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POVERTY AND INEQUALITY: THE LATIN AMERICAN
AND CARIBBEAN OUTLOOK AND PROPOSALS FOR
SOCIAL PROTECTION AND EDUCATION

(Prepared by the Economic Commission for Latin America and the Caribbean - ECLAC)



UNITED NATIONS



POVERTY AND INEQUALITY: THE LATIN AMERICAN AND CARIBBEAN OUTLOOK AND PROPOSALS FOR SOCIAL PROTECTION AND EDUCATION

**POVERTY AND INEQUALITY: THE LATIN AMERICAN
AND CARIBBEAN OUTLOOK AND PROPOSALS FOR
SOCIAL PROTECTION AND EDUCATION**

1. An unhappy history, an auspicious turning point

Poverty and inequality are very closely linked in Latin America and the Caribbean. It is the region with the world's worst income distribution, and this situation has resulted in long-standing rigidities that make it difficult to optimize the poverty-reducing impact of economic growth. Broadly, the income share of the four poorest deciles averages less than 15% of total income, with the wealthiest decile accounting for about one third of the total. The average income of the wealthiest 20% of the population is 19.3 times that of the poorest quintile.

Nonetheless, the incidence of poverty and extreme poverty has declined substantially since 2003. Whereas in 2002 the incidence of poverty was 44% in the region as a whole, the figure had dropped to about 33.1% by 2009 and, according to projections, to some 32.1% in 2010. In the case of indigence, the proportion declined from 19.4% to 13.3% and then 12.9% in the same years. This reduction came about because of the combined effects of economic growth, higher earnings, more comprehensive programmes of transfers to lower-income sectors and a decline in demographic dependency rates. Countercyclical policies and greater macroeconomic solidity also cushioned the poverty impact of the 2008 crisis. Thus, 183 million people were recorded as living in poverty and 74 million in indigence in 2009, which represented only a slight deterioration from the 2008 figures, being equivalent to a rise of 0.1 percentage points. The rise in extreme poverty was somewhat greater, at 0.4 percentage points. As indicated, though, the declining trend in both poverty and indigence resumed in 2010.

These figures can also be used to evaluate the countries' progress towards target 1.A of Millennium Goal One, which is to halve the proportion of people in extreme poverty between 1990 and 2015. Despite the setback in 2008 and 2009, Latin America is well on the way to achieving target 1.A. As of 2009, with 72% of the target deadline elapsed the region was 82% of the way to fulfilling it.

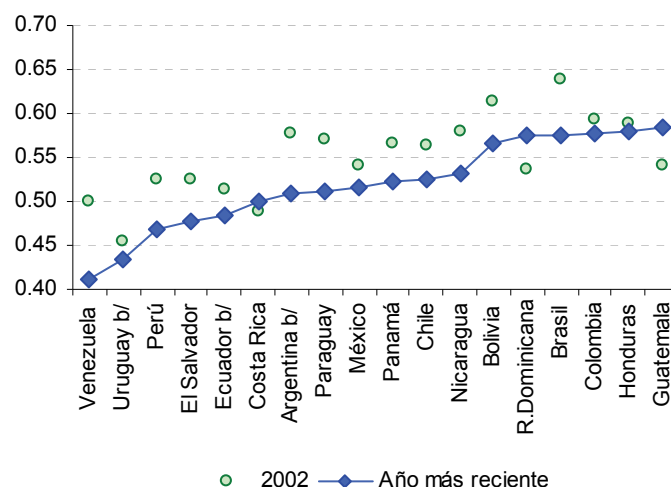
These changes in poverty have resulted from a variety of interactions between growth in mean personal incomes ("growth effect") and changes in the way this income is distributed ("distribution effect"). Taking a total of 12 countries, the growth effect predominated in five of those where poverty diminished up to 2009 (Argentina, Chile, Peru, the Dominican Republic and Uruguay) while the distribution effect had the greatest impact in the other five (Brazil, Colombia, Ecuador, Panama and Paraguay). A clear worsening of distribution was behind the rising poverty rate in Costa Rica, while the slight increase in this rate in El Salvador was caused chiefly by falling average income.

A look at the period from 2002 to 2009 shows that poverty reduction was due to complementarity between "growth" effects and "distribution" effects. In particular, both effects contributed to the outcome in countries where the poverty rate came down by 7 percentage points or more, with the growth effect accounting for 41% to 80% and the distribution effect for 20% to 59%.

This phenomenon is significant because it marks a positive turning point in a number of countries, reversing the historical trend towards greater income concentration, even if only incipiently. Thus, between 2002 and the latest estimate available, the gap between the top and

bottom quintiles of the distribution narrowed in 14 of 18 countries, and the Gini index fell by at least 5% in 11 countries. Only in the Dominican Republic and Guatemala (up to 2006, the latest year for which figures are available) did distribution worsen over the period (see figure 1).

Figure 1
LATIN AMERICA (18 COUNTRIES): GINI COEFFICIENT OF INCOME DISTRIBUTION, 2002-2009 ^a



Año más reciente – Latest year

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of special tabulations of household surveys conducted in the respective countries.

^a The survey year differs from country to country. The 2002 period corresponds to the latest survey available between 2000 and 2002, and the 2009 period represents surveys available between 2006 and 2009.

^b Urban areas.

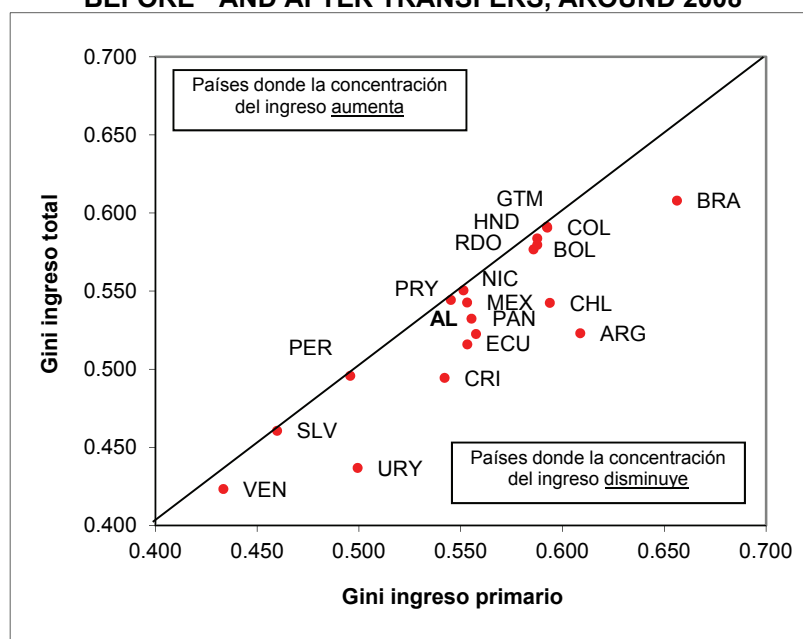
The positive income distribution trend in Latin America during the six years from 2003 to 2008 was linked primarily to labour market dynamics and, to a lesser extent, to demographic variables (lower dependency rates) and transfers to households. Employment grew faster than the labour supply, and all income groups benefited from a rising employment rate. The increase in the proportion of formal, high-quality and full-time jobs, and rising hourly wages, benefited the members of lower-income households disproportionately, resulting in a narrowing of the gap in average incomes per worker. More active policies for raising minimum wages probably favoured this outcome.

The working population living on less than 1.25 dollars a day has halved in the last two decades, while the universe of workers living in poor and indigent households fell by a third between 1990 and 2008. Great challenges still remain, however, since 26% of workers were living in households with incomes below the poverty line in the latter year and 11% in households with incomes below the indigence line.

Another positive factor was the narrowing of the inter-quintile gap in household transfers. In fact, changes in this income source accounted for roughly one fifth of the reduction in the per capita income gap across the region. Although they have offset the concentration of primary income, however, transfers are not always progressive in absolute terms, since in some countries

they go mainly to households with higher primary income, something that is explained by the large share of retirement pensions in the transfer total and by the fact that a smaller proportion of households rely solely on these. At the same time, it should be recalled that while transfers only represent 9% of total income, they make up a third of the income of those in receipt of them, particularly in households composed entirely of older adults.

Figure 2
LATIN AMERICA (18 COUNTRIES): GINI COEFFICIENT OF PER CAPITA HOUSEHOLD INCOME BEFORE^a AND AFTER TRANSFERS, AROUND 2008



Países donde la concentración del ingreso <u>aumenta</u>	Countries with rising income concentration
Países donde la concentración del ingreso <u>disminuye</u>	Countries with falling income concentration
Gini ingreso total	Total income Gini
Gini ingreso primario	Primary income Gini

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of special tabulations of household surveys conducted in the respective countries.

^a Primary income after taxes and social security contributions.

In this respect, co-responsibility transfer programmes (CTPs) have played an important role in social protection, even though they differ in approach, for while some of them, such as *Bolsa Familia*, place the stress on income transfers and have relatively soft conditionalities, others such as the *Oportunidades* programme are more designed to incentivize demand for social services and have strong conditionalities, and a third group such as Solidarity Chile are more focused on the development of programme coordination systems or networks. CTPs are currently present in 19 countries and covered 25 million Latin American and Caribbean families as of 2009, i.e., 113 million people. This is about 19% of the region's population, with the financial resources involved representing 0.4% of its GDP.

Although the distributional improvements in the early part of the last decade were encouraging, the evidence suggests that the underlying causes of inequality in Latin America are long-established and enduring: divides in productive capacities, human capital, market access and employment conditions and long-standing inequalities associated with territorial, ethnic and

gender conditions. Consequently, a sustained and progressive effort to deal with both poverty and inequality will require action on a whole number of fronts, necessarily involving State policies that are sustained over time and underpinned by social covenants.

2. Poverty in the Caribbean

Tracking poverty and income distribution in the Caribbean from a comparative perspective is difficult because information on the subject is hard to come by in the subregion. The significant differences between the percentage of the population with incomes below one dollar per day and the percentage of people living in extreme poverty as measured by national poverty lines shows how inappropriate it is to define extreme poverty in the Caribbean solely on the basis of the official indicator. According to the official figures, for example, 5.8% of the population of Guyana had incomes below one dollar a day in 1993. This contrasts sharply with the indigence rate obtained from national poverty and indigence lines, which reported 29% of the population living in extreme poverty that year. In Suriname, one of the countries with the highest poverty rates in the Caribbean, over half the total population was below the national indigence line in 1993, yet according to the official indicator only 15% of the population were living on incomes of less than a dollar a day in 1999.

Using estimates based on national poverty lines, the countries with the highest poverty rates in the most recent years are Suriname with 65.9%, according to figures for 1999; Dominica with 39.0% in 2002; and Guyana and Belize with 35.0% (1999) and 33.5% (2003), respectively (see table 1).

In terms of progress, Guyana reduced the incidence of poverty from 43.0% in 1993 to 35.0% in 1999. Information in Jamaica's latest national report on the Millennium Development Goals,¹ meanwhile, indicates that 28.4% of the population were living below the poverty line in 1990 and that the proportion had fallen to 18.7% by 2000 and to 9.9% by 2007. Suriname, for its part, reduced poverty by 10 percentage points in six years (from 76.5% in 1993 to 65.9% in 1999), going by national poverty lines. More recent information from the latest report on the Millennium Development Goals produced by the Government of the Republic of Suriname in 2009² shows that between 2000 and 2008 extreme poverty increased by about 7 percentage points. Poverty in Trinidad and Tobago fell by less: between 1992 and 2005, there was a decline of just over 4 percentage points, from 21.0% to 16.7%.

The high levels of poverty recorded in Caribbean countries do not necessarily mean deeper poverty or a smaller share of national consumption for the poorest quintile. The latter indicator shows that the Caribbean has lower levels of inequality than Latin America: whereas in the latter the poorest quintile's share of national consumption does not exceed 6%, in the Caribbean it ranges from 3.0% to 10.0%, averaging roughly 6%. Guyana is the worst placed, with the highest

¹ Government of Jamaica (2009), *National Report of Jamaica on Millennium Development Goals for the UN Economic and Social Council Annual Ministerial Review*. Geneva, Planning Institute of Jamaica/Ministry of Foreign Affairs and International Trade, 2009.

² Government of Suriname, *MDG Progress Report 2009. Summary*, Ministry of Planning and Cooperation for Development/General Statistical Office, November, 2009.

rates of poverty and indigence, the deepest poverty and the smallest share of national consumption for the poorest quintile.

The type of economy that predominates in the Caribbean – small, open, and thus highly susceptible to crises and external shocks, and heavily dependent on developed countries for trade, tourism and remittances – contributes to the great vulnerability of the countries in the subregion. Moreover, the Caribbean's constant exposure to natural disasters is a major factor that is constantly jeopardizing achievements in poverty reduction, since it is the poorest who suffer most from these disasters.

The largest number of poor people are to be found in rural areas and among children and women. The vulnerability of these groups' living conditions makes them the main face of poverty in many Caribbean countries—for example in Belize, where rural dwellers are almost twice as likely to be poor as people living in urban areas (44.2% compared to 23.7%). In Dominica, over 50% of children between five and 14 years of age were living in poverty in 2006, and this was also the case in Saint Kitts and Nevis, where poverty mostly afflicts young people and women, who account for 59% and 62%, respectively, of the total population living in poverty. The same is true in Jamaica, where nearly half of all poor people were under 18, and 66% of families headed by women were living below the poverty line.

Table 1
SUMMARY OF POVERTY INDICATORS IN THE CARIBBEAN

Country or territory	Total population (thousands, mid-year)		Per capita GDP (PPP US\$ 2007)	Year of indicator estimate	Poverty rate (percentage of people)	Indigence rate (percentage of people)	Poverty gap (percentage of the poverty line)	Consumption/ national income share of poorest 20% of population
	2005	2010						
Anguilla								
Antigua and Barbuda								
Netherlands Antilles								
Aruba								
Bahamas								
Barbados								
Belize								
Dominica								
Grenada								
Guyana								
Cayman Islands								
Turks and Caicos Islands								
British Virgin Islands								
United States Virgin Islands								
Jamaica								
Montserrat								
Saint Kitts and Nevis								
Saint Vincent and the Grenadines								
Saint Lucia								
Suriname								
Trinidad and Tobago								

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Caribbean Development Bank (CARIBANK), *Economic Growth, Poverty and Income Inequality*, September 2008; Caribbean Development Bank (CARIBANK)/Kairi Consultants Limited, *Country Poverty Assessment St. Kitts and Nevis 2007/08. Living Conditions in a Caribbean Small Island Developing State. Volume 1: Living Conditions in St. Kitts and Nevis*, 2009; CARIBANK, *The Caiman Islands National Assessment of Living Conditions (2006/07). Volume I: Main Report*, September 2008; CARIBANK, *Living Conditions in Antigua and Barbuda: Poverty in a Services Economy in Transition. Volume I: Main Report*, 2007; CARIBANK, *Trade Adjustment and Poverty in Saint Lucia 2005/06. Volume I: Main Report*, June 2007; Economic Commission for Latin America and the Caribbean (ECLAC), *Social Panorama of Latin America, 2009* (LC/G.2423-P), Santiago, Chile, 2009; ECLAC subregional headquarters for the Caribbean, *Gender Equality, Poverty and Achievement of the Millennium Development Goals (MDGs) in the Caribbean Subregion*, 2009; Government of Guyana, *Guyana. Millennium Development Goals*, 2007; Government of Jamaica, *National Report of Jamaica on Millennium Development Goals for the UN Economic and Social Council Annual Ministerial Review*, Planning Institute of Jamaica and Ministry of Foreign Affairs and Foreign Trade, 2009; Government of Suriname, *Millennium Development Goals. Baseline Report*, 2005; United Nations, Millennium Development Goals indicators database [online] <http://mdgs.un.org/unsd/mdg/Data.aspx>; United Nations, *The Millennium Development Goals: A Latin American and Caribbean Perspective* (LC/G.2331), Santiago, Chile, June 2005; Organisation of Eastern Caribbean States (OECS)/United Nations Development Programme (UNDP), *Saint Lucia, Millennium Development Goals. A Plan of Action for Localising and Achieving the Millennium Development Goals (MDGs)*, 2008; OECS/UNDP, *British Virgin Islands, Millennium Development Goals. A Plan of Action for Localising and Achieving the Millennium Development Goals (MDGs)*, 2008; OECS/UNDP, *Dominica, Millennium Development Goals. A Plan of Action for Localising and Achieving the Millennium Development Goals (MDGs)*, 2006; OECS/UNDP, *Saint Kitts and Nevis. Millennium Development Goals. A Plan of Action for Localising and Achieving the Millennium Development Goals (MDGs)*, 2006; United Nations Development Programme (UNDP), *Human Development Report, 2009*; UNDP/Ministry of Human Development and Social Transformation of Belize, *First Millennium Development Goals Report. Belize 2004*, July 2005; ECLAC, “2010 Report of Progress of Caribbean countries toward Millennium Development Goals with related issues and policy recommendations”, document prepared in the framework of the project “Strengthening the Capacity of National Statistical Offices in the Caribbean Small Island Developing States to Fulfil the Millennium Development Goals and other Internationally Agreed Development Goals” (ROA-1062 8036 6875), 2010, unpublished.

This highlights the potential for poverty levels to be reduced by greater gender equality and empowerment of women in the Caribbean. The assumption here is that the prevalence of households headed by women is a significant factor underlying poverty in these countries, as women are more vulnerable and are thus more likely to be affected along with their families by a declining quality of life, with a consequent increase in the national poverty rate.³ The fact that women are more vulnerable can be partly explained by the inequalities they are subject to, particularly as regards employment, as they earn lower pay than men for the same work, have higher unemployment rates and are more likely to be in insecure jobs.

Thus, given the inequality suffered by women and the way this relates to the prevalence of women heads of household, progress towards gender equality in Caribbean countries, particularly in the labour market and positions of power, also implies progress with poverty reduction countrywide, especially for children and women.

³ Economic Commission for Latin America and the Caribbean (ECLAC), *Gender Equality, Poverty and Achievement of the Millennium Development Goals (MDGs) in the Caribbean Subregion* (LC/CAR/L.213), Port of Spain, ECLAC subregional headquarters for the Caribbean, 2009.

3. The pillars of inequality

As pointed out earlier, poor income distribution is explained by the simultaneous operation of a number of factors or “pillars of inequality”.

Firstly, the production systems of the region’s countries are beset by profound structural heterogeneity, i.e., huge divides in productivity, access to social security via employment, and access to markets, technology, capacities and financing. A clear manifestation of this are the huge pay divides in the world of employment.

The background to all this is a situation in which most of the economically active population (EAP) work in low-productivity sectors. In a selected group of countries, 71.9% of the EAP worked in low-productivity sectors in 2008 or thereabouts and just 8.1% in high-productivity sectors, with the latter producing 66.9% of GDP and the former just 10.6%. Thus, the production structure, and particularly the lack of productivity convergence within this structure, is reproducing and exacerbating social inequality: jobs are concentrated in sectors with high levels of informal working, unstable employment and low earnings, which also accounts for the persistence of high levels of poverty.

Secondly, education divides between people of different social backgrounds are also very profound and partly explain the intergenerational reproduction of poverty and inequality. A telling indicator is the difference in the proportions of people completing secondary school by socio-economic, rural/urban and ethnic status, since in most of the countries this is the educational threshold that offers a “passport” out of poverty and a prospect of rates of return over people’s working lives that holds out the promise of at least a minimum of social mobility and a lessening of income divides.

Taking 2008 data for young people aged between 20 and 24 in 18 Latin American countries (simple average), we can state that about 81% of males and 86% of females in the fifth quintile complete their secondary education, while the figures in the first quintile are 23% of males and 26% of females. In rural areas the rates are 26% and 31%, respectively, for the non-indigenous population and 22% and 20%, respectively, for the indigenous population. These contrasts illustrate the unequal distribution of “educational capital” between different types of households. This has been compounded by a clear widening of the pay divide during the last decade of the twentieth century, with the incomes of the best-qualified (over 12 years of education) increasing relative to those of other educational groups. This widening of the pay divide took place both for wage workers and for the employed population overall, and for both men and women. This tendency was reversed very marginally in the first decade of this century, so that the gap is still larger now than it was at the start of the 1990s.

Thus, until greater convergence is achieved both in educational attainments and in the development of capacities associated with these attainments, it will be difficult to make sustained progress against poverty and inequality over the life cycle—all the more so considering that labour markets are becoming more and more demanding, so that higher education is progressively turning into the new threshold for access to incomes sufficient to minimize people’s risk of falling below the poverty line.

The world of work is also one of huge inequalities and inadequate social protection in Latin America, something that is closely linked to the two factors above: productivity and capacity

divides. About 47% of the economically active population are employed in the informal sector, most of which is associated with low incomes and lack of protection. As a simple average, in 2008 just 41.4% of those in work in Latin America had social security coverage, with large contrasts: 51.3% in quintile 5 and 16.3% in quintile 1, 68.4% in the urban formal sector and 19.6% in the informal sector, 43.9% in urban areas and 23.9% in rural areas.

A fourth factor behind inequality and the rigidities hindering poverty reduction is the situation of specific population groups in relation to others. Thus, for example, the incidence of poverty and extreme poverty:

- in rural areas rose from 2.2 to 2.8 times the urban level between 1990 and 2008 (17-country average),
- is substantially higher among indigenous and Afrodescendent people, with a ratio of some 2.8 relative to the rest of the population (seven-country average),
- among under-fifteens averages approximately twice the adult level (17-country average),
- is 20% greater among women than among men.

The reasons for these divides in the incidence of poverty and indigence are numerous and their relative weight varies between specific groups: labour market participation and high-quality employment, access to social protection, markets and services, discrimination in different areas.

Territorial inequalities are a fifth factor. As ECLAC has argued, contrasts between territories within countries in terms of conditions of well-being, capacity-building and productivity are much greater in the region than in Organisation for Economic Co-operation and Development (OECD) countries. Whereas in the latter there is a ratio of around 1.76 between the poorest and richest region, in the region's countries it is in excess of 8. In some countries, territorial inequality is a decisive component of general inequality, calling for active redistribution and transfer policies guided by a territorial logic.

A last factor that is now taking on particular importance and prominence in the public debate is the fiscal situation. Neither tax systems nor social spending have much redistributive effect in the Latin American countries. While the picture appears to be positive in relative terms, this does not hold so true when the volumes of resources going to different population groups are considered. One example of this is that social spending results in a doubling of primary income in the first quintile and represents just 10% of primary income in the top quintile, but some 70% more resources go to the latter than to the former. Social security spending is one of the areas in which regressive effects arise. In an estimate arrived at for six Latin American countries (Argentina, Brazil, Chile, Colombia, Mexico and Peru) around 2008, ECLAC estimated that, on average, income inequality was about 3.8% lower (change in the Gini coefficient) after taxes and transfers than before these were taken into account. In a group of 15 European Union countries, by contrast, the reduction in the Gini coefficient was about 32.6%. This is because the tax burden in Latin America is low, its structure is not progressive, and both tax exemptions and evasion are very high; and social spending is more progressive, in redistributive terms, in Europe than in Latin America.

The tax burden averages 26.3% of GDP in the Caribbean and just 18.3% of GDP in Latin America, with rates below 20% in 13 of 18 countries and below 15% in seven. This indicates that effective tax pressure is well below potential given the development level in most of the

countries, something that is compounded by problems of avoidance and evasion. In the European Union, by contrast, the tax burden is 39.8% of GDP, while in the OECD it is 36.2%. This burden has historically proved inadequate to provide the resources needed to cover all the expenditure executed by the countries.

All this means, among other things, that there is still work to be done in reinforcing the solidarity components of social protection systems and in improving the quality and accessibility of public services. Segmentation of access to mechanisms that insure against risk and vulnerability has become entrenched in most of the region's countries, and highly unequal access to health and social security benefits is part of this. At the same time, the least redistributive components of social spending, such as social security, are the ones that have grown most. The social protection architecture thus needs to be adapted in the interests of greater equality.

4. Commitments by governments with a view to reducing poverty and inequality

Considering the factors affecting poverty and inequality as discussed in the preceding pages, there now follows a list of suggested actions on which agreement might be reached at the Cartagena Summit by the governments of the Americas. These actions correlate primarily with the factors of inequality identified, since these have a critical impact on poverty levels too.

1. Recognizing that productivity divides and their impact on highly segmented and informalized labour markets are a structural factor in the reproduction of poverty and inequality, it is recommended that programmes to enhance the productivity of small and medium-sized enterprises (SMEs) be promoted and/or increased in scope, by way of annual investment of no less than 0.25% of GDP, and that cooperation agencies be asked for technical advice on the implementation of this initiative. Implementation should be monitored by taking biannual measurements of the increase in productivity among all SMEs benefiting from the programmes, and of their impact in reducing poverty and inequality.
2. Considering that divides in educational attainments and learning by household socio-economic level, rural or urban residence and ethnic status tend to reproduce inequality and poverty throughout the life cycle, particularly when these divides arise during secondary education, it is recommended that a commitment be made to redoubling efforts to support the timely progression of children and young people in these vulnerable conditions through the whole secondary cycle by increasing educational investment in this segment of the population. International cooperation agencies should also be asked for technical support with the transfer of capacities and good practices to maximize the impact of these additional efforts. This initiative will need to be assessed biannually to measure the impact in terms of lower drop-out rates right through the secondary education cycle.
3. Given the greater incidence of poverty and extreme poverty in rural areas than in urban ones, and the widening of this gap, it is recommended that governments commit themselves to requesting international cooperation funding for use in improving access to basic services and production inputs in rural areas with a high concentration of poverty and transferring capacities so that this funding can be

implemented in human and production development policies. They should also undertake to carry out biannual assessments of the impact of this funding in reducing poverty and infant morbimortality in the areas concerned.

4. Given that the incidence of poverty and extreme poverty is substantially higher among indigenous and Afrodescendent peoples and populations than in the rest of the population, it is recommended that governments commit themselves to strengthening non-contributory pillars of social protection designed to benefit indigenous and Afrodescendent peoples and populations, to adapting health services to both the epidemiological profiles and the health culture of these groups, to paying special attention to monitoring and improving infant nutrition in these groups, and to developing or strengthening special programmes to support learning and educational attainment among children and adolescents from indigenous and Afrodescendent peoples and populations.
5. Considering that we are seeing an “infantilization” of poverty, with its incidence among under-fifteens being approximately double that among adults, it is recommended that governments commit themselves to increasing direct income transfers to poor families with children under 15, to be made conditional upon the children and adolescents concerned staying on at school and upon early childhood health and nutritional check-up protocols being followed, and that they likewise commit themselves to improving public provision of early and preschool care or education services for poor families with a view to promoting female employment in poor families with children and thereby increasing the autonomous incomes of the households they live in.
6. Given that poverty is known to affect women more than men, and that gender inequalities in different spheres of well-being and productive life persist to a high degree, it is recommended that governments commit themselves to enhancing gender equality policies by providing childcare services that allow mothers, and particularly those in poor households affected by poverty, vulnerability and extreme poverty, to devote more time to paid activities, while increasing social security coverage for employed women, expanding prenatal and postnatal benefits and more effectively enforcing equality of earnings for equal work and responsibilities between men and women.
7. Given the evidence that social spending is an essential tool for redistributing the fruits of growth and reducing poverty, and that its impact in this respect in the countries of the Americas is far from optimal, it is recommended that governments commit themselves to reviewing the redistributive impact of social spending and its poverty reduction impact and to promoting fiscal and social covenants that allow social spending to be increased and the efficiency, effectiveness and pro-poor impact of such spending to be improved. This will mean shifting budget priorities towards those social investment sectors or subsectors where the redistributive and/or poverty reduction impact is clearest.

8. Recognizing the substantial weight of the solidarity (non-contributory) components of the social protection provided by the State to the poor and vulnerable population and its clear progressive effect where distribution is concerned, it is recommended that governments commit themselves to enhancing these components, with an increase of at least 0.3% of GDP in the amounts spent on non-contributory transfers to poor and vulnerable families.
9. In view of the acute territorial disparities within countries, in terms not only of the incidence of poverty and extreme poverty but also of human capital, access to basic services and productivity levels, it is recommended that governments look to set up social cohesion funds involving the development of instruments that allow resources to be transferred between regions within the country, committing beneficiary regions with the highest rates of poverty and extreme poverty to invest these funds efficiently and in a way that has a long-term impact on human capital and access to services, and to ensure that this investment can be systematically monitored and assessed so that it is properly used in the interests of greater territorial convergence/equity over the medium and long term.