Public Policies for Human Development

Achieving the millennium development goals in Latin America and the Caribbean

Edited by

Rob Vos
Enrique Ganuza
Hans Lofgren
Marco V. Sánchez
Carolina Díaz-Bonilla

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Preface

Over the past ten years, the United Nations Development Program (UNDP) has coordinated a number of comparative studies on the macroeconomic performance, poverty and inequality in Latin America and the Caribbean. Completed projects include macroeconomic policies and poverty during the 1980s and 1990s,¹ the impact of balance-of-payments liberalization on income distribution and poverty,² and the impact of trade liberalization and free trade agreements on distribution and poverty.³ These studies were all collaborative efforts involving other UN agencies (including the Economic Commission for Latin America and the Caribbean, UN-ECLAC, and the United Nations Department of Economic and Social Affairs, UN-DESA), as well as renowned international research institutes (including the International Food Policy Research Institute, IFPRI, in Washington D.C., and the Institute of Social Studies, ISS, in The Hague) and the multilateral development banks (World Bank and the Inter-American Development Bank). Most importantly, however, the studies brought together high-level researchers and policymakers from most (i.e. 16 or more) countries in the region in order to obtain the best possible insights in country-specific conditions and the reasons for success or failure in reducing poverty and improving human development. The studies clearly revealed that while countries fairly uniformly engaged in Washington-consensus style economic reform measures, the outcomes in terms of growth, income inequality and poverty have been quite diverse because of different institutional settings, economic structures and human resource endowments. The more common finding, though, was that the market-oriented reforms did not yield the progress towards higher and sustained

growth and substantial poverty reduction promised by the advocates of the reforms. Furthermore, inequality remains unchanged at very high levels.

Rather than evaluating the performance of past policies, the present book takes a more forward-looking approach. It assesses what feasible financing strategies policymakers in the region would be advised to follow in pursuance of the United Nations’ millennium development goals (MDGs) and their achievement in 2015. The studies relate to similar concerns as those of the previous projects, though: how to make macroeconomic policies more conducive to support sustained growth and reduce the still widespread poverty and inequality in the region. In addition, the present study also addresses the question how such policies could ensure sufficient levels of public spending in support of improvements in human development in terms of ensuring that all children complete at least primary education, that child and maternal mortality rates are brought down substantially and that all of the region’s population has adequate access to basic sanitation. In doing so, the study keeps an economy-wide perspective as progress on human development and increased resources allocated towards social services will affect the composition of the labour supply, change relative prices, and may exercise financing constraints in different parts of the economy. This provides great value added over more sector-based needs assessments for achieving the MDGs as the analysis shows that the macroeconomic repercussions strongly influence the cost estimates of the resources needed to achieve the goals in education, health and sanitation. The model-based approach of the study also enables policymakers to get a better sense of whether their country is “on track” or “off track” towards the achievement of the MDGs. Standard assessments of that kind typically make linear projections based on past performance. The analyses in the present study simulate whether with a continuation of existing policies the goals can be reached or whether greater efforts are needed and, if so, how the additionally required resources can best be mobilized. While the region has made much human progress, severe deficits remain and achievement of the MDGs clearly will require important additional efforts. The study concludes these are affordable for all countries, but it will require that some hard choices in favour of social development and, in most countries, at the expense of higher taxes will have to be made.
As in the previous projects, also this study was a collaborative endeavour. The study was initiated by UNDP’s Regional Bureau for Latin America and the Caribbean, which also organized the funding for the project. The World Bank also provided financial support and, importantly, the core modelling framework – the MAquette for MDG Simulations (MAMS) – which was applied and further developed in the country studies conducted for this project. UN-DESA and the ISS provided expertise in helping adapt the MAMS framework to the Latin American context, the methodologies for the social sector analysis and the microsimulations. ECLAC and the Inter-American Development Bank provided institutional and financial support to facilitate the implementation of several of the country studies.

In order to obtain answers as close as possible to country realities, the project conducted the investigation in collaboration with teams of local researchers and policymakers in nineteen countries in the region. Combining country expert knowledge with a common, rigorous modelling methodology to assess feasible financing strategies to achieve the MDGs ensured both a high degree of realism and policy relevance in the analysis and maximum comparability. Without the input of the country experts, most appearing as chapter authors in this volume, this undertaking would not have been possible. The investigation took place over a period of two and a half years, during which four workshops were held at which the research methodology was agreed and refined and intermediate results were discussed and compared. UNDP country offices in Uruguay, Venezuela, Guatemala, and Chile offered invaluable support in making these events happen.

Samuel Morley of IFPRI provided crucial ideas and impetus to the conceptualization of the project and at various project workshops he helped place the sophisticated modelling exercises back into the reality of Latin American development. We also thank Hans Timmer and Jaime Saavedra at the World Bank for their support throughout the project and their suggestions for the project’s design.

The coordinators of the project received invaluable research support from Martín Cicowiecz, research fellow at Centro de Estudios Distributivos, Laborales y Sociales (CEDLAS) of Universidad Nacional de La Plata. He was instrumental in the further development of the modelling techniques and their application in each of the countries.
Furthermore, his enthusiasm and dedication to the project helped create the right kind of team spirit among all country teams and he managed to solve an infinite number of problems for the country teams and get their models running. The country experts from the Research Centre of the Universidad del Pacífico (CIUP), Peru, besides preparing their own country study also provided support in the analysis of determinants of MDG achievements to the country team of Guatemala. Sherman Robinson of the University of Sussex gave most valuable methodological advice during several of the project’s workshops. We are also grateful to Cornelia Kaldewei of UN-DESA who assisted in making sense out of the mass of country-specific results while providing support to the comparative country analysis as presented in Chapter 2.

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Rob Vos
Enrique Ganuza
Hans Lofgren
Marco V. Sánchez
Carolina Díaz-Bonilla

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About the editors

Rob Vos is director of the Development Policy and Analysis Division at the Department of Economic and Social Affairs of the United Nations (UN/DESA), New York, and Affiliated Professor of Finance and Development at the Institute of Social Studies, The Hague.

Enrique Ganuza is resident representative of the United Nations in Santiago de Chile and was chief economist for Latin America and the Caribbean of the United Nations Development Program (UNDP) at the initiation of the project leading to the present publication.

Hans Lofgren is

Marco V. Sánchez is Economic Affairs Officer at the Department of Economic and Social Affairs of the United Nations (UN/DESA), New York, and was previously associated with the Sub-Regional Office in Mexico City of the UN Economic Commission for Latin America and the Caribbean.

Carolina Díaz-Bonilla is currently economist in the Poverty and Gender Unit of the Latin America and Caribbean Region (LCSPP) of the World Bank, working on issues of poverty, income distribution, and labour market performance. Previously, during most of the project’s duration, she was an economist in the Development Economics Prospects Group (DECPG) of the World Bank.
About other contributors

Carlos Acevedo works as specialist in human development and Millennium Development Goals at the UNDP office in El Salvador. Previously he was head of the macroeconomics department at FUSADES and as senior economist at the Central Bank of El Salvador.

Pedro Álvarez es investigador del Instituto Nacional de Investigaciones Económicas de Cuba. Se especializa en temas de prospectiva estratégica y de modelación.

Gustavo Biederman es economista asociado con la Universidad Nacional de Asunción y con el Instituto Desarrollo de Paraguay.

Mauricio Bussolo is a Senior Economist at the World Bank in the Development Economics Prospects Group. His main line of research is in studying the links between trade, growth and poverty.

Gustavo Canavire es economista y estudiante de doctorado en Georgia State University, USA. Tiene una maestría en economía internacional e investigación en el Instituto para la Economía Mundial (IFW) de la Universidad de Kiel en Alemania. Anteriormente trabajó para el gobierno de Bolivia y el Banco Mundial.

Juan F. Castro es profesor e investigador del Departamento de Economía de la Universidad del Pacífico, Lima, Perú.

Martín Cicowiez es docente de la Universidad Nacional de La Plata, donde se desempeña como investigador del Centro de Estudios Distributivos, Laborales y Sociales (CEDLAS). Es también economista del Centro de Economía Internacional de la Cancillería Argentina.

Jorge Corvalán es economista asociado con la Universidad Nacional de Asunción y con el Instituto Desarrollo de Paraguay.

Luciano Di Gresia es docente-investigador de la Universidad Nacional de La Plata. Actualmente se desempeña como Subsecretario de Hacienda de la Provincia de Buenos Aires. Se especializa en temas fiscales, educativos y de economía computacional.

Leonardo Gasparini es profesor de la Universidad Nacional de La Plata, donde dirige el Centro de Estudios Distributivos, Laborales y Sociales (CEDLAS). Se especializa en temas distributivos y de políticas sociales.

Angela Ferriol es Directora del Instituto Nacional de Investigaciones Económicas (INIE) de Cuba. Se especializa en temas sociales y de modelación.
Néstor González fue consultor del PNUD durante el período de ejecución del proyecto. Actualmente es profesional especializado de la Dirección de Estudios Económicos del Departamento Nacional de Planeación (Colombia).

Sudhanshu Handa is currently Regional Social Policy Advisor for UNICEF in Nairobi, Kenya. At the time of writing he was Associate Professor in the Department of Public Policy at the University of North Carolina. His research focuses on poverty and distribution, household welfare, intra-household resource allocation, and returns to education.

Alina Hernández es investigadora del Instituto Nacional de Investigaciones Económicas (INIE) de Cuba. Se especializa en estudios en temas macroeconómicos y de modelación.

Gustavo Hernández fue consultor del PNUD durante el período de ejecución del proyecto.

Wilson Jiménez es economista especializado en políticas públicas. Es consultor del Programa de Naciones Unidas Para el Desarrollo en Bolivia y trabajó para el gobierno boliviano en el área de política social, con énfasis en el área de pobreza, educación, empleo y evaluación de impacto.

Cornelia Kaldewei is Economic Affairs Officer at the Department of Economic and Social Affairs of the United Nations (UN/DESA).

Damien King is Senior Lecturer in the Department of Economics at the University of the West Indies in Kingston, Jamaica. He also occupies a Senior Research Fellowship at the Caribbean Policy Research Institute. His recent research focuses on CGE modeling, debt, and Jamaican economic development.

Silvia Laens es investigadora senior del Centro de Investigaciones Económicas (CINVE) desde 1981 y fue directora de esa institución entre 1988 y 1990.

Camilo Lagos es investigador del Instituto de Asuntos Públicos de la Universidad de Chile.

Yann Le Boulluec is a consultant at the Institute for Applied Economic Research (IPEA).

Mauricio León es actualmente es el Subsecretario General del Ministerio de Inclusión Económica y Social del Ecuador. Durante mayor parte de la ejecución del proyecto fue coordinador del Sistema Integrado de Indicadores Sociales de la Secretaría Técnica del Frente Social del Ecuador.
Cecilia Llambi es investigadora senior del Centro de Investigaciones Económicas (CINVE).

Mirna Mariscal es economista con especialidad en cuentas nacionales y financiamiento externo. Trabaja en la Unidad de Análisis de Políticas Sociales y Económicas (UDAPE) y publicó artículos sobre la sostenibilidad de la deuda externa y medición del stock de capital.

Denis Medvedev is an Economist with the Development Prospects Group at the World Bank. His research interests focus on the impact of macro policies (trade policy, fiscal policy, adaptation to climate change) on economic development and income distribution.

Carlos de Miguel is Environmental Affairs Officer of the Sustainable Development and Human Settlements Division at UN-ECLAC, Santiago, Chile. When the project started, he was Economic Affairs Officer at the Office of the Deputy Executive Secretary in the same institution.

Jairo Núñez fue consultor del PNUD durante el período de ejecución del proyecto. Actualmente es director de la Misión contra la Pobreza Colombia.

Araceli Ortega is currently chief advisor to the Undersecretary for Secondary Education, Ministry of Education, Mexico. During most of the project’s duration, she was chief advisor of the Undersecretary for Planning and Evaluation at the Ministry of Social Development, Mexico.

Raúl O’Ryan is associate professor at the Industrial Engineering Department of the Universidad de Chile. His main field of research is in environmental economics. He has been an adviser to Chile’s Environmental Commission and several ministries and a consultant for international agencies, including the World Bank.

Susset Rosales es investigadora del Instituto Nacional de Investigaciones Económicas (INIE) de Cuba. Se especializa en estudios en temas sociales.


Miguel Székely is currently Undersecretary for Secondary Education, Ministry of Education, Mexico. During most of the project’s duration, he was the Undersecretary for Planning and Evaluation at the Ministry of Social Development, Mexico.
Gabriel Ulyssea is a researcher of the Institute for Applied Economic Research (IPEA) and currently also a PhD student at the Economics Department of the University of Chicago.

William F. Vázquez se desempeña actualmente como profesor en Fairfield University (Estados Unidos). Ha colaborado como consultor con la CEPAL-México y con el Instituto Centroamericano de Estudios Fiscales. Se especializa en economía del desarrollo, internacional, ambiental y de recursos naturales.

Gustavo Yamada es profesor e investigador de la Universidad del Pacífico. Ha sido anteriormente Viceministro de Promoción Social del Perú, Economista Fiscal del FMI y Economista Senior del BID.