conference on gender equality was held during the annual meeting in Santiago, Chile; one on HIV/AIDS was held during the meeting in Fortaleza, Brazil. A conference on social inclusion was held during the annual meeting in Milan, Italy; and one on upgrading slums at the meeting in Lima, Peru. Conferences on water, science and technology, poverty reduction, and social development were held during the annual meeting in Okinawa, Japan.

Box 13**Meeting the MDGs: Sharing Best Practices Between Asia and Latin America and the Caribbean****(2005 IDB Annual Meeting Seminar – Okinawa, Japan. April 7–8, 2005)**

A seminar on the Millennium Development Goals was organized during the 2005 annual meeting of the Bank's Board of Governors held in Okinawa, Japan. The aim of the seminar was to identify the key factors that induce and enable countries to implement effective public policies and strategies to reduce poverty, promote inclusive social development, and establish adequate disaster prevention and mitigation programs to protect the vulnerable population. International experts, policymakers and cabinet ministers from the countries of Asia, Latin America, and the Caribbean shared experiences and best practices on how to meet the MDGs. The seminar focused on three main themes: effective poverty reduction strategies, effective policies inclusive growth and social development, and the impact of natural disaster vulnerability on the MDGs. Attendance included annual meeting participants as well as public from Okinawa. The seminar culminated with an open dialogue among ministers that included those from Barbados, Chile, Guatemala and Mexico.

As was pointed out by IDB president Enrique V. Iglesias, the path to the MDGs has two equally important agendas: first, the domestic agenda to promote inclusive social development and pro-poor growth, and second, the international agenda, that requires increased development assistance and opening access to markets, particularly those for agricultural products. He also stressed the important role that ethics plays in engaging political leaders in a collaborative effort for a better world.

The seminar successfully encouraged the exchange of knowledge among participants from both regions. Evidence presented showed that the countries of Asia as well as those of Latin America and the Caribbean face difficulties in meeting several of the Millennium Development Goals. However, Latin America and the Caribbean face larger obstacles to meet the first goal of poverty reduction, compared to Asia, which has experienced more stable and pro-poor economic growth. Addressing the challenge of excessive inequality in the region would not only leverage the impact of growth on poverty reduction, but would also accelerate the achievement of cutting extreme poverty by half.

human development programs to enhance women's capacities. The other program (the Judicial Education Program) has trained hundreds of judges in the region on women's rights instruments and how to address issues such as domestic violence through the courts.

In 2004 the Bank participated in the Shanghai conference on Scaling Up Poverty Reduction (SUPR). The objective of the event was to create an atmosphere where Heads of State and Governments, academics, policymakers and representatives of the developing and developed countries, members of international agencies, and participants from the private sector and civil society could share insights on key factors for scaling-up success in reducing poverty and sustaining economic growth. In addition to effective programs, 12 country case studies were presented during the conference, which analyzed poverty reduction from a national perspective. The countries studied included Costa Rica, Malaysia and Uganda. Thematic studies of successful

poverty reduction programs in more than 14 sectors were also presented. These included investment climate, access to water, education, targeted programs, and HIV/AIDS, among other topics. The focus of the conference was to create an environment for learning and knowledge-exchange on the degree of success of attempts to reduce poverty and enhance growth. Two of the best programs presented were the Bank-financed ProgresA/Oportunidades program in Mexico and *Favela Bairro* in Brazil.

The Bank has also participated in many inter-agency initiatives to extract lessons and policy recommendations that would help reach the MDGs. These included the LAC PRS Donor Network, the Millennium Project Task Forces (which addresses poverty, education, gender, maternal mortality), the UN Expert Group; and the DFID initiative on inequality and the MDGs, among others.



Conclusion and Outlook

The Millennium Development Goals are a rather comprehensive framework for international dialogue and collaboration to promote development and the reduction of poverty. They have become essential parameters in the debate on the objectives and actions that countries and international organizations should take to foster processes of equitable and sustainable economic and social advance. The countries of Latin America and the Caribbean are making efforts to translate this agenda into specific goals adapted to their individual circumstances. This will permit the identification of medium and long-range targets that should facilitate the building of consensus on how to proceed. The region is adopting processes by which governments, together with civil society, poor population groups, and the private sector, work toward achieving the MDGs. Also needed are good institutions and governance, as well as effective methods and mechanisms for monitoring and evaluation.

Notwithstanding the efforts of the countries in the region, progress toward the MDGs so far has been mixed. With respect to the first goal, poverty, progress has been insufficient, as indicated in this report. However, there has been significant progress in reducing the proportion of people suffering from hunger. In the case of the education MDG, the region has advanced toward meeting the goal of universal primary enrollment, but progress related to the completion of five years of primary education has been slower. In the case of the gender MDG, the region has a very high probability of success in largely eliminating gender disparities in primary and secondary education by 2005 and at all educational levels by 2015.

Child health has continued to improve steadily in the region, but some countries will likely not achieve the infant and child mortality reduction MDG by 2015, in part, because the goal is ambitious, given the progress that some countries have already made. Also, the maternal mortality indicator did not improve during the 1990s, and, compared with other developing world regions, Latin America will need to make the greatest effort to reach this target. Regarding the HIV/AIDS and communicable diseases MDG, it is noted that the number of people infected with HIV in the region increased between 2002 and 2004.

The environment MDG presents a great challenge to the region. Trend indicators point to very serious processes of deterioration of the environment and the depreciation of natural capital. This affects health, productivity and income, and the quality of life. In the case of the indicators of access to safe water and sanitation, even though the countries of the region have relatively

high rates of access, there is still a long way to go, and progress has been slow compared with other world regions.

Finally, the eighth MDG includes a series of indicators related to access to markets, levels of development assistance, debt sustainability, youth problems, and the development of landlocked countries and small islands. On average, the countries of Latin America and the Caribbean have performed better than other developing regions in relation to some of these indicators, but there are problems such as “decent and productive” employment for youth that deserve special attention.

In Latin America and the Caribbean, the calibration of the indicators embedded in the MDGs to adequately respond to local and regional conditions and needs must focus in particular on the reduction of inequality and exclusion. Other aspects to be addressed include the adaptation of the health and nutrition goals to the epidemiological profile of the region and the formulation of more ambitious goals in education and gender equality, among other dimensions.

The policy challenges before the region in regard to the MDGs are numerous and formidable. Some of them, ranging from labor markets and employment to social cohesion and the factors underpinning governance and participation, are briefly evoked below.

Labor markets remain a key challenge in the decade to 2015. While the MDGs contain no explicit labor market targets or indicators, improving the efficiency and performance of these markets as generators of income for the poor will be essential to meeting most if not all of the MDGs by 2015 and beyond because labor market performance is critical to insuring that any gains achieved are not temporary, but lasting. Income transfer programs, while potentially important, will be neither sufficient (they only supplement living wages) nor sustainable unless the poor are gainfully and sustainably employed. More efficient, equitable, and inclusive labor markets in Latin America and the Caribbean, in short, are key to the reduction of poverty today and across generations.

Demographic trends are imposing new challenges for developing countries to reduce poverty and inequality. In Latin America and the Caribbean, the challenges of creating productive work for young people are compounded by those of providing for the elderly in the face of rapidly aging national populations.

In addition to the issue of aging, the literature highlights two major trends in the demographics of the region in the next 15 years: urbanization and cross-border migration. Because of massive migration from rural areas, Latin America’s urban population increased from 65 million in 1950 to 380 million in 2000 according to official census data. The percentage of the population living in urban areas increased steadily during the twentieth century and is expected to continue to increase into the twenty-first century, although at a much slower pace. While urbanization will

provide many countries the opportunity to tap the information revolution and other technological advances, the growth of cities will test the capacity of governments to stimulate the investment required to generate jobs and provide the services, infrastructure and social support necessary to sustain stable communities. Urban governance clearly will remain a challenge in the context of the quest for achieving the MDGs.

And, finally, there is the challenge of social cohesion and the construction of representative political systems and effective patterns of public sector management in a democratic context. Much remains to be done in these respects in the region. The challenge of over-coming the “democratic deficit” in Latin America (a deficit which has begun to translate into growing dissatisfaction with clientelistic political systems) is particularly urgent and complex. Electoral democracy, to be sure, has flourished in the last decades, but the competent day-to-day exercise of representative government is under threat by the social inequalities and contradictions that are often encountered, the unfair judicial systems, the problems with (and lack of progressivity in) taxation and expenditure, and the limitations affecting the efficiency and effectiveness of the public sector.

The list of issues that have a bearing on the scope for achieving the MDGs, therefore, is complex and anything but short, and it really needs to be looked at on a country-by-country basis with the benefit of the contextual information provided by the regional review that was the objective of this report. The IDB stands ready to continue to support its borrowing member countries in their efforts to achieve the MDGs.



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