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**SPECIAL ROUND TABLE:
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**Poverty Reduction in Latin America and the
Caribbean within the Framework of Sustainable
Development**

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POVERTY REDUCTION IN LATIN AMERICA AND THE CARIBBEAN WITHIN THE FRAMWORK OF SUSTAINABLE DEVELOPMENT

According to the World Bank: “Poverty is hunger. Poverty is lack of shelter. Poverty is being sick and not being able to see a doctor. Poverty is not being able to go to school and not knowing how to read. Poverty is not having a job, is fear for the future, living one day at a time. Poverty is losing a child to illness brought about by unclean water. Poverty is powerlessness, lack of representation and freedom.”

Last November, the XIII Ibero-American Summit, which was held in Bolivia, dealt with “social integration, motor of development in Ibero-America”. The 21 heads of state and government decided to move towards policies with a more social content after a decade dominated by neo-liberal economics. During the last decade, the structural reforms of the neo-liberal model demanded great sacrifices by the people without yielding sufficient results in terms of reduction of inequalities, exclusion and poverty.

Privatizations, budgetary discipline, financial liberalization, deregulation, among others, characterized these structural reforms, whose results were less than what was expected. In some cases, these policies even lead to an increase of those indicators.

The Latin America and Caribbean region is, after Sub-Saharan Africa, the region with the highest level of inequality in areas such as income, consumption, political influence, health and education. The richest ten per cent of the population has 48% of the income, while the poorest 10% only has 1.6%. This compared with the developed countries, where the richest account for 29.1% and the poorest for 2.5% respectively (data by the World Bank).

Education is an opportunity to reduce social inequalities and, in the long term, reduce the levels of poverty. In developing countries, such as those of Latin America and the Caribbean, child labour is common and this severely affects education levels.

In order to achieve lasting poverty reduction, it will be necessary to combine economic growth with measures to close the gap between rich and poor.

Economy

GDP

The development of GDP in Latin America and the Caribbean showed a slowing down of economic growth as of 1998, triggered by economic crises in various countries of the region. After a brief peak at around 4% in 1999, growth has been

close to zero with a forecast for 2003 of less than 2% for the region. These low levels of growth do clearly not allow for any significant reduction of poverty.

Foreign Direct Investment

The decrease in GDP brought with it a drop in FDI. In 2002, a decrease of more than a third was recorded with further decline foreseen for 2003. This may be associated with a global decline on the stock markets and also in the number of international transactions. At the national and regional levels, the drop was provoked by recession and political instability in some countries.

In the 1990s, some countries attracted foreign direct investment thanks to massive privatization of their public sectors. The lack of transparency of these privatizations did not help and lead to a lack of confidence in government policies. Today, this process has stagnated and, although some attempts at further privatizations were made in 2002, these met with political resistance and were cancelled or postponed.

FDI destined to the exploitation of natural resources remained largely at 2001 levels, with the exception of Venezuela where they decreased.

Foreign debt

Another relevant aspect has been the evolution of foreign debt in the region, which has grown constantly since the 1980s and which has worsened lately due to the financial crises of some countries. These crises forced governments to focus their efforts on reducing foreign debt and not on reducing poverty.

Levels of poverty

The statistics related to poverty reduction demonstrate that the levels of poverty and extreme poverty as a percentage of the population as a whole, has been practically constant since 1997 while the total number of people living in poverty has increased. In absolute terms, this means that in 1990 there were 200 million people living in poverty or extreme poverty in the region and the estimate for 2003 is for some 225 million.

Employment

Economic growth during the 1990s did not lead to a reduction in unemployment. On the contrary, a steady increase in this indicator could be observed.

Although open unemployment lies at or below 10% for the region, widespread under-employment makes the real situation considerably worse than the official figures would suggest.

The decrease in employment rates has led to informal economic activity being constant or on the increase throughout the region. A major problem with the informal sector is that it is characterized by a lack of labour rights, in particular where women and children are concerned.

Since 1995, the portion of economically active persons working in the informal and low-productivity sectors is around 46% of all employed persons in Latin America and the Caribbean. This percentage has remained practically constant until this year.

According to a UNDP report, 7 out of 10 new jobs created since 1990 belong to the informal sector. And for the same period, only 6 out of 10 new jobs in the formal sector come with some form of social security. In addition to the shortcomings of conditions of employment in general, many employees of the region are in risk of a complete lack of protection when they reach retirement age.

Migration

With virtually no possibility for a better life or to find employment in the rural areas, large numbers have migrated to the cities or to more developed countries.

Ever since colonial times, the cities are extremely important in Latin America. That is where the economic and political powers are concentrated and where the immigrants expect to find a better life. Although the predictions for 2015 show that in Latin America and the Caribbean some 66% will live in the cities, in some countries the figure will be much higher. So, for instance, in Argentina, where the figure will be some 92% while in Uruguay it could be as high as 94%.

As to emigration to foreign countries, the USA is a classic recipient country already since the 1950s. At present many go to Europe, in particular to Spain and Italy.

Society

Ethnic and gender issues become important when poverty is being discussed. In many countries of the region, women have on average higher education than their male counterparts. In spite of that, they, along with the indigenous groups, appear to be more exposed to low salaries and unemployment. This would suggest that there is an ethnic and gender issue to this type of discrimination.

The disadvantage that women have in the case of salaries is compounded by their limited access to the productive resources, such as employment, land, capital, information, new technologies, natural resources and housing.

Environment

There is a link between poverty and the state of the environment in that most developing countries are engaged in the exploitation of natural resources. Therefore their livelihood is intrinsically dependent on the quality of the environment. Furthermore, an economy based on only natural resources, and therefore not diversified, exposes its population to great risk.

The cost to the environment of regional economic expansion is already very high and is predicted to increase further. Industrialization, and its impact on social and economic development, has proven to have a cost in terms of public health and environment and thus have been on the agenda for the debate on sustainable development during the last decade.

As industry has contributed to the degradation of the environment, there is now pressure on the sector to provide the solutions for an environmentally sustainable industrialization that also addresses the problem of poverty.

One of the big problems, and one that waits for a solution, is the concentration of two thirds or more of the population in the cities. This makes it crucial to improve housing, sanitary infrastructure and public transport. Another challenge is how to promote a sustainable use of the rain forest and the biodiversity.

In summary, some of the most important environmental issues are: over-exploitation of land and maritime natural resources; erosion and over use of the soil; deforestation; degrading and loss of biodiversity and habitat; contamination of waters; conflicts over access and use of water; air pollution; contamination by heavy metals and problems related to urban waste disposal.

UNIDO works to improve local industry from an environmental point of view by promoting the transfer of clean technologies and the use of renewable and more efficient sources of energy, in particular in rural areas. Much of this work is undertaken as part of the implementation of the Montreal and Kyoto protocols.

MAIN POINTS FOR THE DEBATE

- Reduction of social and economic inequality through sustainable economic growth and a fairer distribution of the generated income.
- Creation of political and economic conditions to re-establish the markets of the Latin America and the Caribbean as viable investment markets.

- Decentralization of industry so as to avoid massive concentrations of people in the cities and reduce the urban migration. Support to the creation of small and medium enterprises. Diversification of agro-based production and promotion of job creation in rural areas.
- Strengthen women's participation in society and also strengthen their autonomy. Facilitate their access to the productive resources and eliminate financial and social discrimination. Improve work conditions for young people and women.
- Promote industrial development with minimal impact on the environment. Apply clean technologies and more efficient sources of energy.