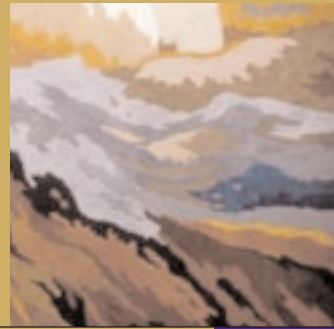


II. Background and General Implications for the Region and the Bank



II. BACKGROUND AND GENERAL IMPLICATIONS FOR THE REGION AND THE BANK¹

During the 1990-2002 period, leading up to the Monterrey Consensus, an international process of dialogue and consensus building led to the elaboration of an integrated global agenda for development focused on eliminating poverty. Along with its general principles, this agenda establishes a set of ambitious objectives and targets called the Millennium Development Goals (MDGs), most of which are to be achieved by 2015. Achieving the MDGs is a challenge not only to developing countries but also to developed countries and to the international community in general, because for the first time commitments were made to provide the means for supporting their implementation and realization. In view of the challenges that achieving the MDGs poses for Latin America and the Caribbean, in coordination with other development agencies, the Inter-American Development Bank has decided to provide to the borrowing countries that request it, a more tailored and focused support to implement and achieve the MDGs.

1. HISTORICAL BACKGROUND

The countries of Latin America and the Caribbean, both their governments and civil society, have participated in, and contributed to, the definition of a global development agenda, which emerged from the consensus reached by the international community during the United Nations summits and conferences. As members of the United Nations, the countries of the region have approved the terms of that agenda for global sustainable development, giving priority to poverty reduction and to concentrating efforts on the very poor.

The consensus achieved between developed and developing nations is the result of an extensive discussion and negotiation process that began in the past decade. In May 1996, the ministers for international cooperation and development aid of the Organization for Economic Cooperation and Development (OECD) countries approved a “Strategy for the Twenty-first Century.” This visionary document contains the goals resulting from a series of United Nations summits held on specific topics, in which high-level officials and leaders of nongovernmental organizations from Latin America and the Caribbean participated. Among the conclusions and recommendations drawn from these discussions, OECD and Development Assistance Committee (DAC) ministers highlighted seven objectives—with their own timelines, parameters and related indicators—known as the International Development Goals (IDGs). This initiative changed the focus of development aid, centering concern henceforth on results rather than efforts. The groundwork was thereby laid for the

1. This chapter was prepared by Georges Cahuzac with input from Carlos Vélez and Mayra Buvinić.

II. BACKGROUND AND GENERAL IMPLICATIONS FOR THE REGION AND THE BANK

definition of a comprehensive holistic strategy framework, including matters related to resource mobilization and monitoring.

This process culminated with the adoption of a series of agreements and/or understandings reached during the international conferences and summits held in recent years: the Millennium Summit (September 2000); the Doha Development Round (November 2001); the International Conference on Financing for Development in Monterrey (March 2002); and the United Nations World Summit on Sustainable Development in Johannesburg (September 2002).

Adopted in September 2002 during the Millennium Summit by 189 heads of state and government, the Millennium Declaration of the United Nations offers a new perspective and lays the foundations for a development agenda that is broad, comprehensive and more effective. This Declaration contains a statement of values, with renewed commitments to peace, security, and disarmament, human rights, democracy, and good governance, while, at the same time emphasizing the human dimension of development and recognizing the multiple dimensions of poverty. It also recognizes the central challenges that all societies have to confront and overcome, the most important being ensuring sustainable economic growth and equitable distribution; stability of the institutional framework; the quality, efficiency, and transparency of government systems; the definition and implementation of policies to promote investment and poverty reduction; acceptance of, and openness to, the rest of the world. It also spells out an answer to the challenges imposed by poverty and other related social ills, and sets out concrete measurements for evaluating the progress achieved through a set of interrelated commitments, goals, and targets (MDGs) on certain issues, including development and the environment.

The Millennium Declaration also devotes unprecedented attention to the implementation and means for reaching the goals and targets. 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.

This operational focus was reaffirmed in the Doha Ministerial Declaration. That statement gave a clear priority to the problems of developing countries in terms of implementing World Trade Organization (WTO) agreements. It also recognized that special attention should be paid to the interests and needs of poor countries around issues such as agriculture, subsidies, technical barriers hindering trade, and trade-related investment measures. Another important point in common between the two declarations is the so-called Doha Development Agenda, the first initiative of its kind through which the

international community accepted the challenge of improving the terms of trade of developing countries, as well as solving the problem of trade relations and other issues.

The International Conference on Financing for Development held in Monterrey in March 2002 was an important step toward improving the comprehensive focus to achieve significant results in the implementation of international cooperation. 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) toward poverty reduction, focusing on the objectives and targets of the Millennium Declaration, especially the MDGs.

The Monterrey Consensus Document recognizes the shared responsibility of industrialized countries and the individual responsibility of each developing country in achieving the MDGs, as well as the need for accountability between 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 assistance effectively to ensure that official development aid is effective. For their part developed countries and donor institutions agree to increase and intensify their efforts to help developing countries to achieve the internationally agreed-upon MDGs and other development goals, offering support in capacity creation and furnishing assistance at all levels, including civil society and the private sector. It was also agreed to regard trade and the Doha Round as an issue of central importance and to increase aid for development and debt relief.

It was agreed that this set of actions had to be carried out and that it was needed to facilitate the efforts made by developing countries to reach the first seven goals. Moreover, this same set of actions would likewise be the central basis of the MDG 8 with respect to the World Partnership for Development envisioned in the Millennium Declaration. All participants agreed that making development more effective would entail concentrating on results, and ensuring country ownership of the process, and establishing a global partnership. It was also decided to adopt and apply a systematic approach to monitoring actions taken by all the parties involved in the area of international cooperation.

Finally, the World Summit on Sustainable Development, held in Johannesburg in September 2002, regarded poverty reduction as a central issue. On that occasion, the international community reaffirmed the economic, social, and environmental dimensions of development, and set further significant goals for the areas of water and sanitation, health, agriculture, and energy, which complement the already-existing MDGs. It also emphasized: (i) the importance of collaboration, primarily with the private sector, in order to meet established commitments and reach the goals and (ii) the role of civil society and NGOs, particularly in relation to implementation, since fulfillment of the commitments will be the measure that will determine the success or failure of the actions.

2. WHAT ARE THE MDGS?

The MDGs are a set of eight goals and eighteen numerical targets that summarize, for operational purposes, the development goals on which developed and developing countries have reached agreement. These eight goals, which should be met within certain time periods, are mutually reinforcing and interrelated. Achieving them is a necessary but not sufficient condition for reaching the overall goal of eradicating poverty and eliminating social gaps and rising inequality during the 1990-2015 period.

**BOX 1.
THE MILLENNIUM DEVELOPMENT GOALS**

Goal	Targets
Goal 1: Eradicate extreme poverty and hunger	<i>Target 1:</i> Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day. <i>Target 2:</i> Halve, between 1990 and 2015, the proportion of people who suffer from hunger.
Goal 2: Achieve universal primary education	<i>Target 3:</i> Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling.
Goal 3: Promote gender equality and empower women	<i>Target 4:</i> Eliminate gender disparity in primary and secondary education, preferably by 2005, and to all levels of education no later than 2015.
Goal 4: Reduce child mortality	<i>Target 5:</i> Reduce by two thirds, between 1990 and 2015, the under-five mortality rate.
Goal 5: Improve maternal health	<i>Target 6:</i> Reduce by three quarters, between 1990 and 2015, the maternal mortality ratio.
Goal 6: Combat HIV/AIDS, malaria and other diseases	<i>Target 7:</i> Have halted by 2015 and begun to reverse the spread of HIV/AIDS. <i>Target 8:</i> Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases.
Goal 7: Ensure environmental sustainability	<i>Target 9:</i> Integrate the principles of sustainable development into country policies and programs and reverse the losses of environmental resources.

BOX 1. continued

THE MILLENNIUM DEVELOPMENT GOALS

Goal 7:

Ensure environmental sustainability

Target 10:

Halve by 2015 the proportion of people without sustainable access to safe drinking water and basic sanitation.

Target 11:

By 2020 to have achieved a significant improvement in the lives of at least 100 million slum dwellers.

Goal 8:

Develop a global partnership for development

Target 12:

Develop further an open, rule-based, predictable, non-discriminatory trading and financial system. It includes a commitment to good governance, development, and poverty reduction, both nationally and internationally.

Target 13:

Address the special needs of the least developed countries. Includes: tariff and quota-free access for least-developed countries' exports; enhanced program of debt relief for HIPC countries and cancellation of official bilateral debt; and more generous ODA for countries committed to poverty reduction.

Target 14:

Address the special needs of landlocked countries and small island developing states (through the Program of Action of Small Island Developing States and the outcome of the twenty-second special session of the General Assembly).

Target 15:

Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term.

Target 16:

In cooperation with developing countries, develop and implement strategies for decent and productive work for youth.

Target 17:

In cooperation with pharmaceutical companies, provide access to affordable essential drugs in developing countries.

Target 18:

In cooperation with the private sector, make available the benefits of new technologies, especially information and communications.

II. BACKGROUND AND GENERAL IMPLICATIONS FOR THE REGION AND THE BANK

The agenda of the Millennium Development Goals proposes a holistic approach to development and poverty reduction.

Poverty encompasses various interrelated aspects of well-being, and hence progress must be reflected on various fronts in order to overcome it. In addition to sustainable economic growth, macroeconomic stability, and democratic governability, there must be other initiatives and/or activities centered on: (i) creating productive opportunities for those population groups suffering exclusion or poverty; (ii) providing better access to physical and social infrastructure; (iii) dealing with the structural inequalities existing in the distribution of public goods, primarily in the areas of health and education; (iv) trying to solve the social ills affecting the quality of life of the poor; (v) eliminating the social barriers that place women and ethnic groups at a disadvantage; and (vi) promoting a more efficient and effective State that is also inclusive and sensitive to the needs of the poor. Finally, the agenda regards environmental sustainability as a factor in poverty reduction.

The MDG agenda pays great attention to implementation and to the ways and means for reaching them. The United Nation has undertaken various activities in support of these goals, such as an ongoing campaign to promote the MDGs (the Millennium Campaign) intended to mobilize both developed and developing countries to making the MDGs and their achievement a priority in government programs. The Millennium Project² is a joint initiative of the Secretary General of the United Nations and the Administrator of the United Nations Development Program aimed at analyzing policy options, recommending the best strategies for achieving them, and developing an implementation plan that must be ready by the end of June 2005. The United Nations, through UNDP, will also head an effort to monitor advances made in each country.

In addition, the community of bilateral and multilateral donors recognized that the means of implementation associated with these goals entail mobilizing further resources and trade liberalization. It was also emphasized that international cooperation must use a results-based approach so as to be able to evaluate the impact that aid has on development, and primarily on poverty reduction, so that the effectiveness of aid programs can be improved.

The MDGs take on a central importance in the context of development and constitute the framework of reference for international cooperation. After reaching consensus in Monterrey, the World Bank's Committee for Development (comprised of a group of finance ministers from OECD and non-OECD countries) and the International Monetary Fund decided to take on the role of overseeing the process of monitoring progress toward implementation of the MDGs. To that end, the Committee adopted a framework that connects policies and

2. In order to fulfill this commitment, 10 Thematic Working Groups were set up. Their mandate includes carrying out research to make it possible to identify operational priorities and the organizational forms of implementation and financing structures needed for the attainment of the MDGs. These groups work under the direction of Jeffrey Sachs, who has been appointed Special Advisor to the Secretary General of the United Nations.

actions to results, thereby establishing the realms of actions and responsibilities of each of the actors in the international development community—both developed and developing countries—in terms of the conclusions emerging from the discussions held during the summit meetings/conferences.

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 between the actors to speed up development. Hence, 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 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.

As is evident from the conceptual framework supported by the Committee for Development, the list of obligations that all countries should fulfill in order to achieve the MDGs assigns to the developed countries a set of responsibilities (MDG-8), which include: help preserve an economic environment conducive to worldwide macroeconomic stability and growth; facilitate market access for agricultural exports, textiles, and clothing from developing countries; increase aid flows in quantity and quality; provide debt relief; and contribute to global programs that are focused on MDG-related general public goods. A series of indicators is envisioned for monitoring progress on each of them.

The agenda proposed by the Millennium Declaration, especially through the MDGs, matches most of the mandates and/or priorities that were adopted at the Summit of the Americas. Like the Millennium Declaration, the Quebec Declaration signed by the thirty-four heads of state of the Americas and the Caribbean in April 2001, is focused on the issues and challenges that the hemisphere must face, and gives priority to eliminating poverty. It also recognizes the interdependence of problems and the need for greater coordination and participation with international financial institutions and with other regional multilateral organizations.

The Quebec Declaration is clearly focused on human development, and it defines priorities in the context of a coherent set of political, economic and social issues articulated in a Plan of Action. In addition to strengthening democracy and human rights, with the aim of

II. BACKGROUND AND GENERAL IMPLICATIONS FOR THE REGION AND THE BANK

promoting prosperity and enhancing human capital, the Plan of Action deals primarily with social ills and reflects identification with the goals of inclusion and greater equity. The Plan of Action envisions initiatives in thematic areas similar to those taken up in the MDGs, namely: access to education and improving its quality; the integration of a gender perspective for greater participation of women in political life; obtaining resources for health care, with emphasis on disease prevention (HIV/AIDS); access to reliable sources of clean air and water; improvement of women's and children's health; management of environmental resources in the hemisphere; and through the FTAA, promotion of free trade as an instrument of growth and poverty reduction.

The MDGs are a translation in both quantitative and qualitative terms of the goals for human development, and they constitute a valid universal agenda that can certainly be adapted to the reality of the region. Although the agenda could mistakenly be regarded as one designed for facing the specific challenges and needs of the poorest countries, actually the global agenda can be applied to all developing countries, regardless of the nature and level of poverty that they present. Certainly for decades governments in most developing countries have taken on the task of combating poverty, and they have taken actions in this regard by funding programs and projects to improve the situation in several of the areas envisioned in the MDGs.

Despite the efforts and progress made in the region during the 1990s in terms of various indicators of well-being proposed by the Millennium Development Goals, the number of people with incomes of under a dollar a day has risen significantly. According to UNDP reports, of the 54 countries in the world with declining average per capita income, six are in Latin America and the Caribbean. Unless firm actions are taken to resolve this issue, most of the countries in the region could lose ground in their efforts to reach the goal of reducing poverty measured by income. Actually, the medium-income countries in the region have a higher aggregate proportion of the population living in poverty than the poor countries. Moreover, income indicators show that the countries of Latin America and the Caribbean have the most unequal income distribution in the world, primarily owing to the great disparities in property and assets, and particularly in the level and quality of human capital. This situation restricts development, which is still being slowed by social tensions and economic instability.

Although they are still relevant for Latin America and the Caribbean, it is obvious that 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, it could be considered opportune to attempt to adapt the MDGs to the specific aspects or situations of a particular country, subregion, or region. That could help demonstrate or reaffirm the multiple dimensions

of poverty and inequality in the region, as well as the significant differences existing within the same country, even if it is regarded as medium-income.

3. IMPLICATIONS FOR COUNTRIES

The Millennium Development Goals are a true political call for organized collective action and they have strong implications for the governments of Latin America and the Caribbean in terms of future agenda, strategy, 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 overall agenda, which poses a series of challenges to them. Through the commitments made, the agenda not only includes obligations, but also offers the countries opportunities. The latter have been identified in events organized in the region, primarily the international conference held on November 16-17, 2003 in Brasilia, which made it possible to move forward in defining the role played by the various parties (governments; parliaments; civil society; and the donor community) in the joint efforts aimed at achieving the MDGs.

1. Domestically, achieving the MDGs requires:

- Implementing the policies needed to reach the MDGs, including: (i) economic stability, legal framework, and infrastructure, in order to produce adequate conditions for private sector activity and economic growth; (ii) the promotion of democracy, human rights and social equity; and (iii) the strengthening of democratic governance.
- Government promotion of a participatory dialogue involving legislatures, civil society organizations, and the private sector with the aim of fostering a process of making public opinion aware of the MDGs and having them appropriated by the nation.
- Government adaptation of the MDGs to the specific reality of the country, taking into account the dimensions of equity, ethnicity, and gender as the outgrowth of an extensive dialogue. Based on that adaptation, the elaboration 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.
- 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.

II. BACKGROUND AND GENERAL IMPLICATIONS FOR THE REGION AND THE BANK

- Improving the management quality and capacity of the public sector, through the incorporation of the national development targets into the budget process. It is desirable to seek the implementation of multi-year budgets to assure mobilization of the domestic funds required 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.
- Within this national framework, legislators should: (i) promote the relevant legislation to contribute to the adoption of MDG-related policies, especially those having to do with poverty, education, health, and the environment; (ii) support national development plans aimed at eradicating poverty and promoting equity, by passing budgets seeking to allocate relevant public funds to achieving them, while maintaining fiscal sustainability; (iii) contribute to the monitoring of progress and results, placing special attention on indicators of poverty, equity, and social inclusion, and strengthening their ties not only to the executive branch but to civil society, and excluded groups; (iv) establish mechanisms for intensifying collaboration between parliaments and specialized commissions, particularly those dealing with budget and finance, education, health, and the environment, around poverty reduction issues; (v) strengthen the legislative bodies access systems to information on MDG-related policies and indicators; and (vi) make the MDGs, after they have been adapted to countries, a priority framework in regional integration strategies, trade agreements, and international negotiations.
- As for civil society organizations, their role includes: (i) promoting the MDGs as a framework of reference and tool for eradicating poverty, ensuring that they have country ownership; (ii) help provide adequate information on MDGs, in local languages and dialects as appropriate, and participate in their dissemination; (iii) ensuring that the poor and excluded really participate in the implementation and monitoring of the MDGs, by defining consultation mechanisms and guidelines; (iv) being involved, especially in those countries that do not have poverty reduction strategies, in setting up a structure for monitoring, following and evaluating the MDGs; and (v) developing partnerships to strengthen systems and democratic institutions devoted to poverty reduction and social inclusion.

2. Internationally, achieving the MDGs requires

- Promoting a regional socioeconomic platform drawn up on the basis of the mandates of the Summits of the Americas, along with the principles of the Monterrey Consensus, and the Johannesburg Agenda, aimed at eradicating poverty and inequality in Latin America and the Caribbean.
- Taking steps to put into practice the Doha Development Agenda, since trade liberalization is a central element for poverty reduction and meeting the MDGs.

- Creating regional public goods and partnerships within the international community for financing programs aimed at achieving the MDGs. In particular, the areas of education, the struggle against communicable diseases, and the promotion of orderly flows of goods and capital should be considered.
- Developing, with the support of the United Nations, the international financial institutions, the WTO, and the Committee for Development Assistance (CDA), an appropriate conceptual framework and indicators for monitoring the actions that countries pursue in order to meet the obligations stemming from the implementation of the Monterrey Consensus.

4. IMPLICATIONS FOR THE INTER-AMERICAN DEVELOPMENT BANK

The commitment of countries to the Millennium Development Goals has implications for the IDB in terms of its activities.

1. The mandates and functions conferred on the Bank by member countries are consistent with the Millennium Declaration Goals, and especially with those related to development and poverty reduction that are reflected in the MDGs.

The IDB's Eighth Capital Replenishment approved by the Board of Governors in 1994 proposes, like the Millennium Declaration, an integrated, global human focus on development, making poverty reduction and social equity a major goal. According to the Eighth Replenishment document, the mandates of the Bank are fulfilled by:

- Assigning key fields of activity to the institution: poverty reduction and the promotion of social equity, modernization and integration, and the environment.
- Recognizing the need to work toward the goal of poverty reduction on several fronts, such as supporting new investments in human resources (in the realms of education, health, sanitation, nutrition, and housing), attending to the needs of the family, women, and youth, and promoting initiatives in the area of urban and rural development, job creation, environment, and modernization of the State.
- Determining that in order to achieve the goals of social reform and poverty reduction, the Bank will analyze the causes of poverty and the constraints on social progress, placing special attention on the financial aspects; support the design of poverty reduction strategies and social sector reforms; and pay special attention to actions carried out by other bilateral and multilateral institutions in order to coordinate efforts and avoid duplication.

II. BACKGROUND AND GENERAL IMPLICATIONS FOR THE REGION AND THE BANK

- Recommending that the Bank develop programs with institutions in the borrowing countries in order to improve databases on poverty.

In May 2002 at the closing of the Monterrey Conference, in a joint declaration with other multilateral development institutions (the African Development Bank, the Asian Development Bank, the European Bank for Reconstruction and Development, and the World Bank), the Bank expressed its commitment to support the implementation and the process of monitoring the MDGs and to improve the effectiveness of official development aid. In particular, as stated by the Presidents of the Multilateral Development Banks, these institutions will focus their efforts on (i) “Increasing the work of measurement, monitoring and managing the results of development through the evaluation of our performance in country programs, improving their timeliness and focus on country outcomes, including the Millennium Development Goals;” and (ii) “Furnishing support for creating capacity in countries for measurement, monitoring and management of results,” whether at project, agency or ministry level.

The Rome Declaration (February 2003) consolidated and better specified the terms for the use of a common approach in the implementation of the Millennium Development Goals in order to improve harmonization. Like other multilateral development banks and in keeping with the Governors’ instruction for taking steps aimed at improving the quality of projects and their impact on development, the Bank agreed to carry out a series of activities, which include management of specific results in each country, dissemination of knowledge, inter-agency coordination, and capacity creation at the national level.

2. The Bank has strengthened its strategic framework, helped spread information, and supported countries in identifying and dealing with the challenges related to the Millennium Development Goals.

The Bank has made efforts so that its actions will have a greater strategic focus on the MDGs and has placed emphasis on the internal coordination of its operations, and the external coordination of its initiatives—with the World Bank, ECLAC and UNDP—in its support to countries for achieving the MDGs.

- Through its renewed sector strategies, the Bank has established a new strategic framework that includes specific targets for carrying out activities aimed at attaining long-range objectives, including the MDGs. IDB support to countries is envisioned in the Integrated Strategy Implementation Plan which defines both cross-cutting areas and specific actions for the implementation of sector strategies for the 2003-2006 period.
- The Bank is consistently taking the MDGs into account in its policy dialogue with borrowing countries, and incorporating MDG-related indicators into both country strategies and operational programming documents.

- To ensure that the MDGs are effectively integrated into Bank activities, that is, to facilitate the transfer of strategic guidelines into operations, the Bank created an interdepartmental group comprised of the three operational departments, as well as the planning, budget, and evaluation departments.
- For efficiency purposes and in order to better support the countries of Latin America and the Caribbean to face the challenges entailed in implementing the MDGs, in June 2002, the Bank signed a Letter of Intent with ECLAC, UNDP, and the World Bank to undertake coordinated joint activities aimed at evaluating and monitoring progress made toward meeting the MDGs. This initiative led to the definition of a basic joint interagency working program to respond to two of the challenges that must be overcome in the region, namely creating institutional capacity within the countries and adapting activities to the MDGs.
- Thus, in conjunction with ECLAC, UNDP, and the World Bank, the Bank will provide specific support to countries to ensure monitoring of results and outcomes of policy actions, as well as of government efforts to reduce poverty and promote social equity. This led the Bank to: (i) strengthen the already existing MECOVI program; and (ii) design a regional technical assistance program to help strengthen the measurement and monitoring capacity of national statistics institutions. These initiatives are aimed at helping governments to evaluate the cost and financing required to achieve the MDGs, and also to define priorities for planning purposes.
- The Bank is fully supporting the Millennium Campaign launched by the United Nations, primarily through a series of events organized in 2003, which helped broaden understanding of the main causes of poverty in the region, most notably: the Third Regional IDB-Civil Society Organizations Meeting held in Lima, Peru (January); the Seminar on “Best Practices for Social Inclusion: Dialogue between Europe and Latin America and the Caribbean” in Milan, Italy (March); “Challenges for Social Development in Latin America and the Caribbean” in Washington, DC USA, (April) jointly organized with ECLAC, the World Bank and FLACSO; Regional Dialogue on Policy, Poverty Reduction, and Social Protection Network in Washington, DC, USA (May); Seminar on “The Gender Implications of the Millennium Development Goals” in Washington, DC, USA. (September). The Bank is also actively involved in exploratory missions undertaken by UNDP, and in seminars and/or conferences organized in the region.
- The Bank is participating in the United Nations Millennium Project, the main objective of which is to identify the best strategies, recommend a plan of action and, at the end of June 2005, propose recommendations for achieving the MDGs. In addition to the already existing collaboration between experts at each institution, high-level Bank officials are members of, respectively: (i) the Poverty and Inequality Working Group, one of the

II. BACKGROUND AND GENERAL IMPLICATIONS FOR THE REGION AND THE BANK

thematic working groups created to carry out research with the aim of identifying operating priorities, organizational forms for implementation, and financing structures needed to achieve the MDGs; and (ii) the United Nations Experts Group-UNDG, which plays a role in disseminating existing knowledge so that it may be used more efficiently, and as a facilitator for coordination between the activities of the working groups.

3. The Bank has made a major financial effort to support operations to enable progress toward the MDGs.

In keeping with the goals established by the most recent replenishment in terms of setting aside 40 percent of total loan volume and 50 percent of the number of loans for operations that promote social development, increase equity, and reduce poverty—which in recent years have been achieved—the Bank’s social portfolio directly linked to the MDGs has expanded notably.

- Loan operations in the social sectors have multiplied and diversified, particularly those that include support for reforms in health, education, and housing. The Bank has also made emergency and sector loans and has financed operations directly focused on combating poverty (including social protection, social investment funds, early childhood development and protection, and upgrading of communities and poor neighborhoods). In collaboration with the World Bank and the International Monetary Fund, the Bank has supported the creation of Poverty Reduction Strategies (PRS) in poor countries.
- Comparison of the composition of the Bank portfolio before and after the Eighth Capital Replenishment (approved in 1994) shows a significant increase in loans to the social sectors. They include operations in urban development, education, social investment, environment, microenterprise, health, and sanitation. As table 1 shows, the average

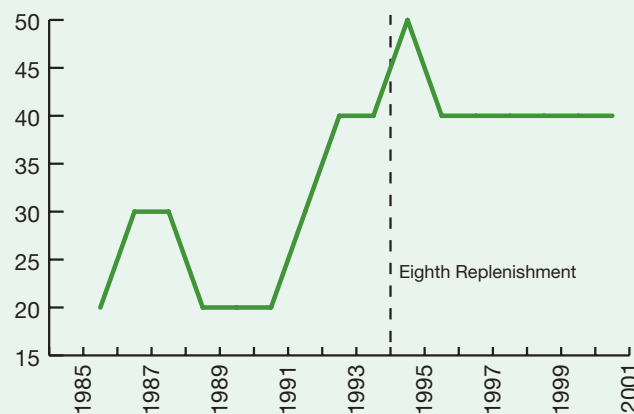
TABLE 1.
ANNUAL AVERAGE OF THE COMPOSITION OF THE BANK PORTFOLIO PER PERIOD

Sector	Percentage of Total Bank Loans		Volume (in million US\$)		Quotient (b)/(a)
	1985-1994	1995-2002	1985-1994(a)	1995-2002(b)	
Education	4.1	4.9	180	344	1.9
Environment	2.0	1.9	102	118	1.2
Health	1.7	2.5	61	194	3.2
Microenterprise	0.4	0.6	20	49	2.4
Sanitation	11.3	5.1	412	386	0.9
Social Investment	1.3	19.6	69	1,346	19.5
Urban Development	7.0	6.9	281	453	1.6
Social Sectors	27.8	41.4	1,125	2,889	

annual volume of loans in the social sector rose from US\$1.1 billion in the 1985-1994 period to US\$2.9 billion in the 1995-2002 period. This was due both to the increase in the total volume of loans in the Bank portfolio and to the relative growth in the weight of social loans.

- Indeed, the composition of the Bank portfolio underwent a structural change as a result of the Eighth Replenishment. As a percentage of the Bank’s total loan portfolio, the number of operations in social sectors rose from an average of 28 percent in the 1985-1994 period to an average of 41 percent in the 1995-2002 period. Figure 1 shows more clearly the trend of this component and the change that took place in 1994.
- Most social sector areas saw absolute increases in the volume of loans between the 1985-1994 and the 1995-2002 periods. The exception to this tendency is in the area of sanitation, which declined by approximately 6 percent. The category where growth was greatest, social investment loans, which includes social protection, social investment funds, employment, and sector and reform loans, grew by twenty times its original amount during the second period.
- Following the Eighth Capital Replenishment, loans to reduce poverty and promote social equity showed an increasing trend. Between 1994 and 1998 the volume and number of social equity (SEQ) loans approved were, respectively, 41 percent and 42.4 percent of total loans, meeting only the Eighth Replenishment target on volume. However, between 1999 and 2002 the percentages for the volume and number of total loans rose to 54.7 percent and 53.1 percent respectively, thus surpassing both targets.

FIGURE 1. SOCIAL SECTORS LOANS (IDB, 1985-2002)



*Three-year moving average

II. BACKGROUND AND GENERAL IMPLICATIONS FOR THE REGION AND THE BANK

In the 1994-2001 period, the Bank approved more than a thousand social sector grants (nonreimbursable technical cooperations) totaling US\$400 million and representing 57 percent of all technical cooperation funds. Half of these grants were aimed at MDG-connected activities, including operations related to children, youth, women, and other priorities of the Eighth Replenishment.

Progress has been made on the incorporation of gender, ethnic, and race issues into regular Bank operations. These matters are an essential part of the MDG challenge in the region. A rough estimate shows that around 28 percent of all Bank projects incorporate gender issues and around 10 percent are devoted to dealing with indigenous matters. The Bank has made significant accomplishments in institutionalizing the concern for the environment, which is also a central issue in the MDGs. Since the Eighth Replenishment, a committee has systematically reviewed all Bank projects in terms of their environmental and social impact before they are approved.

5. CONCLUSION

The Millennium Development Goals reflect the priorities of developing countries, which are suffering the consequences of poverty and are still not fully benefiting from the globalization process. It is in the interest of the countries of Latin America and the Caribbean to translate these priorities into far-reaching specific goals that can be adapted to their individual and regional circumstances. Medium and long-range development targets are thereby identified, contributing to processes of dialogue and consensus-building on strategies and policy measures for achieving goals and targets. Countries should adopt processes by which governments get involved together with civil society, poor groups in the population, and the private sector to achieve the MDGs. Also needed are good policies and institutions, effective programs with effective goals and resources, and efficient evaluation and monitoring mechanisms.

The Inter-American Development Bank seeks to support the countries of the region in their efforts to meet the Millennium Development Goals, and hence will continue to provide assistance to countries to improve conditions in those areas that are fundamental to the MDGs.

The Millennium Development Goals are an effective overall framework for international dialogue and collaboration, and for making efforts toward development and poverty reduction. Indeed, the MDGs have become an essential parameter in the debate on the objectives and actions that countries and international organizations should take to achieve equitable and sustainable economic and social development.

