

THE SCANDAL OF INEQUALITY IN LATIN AMERICA AND THE CARIBBEAN

POVERTY

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CONTENTS

Executive summary	1
Introduction	3
Chapter 1	
Overview of inequality in the region	6
Chapter 2	
Identity and inequality	16
Chapter 3	
Gender inequality	25
Chapter 4	
Inequality and governance	33
Chapter 5	
Peru's lost decade	39
Chapter 6	
Inequality and climate change	47
Chapter 7	
Conclusions and recommendations	52
Endnotes	56

This report is dedicated to Sonia Pierre, who died on 4 December 2011. Sonia was a leading human rights activist in the Dominican Republic, and the founder and director of MUDHA, whose work Christian Aid has supported for 20 years. From her early teens, Sonia spoke out about inequality and the situation of Dominicans of Haitian origin, particularly women, living in the Dominican Republic. She was one of the leading voices condemning current practices by the Dominican government to revoke nationality for thousands of Dominicans of Haitian origin. Widely recognised for her human rights work, in 2007, she was presented with the Robert F Kennedy Human Rights Award, and in 2010 Hillary Clinton presented her with an International Women of Courage Award. Being the international face defending the human rights of Haitians and their descendants in the Dominican Republic meant Sonia and her family faced a huge amount of discrimination. Despite this, she carried on with amazing strength and compassion and spoke of her love for the country. Her courage and determination will be sorely missed.

Front cover photo: a poor family at their barred window in the slum or *favela*, Calafate, on the outskirts of Salvador. Brazil is among the top 10 countries in the world for income inequality

Christian Aid/Kevin Leighton

EXECUTIVE SUMMARY

Inequality in Latin America and the Caribbean is deep and it is widespread. The region has the highest levels of income inequality in the world, a situation that has remained unchanged over four decades. There are also large gaps between rich and poor with regard to basic service provision, and stark differences between urban and rural areas, between indigenous and afro-descendent populations and white groups, and between men and women. It must be recognised, however, that the region has made some progress both in reducing poverty and to some extent reducing inequalities.

This publication seeks to report on that progress and what policies are driving the main improvements, as well as looking at what more needs to be done. In particular, it seeks to go beyond national averages and expose the stark inequalities between groups and territories that remain often hidden and unacknowledged in public debates. It also has a strong focus on tax and budget issues, given fiscal policy has such huge potential to reduce poverty and inequalities, as well as covering land ownership as another key area responsible for the ingrained structural inequality in the region. In addition, we attempt to make clear the link between climate change and inequality – a topic we feel will garner more attention in the future. Throughout, one of our overriding concerns is the issue of governance, the role of the region's elite and the political viability of structural reforms to reduce inequality.

The evidence from the final two decades of the last century shows that where equality is concerned, the region was actually going backwards. However, the last decade has seen some very notable achievements, and the approach to social policy has changed. There has been an increase in social spending, and programmes to reduce poverty have been established in many countries. Between 2002 and 2011, regional poverty declined by 12.5 percentage points. Income inequality has also declined in the majority of countries, with the gap narrowing since 2002. Government policies – as opposed to growth – have been the drivers of progress. A clear consensus has emerged that progress is down to increasing employment, increases of minimum

wages, increased public spending (especially on social protection programmes), and improvements in education. Good progress has particularly been made in primary education provision, and the region has also reached gender parity across all education levels. Attention is now shifting to a focus on high-quality, publicly funded secondary education.

While initially we expected to find indigenous and afro-descendent populations suffering higher poverty rates, we also expected them to have been carried along with the positive tide. In some cases, though, our findings that their quality of life is worsening and gaps are growing have unfortunately surprised even us. For example the poverty rate among the indigenous population in Guatemala is actually rising fast – by 22 per cent between 2000 and 2006. The situation of Guatemala's indigenous population continues to be critical with the rate of malnutrition among indigenous children estimated at 70 per cent, almost double that of non-indigenous children. In Nicaragua, maternal mortality rates among the afro-descendent and indigenous population on the Caribbean Coast increased between 2000 and 2007, as it fell in other parts of the country. While we would hope to see a 'pro-equality territorial bias' in budget allocations, it is hard to find evidence of this. Analysing the departmental budget transfers in Peru gives an illustration of how little the Peruvian government has done to apply a strong criteria of promoting equality in its resource allocation decisions between territories.

A significant advance for equality in the region is that there are more women in work. However, progress in this area is still held back by the burden of childcare and the lack of publicly funded childcare for poor women. At work, women are also routinely discriminated against, are paid lower wages and are subject to worse working conditions than men. This is particularly visible in export-processing zones and with women workers on plantations. It is also a major concern with regard to domestic workers, who are 'invisible', excluded from labour laws and social protection. There is increasing organising and advocacy around the issue of women workers, including in relation to domestic work and childcare provision. There are also growing questions around whether conditional cash transfer programmes help or hinder the fight against the unequal division of labour at home, given women have to attend meetings and clinics, and help comply with conditions, hindering their potential to work and reinforcing their primary role as caregivers. This is a little discussed side-effect of these much-lauded cash transfer programmes.

One of the biggest tasks for the region is to confront the wave of violence against women. Almost half of the region's women have been victims of at least one act of

sexual violence in their lifetimes. Gender-based violence is often carried out with impunity. Even where legislation exists – such as in Brazil – in practice the majority of judges and policemen do not think this violence is a problem. Social attitudes blame women and the climate of impunity means few perpetrators are brought to justice. Society has generally become de-sensitised to this type of violence, to the extent that it is seen as normal.

In addition, the region continues to apply an inappropriate economic model. There is deep inequality between the few large companies and the majority of smaller ones. The productivity gap is substantial and there is very little public investment channelled to support small- and medium-sized enterprises. The focus on export-oriented agri-business and the extractives industries has driven, in many cases, a re-concentration of land ownership over the last 10 years – in a region where wealth and land ownership have been major areas of concern for decades. We document land concentration trends in Brazil and Peru, as well as highlighting the strength of opposition – sometimes violent opposition – to progress on land reform that benefits the rural poor.

It is also becoming increasingly apparent that climate change is likely to lead to deepening inequality between the haves and the have-nots. This report highlights Peru and the case of glacial melt. This phenomenon will directly threaten the livelihoods of thousands of small-scale farmers, as well as threatening Lima's water supply and the current functioning of the heavily water-dependent agro-export model. It is the poorest, living without early warning systems, emergency plans, infrastructure or financial support to cope with disasters, who will disproportionately suffer from glacial melt in Peru. As yet, there is a very limited body of work looking into this and little evidence that policy-makers are taking these factors into account.

It is already common knowledge that the region will have to reform its economic and energy strategies significantly to ensure it follows a clean development path in future. The region's current model, based on extracting natural resources, the expansion of agri-business, mining, oil and gas, and forestry industries and land concentration in sectors with a whole range of negative environmental impacts, is simply not conducive to low-carbon economic development. There is some limited recognition of this and we identify some evidence that countries are seeking a new direction. The Dominican Republic has a major new wind-farms project and a target to source 25 per cent of its energy use from renewables by 2025. Brazil is expanding alternative energy sources such as hydroelectricity, ethanol, and biodiesel. Ecuador's famous Yasuni-ITT initiative to raise climate finance internationally to forgo oil exploration

is another notable example. Still, the consensus clearly has to be that progress so far is minimal, despite more than two decades of discussion. There is genuinely little to be optimistic about in terms of the transformation to a clean economic development strategy.

The region's tax system is clearly its Achilles heel. While its income concentration at the top sets the region apart from any other in the world, its weak and regressive tax systems do nothing to address this. Taxing the rich properly would be by far the fairest, most effective way to increase tax revenues. But the region is far from addressing this challenge effectively, with progressive taxes such as personal income taxation and property taxes sorely neglected areas. Property taxation brings in derisory amounts, and the region's rich are long overdue paying their fair share. Brazil is a good illustration of this; its main property tax contributed only 0.06 per cent of tax collection in 2008.

The problem of inequality in the region is not just one of income distribution, but is also a problem of who holds the power. The intransigent economic and political elite is a major part of the region's reality and the recent Honduran coup demonstrates what can happen when traditional power structures are challenged. The progress – and lack of it – in Bolivia also provides an example of how efforts to reform traditional political and economic structures can be resisted by the elite. The elites are benefiting significantly from the current economic model, land concentration trends and the national tax systems that demand they pay little tax on their assets and income. Their resistance to debates on key issues such as tax, land and minimum wages continues to be strong and countries have a choice to confront this or find a negotiated path – or elements of both. Currently, this is the elephant in the room, as we continue to 'judge' governance on technocratic indicators and ignore real politics and power. More national and international recognition of the need to pursue political settlements with governments, civil society – and the elites – that will ensure structural reforms that benefit the poor are long overdue.

INTRODUCTION

This is the story of inequality in Latin America and the Caribbean, a region where geographic location and race or ethnic group are hugely important in determining life chances. Inequality in the region is deep and it is widespread. The problems that exist are not just in relation to income inequality – though in this respect the region has the distinction of being the worst in the world. There are large gaps in education provision (it is exceptional for the poorest children to complete secondary education), in areas such as nutrition, health, access to water and electricity, and in standard social protections such as social security coverage and pensions. Women suffer disproportionately from the effects of poverty, marginalisation, discrimination and violence.

There are stark gaps between rural and urban areas, visible trends of land concentration in the hands of big business and rich landowners and an increasing frequency of land conflicts. Many of these problems gravely affect indigenous and afro-descendent populations in the region, who bear the brunt of the region's stark inequalities. The increasingly serious effects of climate change expose the region's poor to ever-greater threats with major and slow-onset emergencies eroding the poor's income and assets. The potential for climate change impacts to exacerbate inequalities has yet to be fully recognised. At the same time, the high levels of inequality are not only the outcomes of poverty across the region,

they also cause poverty – the effects of persistent inequality accumulate over time.

It must be recognised that the region has made some progress. The past decade has seen some poverty reduction, and to a lesser extent some reductions in income inequality. However, we must continually confront the 'tyranny of averages'.¹ While there has been an overall decrease in poverty, there are still dramatic and untenable inequalities between groups and territories. Exposing these extremes, the disparities between and within countries and the severe impact that inequality is having on specific groups of poor people is the fundamental basis for this report. Despite the apparent improvements in reducing inequality, the region still has a long way to go. The critical failure is that public policy has not been designed properly to confront these extremes. Without serious attempts to shift power relations and overhaul the economic structures in place, Christian Aid believes that further progress will be impossible.

The huge inequalities that exist in the region are clearly linked to the rise in crime, violence, and political and social instability. Trends of rising violence also include disproportionate impacts on women. The growing problem of femicide in the region is an acute problem that deserves more international attention. High levels of inequality undermine the very fabric of society.

'Inequality has permeated five centuries of racial, ethnic and gender-based discrimination in the region, in societies where people are divided into first- and second-class citizens. It has permeated a modernisation process built on the back of the worst income distribution in the world'

Alicia Bárcena, Executive Secretary, Economic Commission for Latin America and the Caribbean²

The region has undergone a political shift to the left since the late 1990s, with leaders such as Hugo Chávez in Venezuela, Luiz Inácio (Lula) Da Silva and Dilma Rousseff in Brazil, Evo Morales in Bolivia, Rafael Correa in Ecuador and most recently Ollanta Humala in Peru. Of course, all these leaders and parties differ greatly from each other but all have signalled shifts from preceding governments in relation to poverty and inequality concerns. There are clear signs of differing approaches, particularly in relation to social spending, and these approaches do hold important lessons for other developing countries. However, even with this shift to the left and changing rhetoric, what is indisputable is that serious measures to reduce wealth concentration in the region have been absent.

Inequality is not just a concern for Latin America and the Caribbean – it is truly a global issue. There has been remarkably little change to the poor's income over the last two decades. If current trends continue it will take more than 800 years for the bottom billion people to reach 10 per cent of global income.³ UK statistics are also less than encouraging. Between 1999 and 2009, the money earned by the poorest 10th fell by 12 per cent, while the money made by the richest 10th rose by 37 per cent.⁴ The Gini coefficient in the UK climbed from 26 in 1979 to 40 in 2009. The Occupy Wall Street and Occupy London protests in the US and UK have

mobilised protestors by drawing attention to the inequality of wealth between the top 1 per cent and the remaining 99 per cent. 'We are the 99 per cent' is now a household phrase. We all have much to be worried about.

Within the development sector, there is already a realisation that inequality urgently needs to be placed at the heart of global development discussions at the highest levels.⁵ We also know that the majority of the world's poor now live in middle-income countries.⁶ There is a growing recognition that it is time to look behind the headline statistics to understand the real face of poverty and inequality in developing countries.

In the region, many actors are becoming more vociferous about the issue of inequality. It is no longer just a topic for social movements. This gives a glimmer of hope that inequality will become a central driver of policy changes. However, change is not easy. This is evident given the unrest and protests sweeping many developed countries that are deeply enmeshed in the global economic crisis. And it will certainly not be easy in Latin America and the Caribbean, where the economic and political elites and agrarian aristocracy maintain an iron grip on nations' wealth, natural resources, political spaces and media. Politics matters and the region faces an uphill task. There have been few real attempts structurally to change wealth concentration there and where attempts

have been started, strong elite opposition has generally stalled reforms.

This report starts by presenting an overview of regional trends in relation to poverty and inequality, looking particularly closely at fiscal policies (Chapter 1). It also gives special attention to the situation of indigenous and afro-descendent groups, given they are disproportionately affected by poverty and social exclusion (Chapter 2), as well as highlighting gender inequalities (Chapter 3). In Chapter 4, we look at governance and inequality, particularly the role of the elite, and in Chapter 5, we give special attention to Peru, given its striking macroeconomic achievements but extremely poor progress in tackling inequality in all its facets. Finally, we draw attention to climate change and its potential to exacerbate the already high levels of inequality prevalent in Latin America and the Caribbean (Chapter 6), a subject that is likely to garner more attention in the future.

OVERVIEW OF INEQUALITY IN THE REGION



In 1997 – after a long process of discussions about education in the Dominican Republic – a law was established to ensure that 4 per cent of the country’s GDP was spent on education. And yet in 2009 only 2.3 per cent of the budget was allocated for education; a real shortfall in the government’s commitment to support this social investment

The current situation of inequality in the region has deep historical roots in the unequal distribution of land and other forms of wealth and political power that benefited a small agrarian and commercial oligarchy. However, there is also no doubt that the policies implemented in the recent past under the Washington Consensus⁷ have much to answer for. The evidence from the final two decades of the last century shows that where equality is concerned the region was actually regressing.⁸ The debt crisis in the early 1980s followed by structural adjustment programmes and implementation of a free market model led to widespread cutting of social spending, the deregulation of labour markets and sweeping privatisation. The negative impacts have been well documented. These include poor job creation, high under-employment and rapid growth of the informal economy, a weakening of trade unions, lower wages, increases in job insecurity and worsening social service provision.

Since the financial crisis of 2008, the credibility of the Washington Consensus has been undermined, though unfortunately many of its structures remain in place in the region. However, mainly since 2002 there has been some progress and the last decade has seen some very notable achievements. Thanks to positive growth, and a social policy reversal of sorts, there has been an increase in social spending, and programmes to reduce poverty have been put in place. Between 2002 and 2011, poverty declined by 12.5 percentage points (from 43.9 to 31.4 per cent).⁹ By 2011, there were 177 million poor and 70 million extremely

poor people. The countries with the highest poverty rates are Haiti, Honduras, Nicaragua, Paraguay, Guatemala, Bolivia and El Salvador, which all have poverty rates above 45 per cent. According to the United Nations Economic Commission for Latin America and the Caribbean (ECLAC), Colombia’s poverty rate fell from 45.7 per cent in 2009 to 44.3 per cent in 2010.

In 2009 and 2010, commentators in the mainstream financial press generally maintained that the region was weathering the economic crisis relatively well. The most recent ECLAC regional study shows that overall trends with regard to poverty and inequality reduction have not reversed. As always, some countries deserve special attention. Guatemala’s most recent poverty assessment shows an increase in poverty from 51 per cent in 2006 to 53 per cent in 2011.¹⁰ There is no doubt now that concerns are growing. Tax revenues are starting to fall, remittances are declining and governments are being forced to reduce social spending. The general regional picture also hides many differences. The countries worst affected by the economic crisis are those in Central America, the Caribbean and Mexico. Jamaica, which has a high dependency on (the shrinking) tourism industry, is facing an extremely difficult situation in terms of public finances. Its poor position is compounded by a huge debt burden (123 per cent of GDP).¹¹ Income inequality in Latin America and the Caribbean is the most pronounced in the world and this has not changed in four decades. It is 36 per cent higher than in east Asia and 18 per cent higher than the level reported for sub-Saharan Africa.¹² In the majority of

'Faced with this flagrant inequality, measurements are taken, estimates made, indices created, numbers debated... and rivers of ink are spilled in drawing up formulas on paper, but rarely over the last two decades have economists asked themselves honestly why are there so many poor people in this country, compared with the volume of wealth created?'

Professor Alexandre Freitas Barbosa, CEBRAP, Brazil¹³

countries there have been some improvements, with the gap narrowing since 2002. Although the decrease is slight it has not been reversed by the effects of the economic crisis. Brazil is the country in the region that is making the most progress reducing income inequality. There, positive trends have been visible over the past 15 years. However, it is important to note that in the vast majority of countries, this is a recent trend and there is no guarantee it is, in reality, a sustainable one. In addition, it should be recognised that there is a strong likelihood that inequality levels are grossly underestimated, as surveys do not capture property income.¹⁴

It is worth pausing to consider the drivers behind improvements in equality in the last decade. The consensus emerging is that the following factors were important: increasing employment, increases of minimum wages, increased public spending (including particularly conditional cash transfer programmes) and improvements in education.¹⁵ On the other hand, GDP growth is found to have had a limited impact on income inequality.¹⁶ While some might be inclined to presume that inequality has declined as a result of the commodity boom and high growth rates, it has declined in both fast-growing and slow-growing countries.¹⁷ What is very clear from all the available research is that government policy has been the critical factor in ensuring progress.

The shift towards left-of-centre governments is sometimes emphasised as important given the greater focus on social issues. However, although governments have brought in some successful reforms there have been no major policy shifts to confront wealth concentration in the region. Giovanni Andrea Cornia terms the strategy employed as one of 'redistribution with growth' instead of the more radical 'redistribution before growth'.¹⁸

Countries that still have extremely high income inequality levels are Bolivia, Haiti, Brazil, Colombia, Honduras and Jamaica, which stand at more than 55 on the Gini index.¹⁹ Across the region, the income received by the wealthiest 20 per cent of the population is still on average 19.3 times more than for the poorest quintile.²⁰ This average hides great disparity between countries. For some countries the difference is a factor of less than 10 times. But in Honduras, for example, the richest 20 per cent have 33 times more income than the poorest quintile.²¹ Most worryingly, in the Dominican Republic and Guatemala, the concentration of wealth at the top has worsened since 2002.²² The countries ECLAC cites as making some progress include Panama, Bolivia, Brazil, Chile and Ecuador (urban areas), Venezuela and Nicaragua, Paraguay and Argentina (metropolitan areas).²³ It is also worth noting that a recent household survey in Bolivia shows faster progress reducing inequality in rural areas than urban zones.²⁴

Tackling inequality in Brazil

Christian Aid's partner CEBRAP has conducted extensive research into inequality in Brazil. These findings will be published – in Britain, Ireland and Brazil – in 2012 in the report *The Real Brazil: The Inequality Behind the Statistics*. The report's main aim is to look beyond aggregate social and economic indicators to investigate the current state of inequality in Brazil, presenting disaggregated detail for rural and urban areas, individual states and different social groups, and differentiating by gender, race/colour, academic qualifications and age groups. It also looks at what has driven the positive achievements in terms of poverty and inequality reduction, and whether structural inequalities are a lesser feature of Brazilian capitalism now compared to the past. This research is critical given the undeniable achievements of Brazil with regard to economic development, poverty and inequality reduction and the lessons that can be learnt by other developing countries from the Brazilian experience.

The positive economic performance of Brazil over the last decade is well recognised. Since the beginning of the Lula administration, the experience has been one of increased employment, a rising minimum wage and increased spending on social security and cash transfer programmes. The approach of the Lula administration effectively marked the return of the Brazilian state as the engine driving the process of demand, investment and growth. By boosting the income of the poor, the government effectively stimulated market demand. There has been a boom in the sales of durable and non-durable consumer goods, helping to establish new levels of production and jobs in industry and the services sector. The two most important interventions in Brazil have been the acceleration of economic activity and job creation, and the social policies that have helped distribute income directly to the poor.

However, although the cash transfer programmes are undeniably a help, they

do not explain the reduction in income inequality, despite the fact they have contributed to it. The common view in Brazil is to associate the recent fall in inequality with the cash transfers to the poor in the northeast who do not work. However, income inequalities fell more heavily in regions with higher per capita income. This research finds the dynamics of the labour market – job creation and minimum wage policies – have made the most significant contribution; a finding endorsed by IPEA, the highly respected government-linked think-tank, in its own studies. The decline in inequality in Brazil resulted more from the effect of salaries and pension plans indexed to the minimum wage than from cash transfers, which played a secondary role. Cash transfers are found to reduce absolute poverty, particularly in the poorest regions, but they do not address inequality or create alternatives for lasting social inclusion, meaning they cannot make a significant contribution to transforming the lives of the poor.

In addition, while job creation in Brazil has been one of the most positive aspects of the country's recent economic performance, it is questionable how much we can celebrate the advances made in relation to income distribution. CEBRAP's research finds that 9 out of every 10 jobs created in the formal job market pay salaries that offer less than three times the minimum salary. In addition, there has been no reduction in income inequality where the comparison is based on the relationship between productivity and income earned by workers. While industrial productivity has been growing steadily since the beginning of the Lula administration, workers' average earnings have not kept pace, which means industrial capital is pocketing the lion's share of the gains. This key aspect of structural income inequality does not appear to be diminishing, despite the fact that

poverty levels of employed people may have gone down.

Inequality continues to be a basic mechanism of social organisation in Brazil. The rich and middle class have domestic employees for whom the extension of universal rights has not been attained. Education in state schools is for the poor. Inequality in terms of educational outcomes has become institutionalised. While the government has expanded rural land distribution programmes and increased the number of small- and medium-sized registrations of rural land holdings, the area occupied is still tiny. In fact, in Brazil – already a country with the greatest land concentration in the world – there has been an increase in the concentration of property in the hands of large landowners over the past decade. Large landowners are now more intensive in their use of capital and technology, allowing them quickly to gain shares in

external markets and concentrate further their dominant position. The continued reliance on regressive indirect taxation has contributed to the reduction of income available to poor people and an increase for the rich.

In sum, the structural inequalities – principally the agrarian, tax and labour models – existing in Brazil before the Lula administration are still firmly in place. While Brazil has made some progress, it is still among the top 10 countries in the world for income inequality. The current government continues to emphasise 'numerical' poverty reduction, with a short-term view of national problems and rejecting a focus on the structural reforms necessary. In this context, any celebration of the statistics over the last decade is justified only as a pause to consider these most pressing structural reforms that the country must undertake in the near future.

There are also areas for concern with regard to access to basic services. While there has been a general increase in public spending, some countries still show worrying trends in terms of access. Data from the United Nations Development Programme (UNDP) shows that inequality with regard to access to electricity is actually worsening in Bolivia, Honduras and Guatemala – and not improving at all in Nicaragua. Similarly, inequality in access to water is worsening in Venezuela, Nicaragua and Ecuador and not improving at all in Honduras, Dominican Republic and Guatemala. When the UNDP adjusted its Human Development Index (HDI) for inequality in 2010, it found that progress in human development in the region between 1999 and 2006 was much smaller and that aggregate welfare indicators (such as access to water, electricity and housing) hid 'serious inequities'.²⁵

Private sector development, employment and wages

Unsurprisingly, jobs matter a huge amount in determining income inequality. Ultimately, making progress on equality is strongly determined by the quality of jobs – wage levels, employment stability and working conditions. Governments must make the right policy choices to influence this area. In the region, huge wage gaps developed as countries liberalised; something that was not predicted. However, since 2002 there has been progress reducing

unemployment – and particularly among low-income groups.²⁶ As mentioned above this is considered a key reason behind the progress that has been made to reduce inequality.²⁷ However, studies also find wage discrimination against ethnic minorities and that '*employment conditions are more disadvantageous and less regulated for women, ethnic minorities and young people of both sexes*'.²⁸

Unemployment in the Caribbean is a particular area of concern. Agriculture and manufacturing have both declined significantly and the problem of youth unemployment is particularly severe. While unemployment in the general population was 11.2 per cent in 2009, in Jamaica it was 39.7 per cent for the 14-19 age group.²⁹ This has a direct link to migration – a serious problem for Jamaica – and is a major factor in the increase in youth crime. There are very little in the way of specific public policies to address youth unemployment in the region – very little technical training, hiring subsidies for young people or first job incentives, for example. In this area there is much room for improvement.

One policy that is critical is that governing minimum wage, which has great potential to reduce inequality and the poverty of low-income workers. We already know that trade unions play a critical role in reducing wage inequality, as well as in improving conditions and the broader benefits workers receive. Trade unions, however, do not have a happy history in the region, where there are widespread anti-union policies and practices.

Unions and wages

One sector that amply demonstrates the need for unions is the banana sector. There is effectively a 'race to the bottom' in the global banana industry, as companies seek ever cheaper bananas, resulting in lowering social and environmental standards. Banana workers face appalling working conditions, including wages well below the cost of living and exposure to toxic chemicals. Workers who try to join unions face repression – from daily psychological pressure to outright violence. Latin America was singled out once again this year by the International Trade Unions Congress as the deadliest region for trade unionists, with Guatemala and Colombia cited as the worst countries for violence against union activists.³⁰ There were 49 murders and 20 attempted murders of trade union activists in Colombia in the past year.

Christian Aid partner Banana Link has worked tirelessly to support union activities in Latin America and the Caribbean, including efforts to protect trade union activists through its urgent action network. Its Union to Union

programme facilitates links between unions and supports constructive dialogue between unions and companies. It supports worker training programmes and helps unions lobby for changes to labour laws, company practices and trade rules at national and international levels.

It has seen some significant progress and impact from its work. In 2008, a new collective bargaining agreement between Chiquita and six Guatemalan unions affiliated to Banana Link partner UNSITRAGUA (Union of Agro-industrial Workers of Guatemala) translated into a salary increase of 15 per cent and a 3,000 quetzal (US\$404) bonus for all workers. There has also been progress in Ecuador, where the union FENACLE made a major breakthrough with Dole-Ubesa. As a result, 500 workers at the Siembra Nueva pineapple plantation are now covered by the first-ever collective bargaining agreement in the Latin American pineapple industry. In Colombia, in March 2011, the national collective bargaining agreement covering 291 banana plantations in the

Urabá region of Colombia (more than 18,000 workers) was renewed after successful negotiations between the SINTRAINAGRO union and employers' organisation Augura. The agreement will run for two years, with a wage increase of 5.5 per cent for the first year and a consumer price index-linked rise in the second.³¹

As Banana Link's director explains, the trade unions are key to ensuring progress: *'Very few workers in the global banana and pineapple industries earn a living wage after two decades in which they have been squeezed very hard by a combination of their multinational or national fruit company employers and the rapidly increasing power of big retail buyers. Workers cannot hope to make improvements if they are not independently organised in trade unions. Over a century of banana history shows this clearly. In countries like Honduras, Panama and Colombia where the unions have had the freedom to bargain with employers, wages are between 150 and 300 per cent above the national minimum wage.'*³²

The progress of micro-, small- and medium-sized enterprises (MSMEs) is also critical, given the bulk of employment in Latin America and the Caribbean is created by these. The productivity of this sector matters for employment creation, quality of jobs and wage levels. ECLAC, which has documented the significant productivity gap between MSMEs and large firms, found deep inequality between the few large companies and the majority of other, smaller ones. At best, an amount equivalent to not even 0.1 per cent of GDP is spent on supporting the thousands or hundreds of thousands of small businesses in each country.³³ This easily demonstrates the lack of priority given to this critical area.

It is, however, unsurprising, given attention has clearly been focused on the export-oriented extractive model promoting sectors such as agro-export, biofuels, mining and oil and gas. While Latin America and the Caribbean has been known for its commodity dependence and extraction focus in the past, there is no doubt the last decade has seen a huge expansion in these. There are many shortcomings inherent in this approach, particularly land concentration and all the social, environmental and human rights impacts this

implies. This can be especially damaging when combined with a militarised conflict situation, as in the case of Colombia. Further limitations with this model are the limited job creation potential, limited linkages and stimulus benefits to the local economy, and often poorly adapted tax regimes that include overly generous incentives for companies operating in these preferential sectors. However, in times of a commodity price boom, such as that recently witnessed, the positive macro-economic impacts are obvious and some countries are certainly financing their social policies via these export and extractive dependent strategies. It is, however, very unfortunate that this results, in practice, in few policies to promote sustained MSME development. If improving income inequality – via increasing employment and wages for the poor – is a goal, then the current focus leaves much to be desired.

Territorial inequalities

There is a great deal of divergence between countries in terms of progress, and also important are the large divergences within countries themselves. Territorial inequalities within states are rarely given enough attention

in national policy-making spheres, and narrowing the gaps between these should be a national priority if equality is on the agenda.

In Organisation for Economic Co-operation and Development (OECD) countries, the per capita GDP in the richest region is no more than twice the figure in the poorest region. However, in Brazil, the difference is more than nine times and in Peru more than seven times.³⁴ In Bolivia and Peru, meanwhile, the disparities between the richest and poorest regions are rising. The rural-urban divide is also often striking. The UNDP – reporting on the multidimensional aspects of poverty – explains that while El Salvador has 44 per cent of people with deprivations in two or more key areas of wellbeing³⁵ in urban areas, this climbs to 93 per cent in rural areas. Its analysis for Brazil finds 18 per cent in urban areas and 74 per cent in rural areas.³⁶

A map of social hardship shows high concentrations of poverty in certain areas, particularly the Andean and Amazon regions, where between 88.8 and 100 per cent of the population aged under 18 live with basic needs unmet. In Central America, the territorial distribution of social hardship is more spread out but concentrated in areas with large indigenous populations.³⁷

Chronic malnutrition in Latin America and the Caribbean

Territorial inequalities are starkly revealed by indicators on chronic malnutrition in children – one of the most visible indicators of hardship. The highest rates of chronic child malnutrition are concentrated in specific territories in Guatemala, Honduras, Peru and Bolivia, and there are great disparities between the worst- and best-performing regions. The insidious and varied impacts that malnutrition has on a child's development are well known. Malnutrition in the womb and poor childhood nutrition leads to irreversible cognitive damage. It affects children's ability to learn and do well in education, and exposes them to greater risks of ill health. The educational impact means their life chances are affected over the long term. They will earn less income and be less likely to escape the poverty they had the misfortune of being born into. They are also more likely to have children who suffer from malnutrition themselves, thus perpetuating the cycle.

Location matters greatly for poverty and inequality, so it should matter equally for public policy. There should be a large bias towards poorer regions – in terms of tax transfers, social spending on welfare, high-quality social services such as health and education, and economic development strategies, which include at the very least job training

programmes, MSME support and agricultural development programmes. ECLAC proposes a territorial cohesion fund provided by rich regions for poor ones for these purposes.³⁸ However, unfortunately even the basics for a territorial bias in policies – that would promote equality – are often lacking. Brazil's system of tax transfers from the federal government to states is a good example of how policy is going wrong in this area (see box below).

Cementing inequality: Brazil's federal tax transfer system

Analysis from Christian Aid partner INESC³⁹ shows the inequity inherent in the federal tax transfer system in Brazil. Less developed areas with more fragile tax collection of their own should receive more to ensure they are able to deliver the right quality and quantity of public services to their citizens. However, there is a great disparity between states. Comparing tax transfers with the human development index (HDI) per municipality shows clearly that the poorest municipalities are not getting the shares they need. In fact municipalities with higher scores on the HDI are getting more tax revenue per capita from the federal government. The poorest 20 per cent of municipalities are receiving on average 544 Brazilian real (US\$304) per person in transfers from the federal government, while the richest 20 per cent of municipalities are getting on average R\$1,454 (US\$813) per person.⁴⁰ These transfers are actually serving to worsen inequality.

Social spending

There is no doubt that the region has increased its social spending over the past two decades. Social spending rose from 12.2 per cent of GDP in 1990-1991 to 18 per cent in 2007-2008.⁴¹ The largest increases have been in social security and assistance/welfare, followed by education. The Caribbean is the exception to this trend. Jamaica, for example, stands out as a country that is not managing to increase social spending – one of the few exceptions in this area in Latin America and the Caribbean.⁴² Haiti also deserves a special mention. Unsurprisingly, given the major earthquake in January 2010, and the many challenges facing the country even before then, Haitian social spending trends are erratic. The population's access to basic social services is particularly worrying. Living standards have deteriorated since the earthquake and it is a major priority to increase social spending to respond to food security challenges and construct basic social safety nets, as well as to increase significantly investment in health, education and security.⁴³

There is of course much variety between countries and it is clear priorities are not the same. The low spenders in Latin America are Ecuador, Guatemala, Honduras, Nicaragua,

Paraguay and Bolivia (which all spend less than US\$200 per capita) and the Dominican Republic, El Salvador and Peru (which all spend less than US\$300 per capita).⁴⁴ The high spenders include Brazil, Argentina, Cuba and Uruguay, which spend more than US\$1,000 per capita). Still, social spending has not had a large redistributive impact in the region. One reason is a large proportion of social spending goes on social security and this payment is of most benefit to those with higher incomes. While some countries – such as Chile, Uruguay, Brazil and Mexico – are trying to improve by installing more universal health systems, this continues to be a problem for most of the region.

One social spending approach that has gained much attention is the conditional cash transfer programme. This model provides welfare payments in cash directly to poor households, targeted on the basis of means testing, and often combined with conditions – such as pre-natal checks or children attending school – being met. Mexico and Brazil were the first countries to adopt these but many have followed suit. Currently, 17 countries are operating these and 17 per cent of the Latin America and the Caribbean population receive assistance.⁴⁵ The largest programme is in Brazil, followed by Mexico, Colombia and then Ecuador. As cash is directly transferred into the hands of the poor (often linked to the take up of education or health services) there is a high potential for this to reduce income inequality. Welfare programmes such as these are critical to ensure the poorest have at least a minimal income to ensure – at least – their basic right to food is guaranteed.

However, cash transfer programmes are very different between countries, with some of course more generous, more effective and with better coverage than others. In Central America, the Dominican Republic and Haiti, basic welfare assistance is especially poor. (In Central America and the Dominican Republic, only around 20 per cent of the poor population benefit from welfare assistance from programmes of this kind).⁴⁶ There is clearly great scope for expansion. Another key reason social spending increases have not had big impacts is that amounts spent on cash transfer programmes are, in reality, very small. Perhaps unsurprisingly, the conclusion is that to have a significant impact on poverty and inequality the national programmes must cover sufficiently large numbers of poor and transfer sufficiently generous amounts.

Currently in Latin America and the Caribbean what we see are piecemeal initiatives, rather than a single, integrated programme that offers complete support. The region is far from achieving satisfactory coverage and there is much room for progress. While social service provision is patchy, there is still no evidence at all that cash transfer programmes go hand in hand with broader economic

development strategies to create skills, jobs, a flourishing MSME sector, and general improvements in equity and wellbeing across societies.

Attention is now shifting to calling for the provision of universal social services in Latin America and the Caribbean.⁴⁷ One reason is their clear potential to improve income distribution. While progress with cash transfers that benefit the poor is welcome, such targeted initiatives mean less focus has been given to the promotion of high-quality social services for all in society. This also means energy and resources are spent on targeting benefits, a complex issue for institutions to deal with. The prominence of targeting is essentially following the US model, however evidence shows that the creation of generous and universal public transfers and services is the best instrument to secure redistribution of income.⁴⁸ The latter is a model that the region should not ignore. It brings a range of benefits – including support from the middle classes, less segmented societies and higher-quality service provision.

Tax

The tax system is a large part of the story. Tax policy is a tool for redistribution; it should correct the excesses of unequal income distribution. On the whole, it does not do this effectively in Latin America and the Caribbean. Studies in this area are methodologically challenging. However, there is some evidence that in Bolivia, the Dominican Republic, El Salvador, Guatemala, Honduras and Peru, the distribution of income is worse after taxes have been applied.⁴⁹ It is a fact that across the region tax structures are regressive and the poor often bear a much heavier tax burden than the rich. In Nicaragua, the poorest quintile spend 31 per cent of their income on tax while the richest quintile spend only 12.7 per cent of their income on tax.⁵⁰

The biggest difference between Latin America and the OECD is with regard to levels of personal income tax (PIT) collection. In the OECD, the average contribution of PIT is 9.2 per cent of GDP. In Latin America and the Caribbean it is only 1.4 per cent – with Bolivia and Guatemala the worst PIT performers (collecting 0.2 and 0.3 per cent of GDP respectively).⁵¹ As it is the most progressive tax, a larger share of PIT in the tax take would make a major contribution to equity within the tax system.

The other forgotten tax that has large potential to improve equality is property tax, which in Latin America brings in about 0.3 per cent of GDP – a ridiculously low amount.⁵² Brazil is a good illustration. Its 5,000 richest families own property worth an estimated 40 per cent of the country's GDP, yet property taxes continue to be neglected as a viable – and equitable – source of tax revenue. The main property

tax administered by the Federal government is the rural property tax (ITR). Its contribution to overall tax collection is derisory, amounting to only 0.06 per cent of tax collection in 2008.⁵³ Given the high concentration of land, this tax has great potential to be redistributive if designed properly. It is also a much easier tax for authorities to apply when compared, for example, with mobile capital.

Apart from the regressive design of the tax structure, the overall taxes raised are too low – a major constraint to financing social policies. Although tax levels have been improving – with the tax take increasing from on average 12.8 per cent in 1990 to 18.4 per cent in 2008⁵⁴ – average tax collection still compares poorly with other regions. A potential tax rate can be estimated per country according to wealth levels. Analysis shows that most countries in Latin America and the Dominican Republic, for example, collect a much lower level of tax than they should for their level of development.⁵⁵ This means there is considerable scope for raising more tax revenue. The poor performers in Latin America and the Caribbean – those below average – are listed in the table below.

show that tax exemptions and incentives led to a loss of 5.5 per cent of GDP.⁵⁷ This is substantially more than the country's debt service payments that year (3.8 per cent of GDP).⁵⁸

Problems are not only limited to countries with poor tax collection, however. The regressive nature of the systems are endemic across the region. This is well illustrated by the case of Brazil. While often held up as a good example given its high tax collection levels – Brazil's tax take now rivals that of developed countries – research by both government and civil society shows that the poor pay substantially more of their income in taxes than the rich.⁵⁹ Brazil's income tax is a key part of the problem. Tax concessions are common and the income tax burden on the richest has been reduced in the last decade. In 1995 the government passed a law reducing the rate of corporate tax from 25 to 15 per cent as well as exempting the distribution – and the repatriation – of profits and dividends from corporate income taxes.

Table 1: Tax collection levels in selected Latin American and Caribbean countries

Country	Tax collection as per cent of GDP (including social security) 2008	Country	Tax collection as per cent of GDP (including social security) 2008
Colombia	18.4	Honduras	15.9
Dominican Republic	15.0	Mexico	9.5
Ecuador	16.5	Panama	16.5
El Salvador	14.6	Paraguay	13.7
Guatemala	11.6	Peru	17.4
Haiti	9.5	Venezuela	14.2

Source: ECLAC, *Time for Equality. Closing Gaps, Opening Trails, 2010*

Haiti also deserves a special mention for the weakness of its tax collection. In Haiti, the tax administration building was destroyed in the earthquake, killing some tax authority directors and damaging information systems and records. The country has much to do to formulate an efficient tax administration, as well as effect major tax policy reforms.

In Latin America and the Caribbean, the most dynamic and profitable sectors are often those that benefit from the most tax concessions. Guatemala is one of the worst – according to data from 2007, 7.9 per cent of GDP is lost through granting tax exemptions – equivalent to a staggering 63 per cent of the total tax take that year.⁵⁶ In the Dominican Republic in 2008-2009, official government calculations

Taxing Latin America's rich

In the case of Latin America, there is no doubt that a major part of the income inequality problem lies with the rich. What really sets it apart is that the richest decile receives a larger share of total income than in any other region in the world.⁶⁰ Of course, it is not fashionable to discuss tax policy as a redistributive instrument. This tends to be resisted, not only by economic elites, but also by institutions such as the World Bank that tend to favour 'neutral' tax reforms. But if Latin America's striking problem of income concentration at the top is to be solved,

taxing the rich effectively is an urgent question.

Taxing the rich more is also about raising overall tax revenues. In the region, tax revenue is far too low. As the tax burden on the poor is too heavy, taxing the rich properly would be by far the most fair and effective way to increase tax revenues. Two ways to do this would be to focus on personal income tax and property taxes – both areas sorely neglected in the region, but which have the potential to be very progressive.

Efforts to tax the rich cannot, of course, ignore the widespread problem of tax evasion. High levels of tax evasion are a major problem for the region and ECLAC research has shown that levels of income tax evasion range from around 40-65 per cent.⁶¹ However as one commentator rightly points out: *'..the unequal distribution of income makes supervision technically easier. Since just 10 per cent of households receive between one third and one half of total income, targeting them for inspection constitutes the most efficient use of resources and could yield significant results'*.⁶²

While there is a dire need for reform, how to make this a reality remains elusive. There is great resistance from the economic elite on the issue of tax reform. A good example of this is Guatemala, where the powerful private sector groups in the country have resisted a whole series of tax reforms, even bringing cases before the Constitutional Court to overturn tax increases when necessary.

Education

Poverty and inequality in the region are entrenched, persistent and reproduced from generation to generation.⁶³ The family you are born into has a determining impact on future wellbeing. Apart from its fiscal policies, the education system is one of the best tools the state has to address entrenched inequality. One of the main functions of an education system should be its ability to break the

link between children and young people's disadvantaged backgrounds and their level of attainment in school. However, the difference in educational attainment between poor children and children from high-income households is stark. (Only 1 in 5 from the poorest quintile will complete secondary school, while this figure is 4 out of 5 for the richest).⁶⁴ There are also large differences between urban and rural areas and for indigenous groups and, crucially, this is not improving.

Education provision, of course, varies widely throughout the region. Overall education spending has risen but many countries still spend much less than the amounts required. The countries with the lowest spending per student are Nicaragua, Ecuador, Bolivia, Guatemala, Colombia, Peru, Honduras and the Dominican Republic. Nicaragua spent a startlingly low US\$62 per primary and secondary student in 2008.⁶⁵

Education in Dominican Republic: a lesson in popular campaigning

Investment in education – an issue that is important to Christian Aid partners – is currently the subject of a high-profile popular campaign in the Dominican Republic. The country is one of the region's low social spenders and also collects little in tax. In 1997, a law mandated that four per cent of the country's GDP should be spent on education, yet by 2008, only 2.2 per cent of GDP was being spent on this – a real shortfall in the government's commitment.⁶⁶

The effects can be seen when considering, for example, the San Martin de Porres school in Guachupita, a poor suburb in Santo Domingo, which is

heavily supported by the local church community. Its director Lucia Guzman Tejera says *'if we relied on government support it would be chaos. We'd have to dismiss children, and overload the classrooms with students'*.⁶⁷

In 2010, Christian Aid partner Centro Montalvo launched its education campaign. Its aim was not only to lobby the government to meet the four per cent target, but also to create a popular, sustained campaign on the need to overhaul social spending. It has achieved huge momentum – the bright yellow umbrellas are a known symbol of the campaign, and 'four per cent' can be seen graffitied on walls and on taxi

bumper stickers throughout the country. Each presidential candidate has pledged to address the issue if they are successful in their election efforts. On the fourth day of each month – for well over a year – popular campaigns have been held, in front of the national palace or by the Ministry of Education. The campaign has gone global, with lobbying events taking place in London, Barcelona and New York.

But Mario Serrano, director of Centro Montalvo, says *'even when we have achieved four per cent our campaigns will continue... We have learned many things, and we will use these lessons to address issues like housing and health'*.⁶⁸

In the region, some progress has undoubtedly been made in education, and access to primary school is reported as 'virtually universal'.⁶⁹ The UNDP, which reports the latest data on school enrolments, finds that all countries are reporting more than 95 per cent for primary school enrolment, except Guatemala, Nicaragua, El Salvador, Honduras, Colombia and Haiti. Haiti is particularly far behind – at only 78 per cent enrolment levels for primary school (though available data is very old).⁷⁰ Jamaica is another country where there should be huge concern over progress, given the net enrolment ratio in primary school is declining.⁷¹

Education and inequality in Jamaica: a reflection by Carolyn Gomes, Jamaicans for Justice

'Inequality defines people's lives in Jamaica. Here we have a habit of saying there are two Jamaicas. For those born into the middle and upper classes Jamaica is a place of comfort and beauty, a place of great opportunity. You attend prep school, where there are perhaps 30 pupils in the class, with one or two teachers, and where you are exposed to a great deal of learning and information. You have access to TV and internet and you live a charmed and wonderful life... [Yet] if you are born into a deprived socioeconomic community you quite often don't have running water in your house. You may live with 10-20 people in a couple of small rooms. You may be growing up in a single parent, female-headed household and have access to little income. You tend to go to public schools, which have anywhere up to 40 children per classroom and one teacher, with three or four classrooms, in a building separated only by a blackboard. So you can have maybe 140 children in a classroom. That limits your opportunities for grasping your education and for being helped if you need help. Then, as a way of cementing the inequality, we place children based on exam results in good schools or bad schools... So the quality of education you get is determined by your placement in the exam, which is determined by your access to facilities beforehand... The stratification and inequality continues. You come out without registered qualifications, which leave you scrambling for a job... You are doomed to a future repeating the poverty that you grew up in. Inequality in this country is one of the defining human right abuses that we perpetrate.'

Generally, attention is shifting to what happens to access and completion rates at secondary-school level. Research has found that those who do not complete secondary education are exposed to a high degree of vulnerability. 'Only a complete secondary education will... keep an individual at a 'prudent distance' from the poverty line.'⁷² Ensuring poor students' progress right through the system is critical to improving equality. While the popular cash

transfer programmes have helped keep poor children in primary school, the dropout rate at secondary school is much higher. For poor families to send their children to secondary school this support must be extended.

Accessing secondary school education in Guatemala



Christian Aid/Hannah Richards

Government spending on education in Guatemala is among the lowest in the region and what the government does spend is focused on primary education. Many children are unable to go to secondary school and leave with no more than a basic level of education. This is precisely the situation many households Christian Aid works with find themselves in. The family of Blanca Gonzalez Vicente is no exception. Her 12-year-old daughter Jacqueline (pictured), in her final year of primary school, will not

be able to go to secondary school. As Jacqueline's mother told us: 'My eldest daughter is going to finish primary school. She is clever, she has never had to stay back a year. But there is no secondary school nearby she can go to. We have no way of sending her to school any more. We can't afford the travel costs, and nor can we afford for her to live away.'

However, even expanding years in secondary education is not enough to reduce inequality, given the great differences between schools. Private schools in Latin America and the Caribbean are now well equipped and deliver better-quality education than public schools. So even if a poor child completes secondary school, his or her education is highly likely to be of an inferior standard compared to that of a wealthy child. Unfortunately, governments have concentrated on publicly funded primary education and mostly withdrawn from the higher levels of education – a strategy that effectively denies children from low-income households a chance to progress and potentially break the vicious cycle of poverty and inequality into which they have been born. Investing in truly high-quality public education systems is a necessity.

This subject hit the headlines recently with the prolonged education protests in Chile. School and university students, as well as teachers, have been boycotting classes and

holding demonstrations – sometimes resulting in violent clashes with police – since June 2011 to demand free education. While on the face of it, Chileans enjoy the best education in the region, the students' position is that the country's education system is grossly unfair, giving rich students access to some of the best schooling in Latin America while dumping poor pupils in shabby, under-funded state schools.⁷³

In seeking to transform the education systems in Latin America and the Caribbean, it is also important to remember that the stage of early childhood is also critical. We know very clearly from a wide body of research that, for example, poor nutrition in early childhood has negative impacts on cognitive development. It is not just about the quality of the schools but also the quality of the student and his or her ability to learn. This is the reason ECLAC is arguing for early childhood education to be publicly funded. This would allow poor mothers to work, increasing household income but, crucially, also providing children with school meals, healthcare and early stimulation, which would counteract the effects of a less than ideal environment at home. Children would receive greater intellectual stimulation and develop better linguistic skills – factors that are both normally determined by the socioeconomic level of the family and that, like malnutrition, also have long-lasting impacts on learning.

Conclusion

Tackling income inequality is clearly a significant challenge for the region. The progress that has been made in the last decade deserves recognition, and there are certainly lessons to be learned from the region's approach to social spending and particularly the renewed focus on social protection systems. However, given the high initial levels of inequality and the fact that progress is so variable between countries, it is clear there is still much room for improvement. Although social spending has increased, basic service provision and welfare programmes are still patchy and there are a number of countries seriously lagging behind. Conditional cash transfer programmes are much lauded but coverage still leaves a great deal to be desired and of course it is not a model that can be genuinely transformative unless combined with a range of complimentary measures. Education is a key sector where some good progress, particularly on primary education, has been achieved. A focus on high-quality, publicly funded secondary education is now an urgent priority. Much higher social spending is needed to achieve the provision of high-quality, universal social services. This calls for a dramatic overhaul of the weak and regressive tax systems in the region, which are clearly its greatest weakness. Particular attention must be given to increasing the tax take from personal income tax and property taxes. The region's rich are long overdue in paying their fair share.

IDENTITY AND INEQUALITY



Christian Aid/Thomas Richards

Christian Aid partner Bethania works with Ch'orti' people in the eastern highlands of Guatemala. Here indigenous women attend a literacy class

Latin America and the Caribbean is racially and ethnically diverse, with around 50 million indigenous people and 120 million of African descent representing around 33 per cent of the total population.⁷⁴ Indigenous populations are largest in Bolivia, Guatemala, Peru, Ecuador and Mexico, and there are approximately 400 different indigenous languages spoken throughout the region. In Panama, Brazil and almost every Caribbean country, more than 25 per cent of the population are black.⁷⁵ While indigenous peoples live mainly in rural areas, Afro-descendent people often live in coastal areas in the Pacific and Atlantic oceans or along the Caribbean Sea.

Often little recognised, racial discrimination is rife in many countries in the region. Indigenous and Afro-descendent groups have both direct experiences of racism, suffering abuse, threats and violence, and also suffer heavily due to discriminatory social, economic and environmental policies. The impacts of the often-hidden (but habitual) racism are the severely skewed socioeconomic outcomes visible throughout the region's stratified societies.

The highly unequal distribution of income is clearly linked to an unequal distribution between ethnic groups. It is commonly recognised that poverty levels among these

groups are significantly higher than for the rest of the population. Indigenous and Afro-descendent peoples are poorer, and more excluded from access to good quality social services and from the political system.

Up-to-date, disaggregated data for each country is very difficult to find. Although ethnicity is a very relevant concern in the region, few census or household studies identify data collected by ethnic group. However, a CEDLAS study in 2005 looked at ethnicity and the millennium development goals (MDGs).⁷⁶ The study investigated the distance of these groups from the national average with regard to some of the MDGs (MDG 1, halving extreme poverty, MDG 2, achieving universal primary education, and MDG 3, promoting gender equality). It very carefully looked at differences that are due to ethnicity, comparing individuals with the same average characteristics, where ethnicity was the only exception.

Its results provide evidence of ethnic discrimination via wage differentials. Controlling for all the various factors that are known to affect wage differentials, the study found that wages are reduced purely by virtue of the worker being non-white. With regard to education, the study found that for children of primary school age, there are few differences

‘That we all go forward together, that no-one is left behind, that there is enough for everyone and that no-one is left in need’

Aymaran grandparents, Peru

‘Que todos vayamos juntos; Que nadie se quede atrás; Que todo alcance para todos; Y que a nadie le falte nada’

Abuelos y abuelas aymaras, Perú

based on ethnicity. However, it did find that for primary education, ethnic discrimination exists in Brazil, Panama and Guatemala (with Brazil having made some improvements between 1995 and 2002). Moreover, problems are identified very clearly with regard to secondary education.

For indigenous groups – which are mainly located in remote rural areas – the land issue is also critical, as land is their main resource upon which livelihood strategies depend. The research estimated that more than 90 per cent of indigenous people are subsistence farmers who cultivate small plots, while the other 10 per cent live in tropical or dry forest areas.⁷⁷

Nowhere are ethnic divides more visible than in relation to land ownership. Brazilian civil society has coined the term ‘environmental racism’ to describe the racist constructs and stereotypes used to dismiss indigenous and Afro-Brazilians’ rights to their land. The expansion of agribusiness, extractive industries, tourism, biofuels industries and others go at best unchecked, at worst actively promoted, even where such activity is directly to the detriment of poor, ethnic communities. This rapid territorial expansion is a feature of many countries in which Christian Aid works (Peru, Bolivia, Colombia, Brazil and increasingly also in Central America, particularly Honduras, Guatemala and Nicaragua). There is a widespread failure of governments to protect these communities from threats and harm, and the land concentration issue is one that has been poorly dealt with in the region.

Guatemala

Guatemala is a country shaped in every way by its appalling and intractable levels of poverty and inequality. These fuelled one of the region’s bloodiest armed conflicts, with human rights abuses committed on a massive scale, many of which disproportionately affected indigenous communities. There are more than 6 million indigenous inhabitants in Guatemala (60 per cent of the country’s population) made up of 22 indigenous Mayan groups, as well as the Xinka and Garifuna.⁷⁸

Poverty in Guatemala is primarily experienced in rural, indigenous areas. Poverty rates of the indigenous population are estimated at around 73 per cent, as opposed to 35 per cent for the non-indigenous population.⁷⁹ While national poverty rates fell between 2000 and 2006 – albeit slowly compared to other countries in the region – the poverty rate among the indigenous population actually rose – and rose fast. (While, nationally, poverty fell by 9 per cent from 2000 to 2006, indigenous poverty rose by 22 per cent in that same period).⁸⁰ As mentioned earlier, Guatemala’s most recent assessment shows poverty rising nationally.

The Peace Accords signed in 1996 committed to major structural reforms to confront poverty and inequality. These included land and tax reforms and big increases in social spending, including on more culturally appropriate, bilingual education programmes.

Despite clear commitments in the Peace Accords, there has been little reform, and, regionally, Guatemala continues to have one of the lowest tax collections, one of the most regressive tax systems and one of the most generous regimes of tax exemptions for companies.⁸¹ Attempts to reform the tax system have repeatedly been blocked by Guatemala’s powerful elite, via the powerful business lobby CACIF.⁸² The country also has one of the lowest levels of social spending in the region. While, overall, social spending has risen since the Peace Accords, budget allocations for health, education and food security have not varied significantly since 2000. Health spending is around one per cent of GDP and education spending around two per cent of GDP, with both sectors receiving less in 2008 than in 2001, as well as suffering budget cuts in 2009, as a result of the impact of the economic crisis.⁸³ In both sectors, spending is also regressive with the wealthiest quintiles of the population receiving most benefit.

Research by Christian Aid partner ICEFI (in collaboration with CESR) shows how clearly Guatemala’s social indicators reflect the under-investment the state makes in its own people. Guatemala does very poorly with regard to many national indicators of basic needs. Its chronic malnutrition rate in children under five was 49.3 per cent in 2002, putting Guatemala in the top five in the world.⁸⁴ More recent figures (2008/9) show only slight improvements, with this figure at 43.4 per cent.⁸⁵ As with the poverty rate, once this is disaggregated by gender and ethnicity, a much more worrying picture emerges.⁸⁶ The rate of malnutrition among indigenous children is 70 per cent, almost double that of non-indigenous children (36 per cent).

In addition, an indigenous woman in Guatemala is three times more likely to die in childbirth than a non-indigenous woman. The literacy rate of indigenous, rural women is only 30 per cent, comparable to the rate in Burundi. The figure for non-indigenous girls in rural areas is 36 per cent. Gender gaps are also striking in the country, which has the greatest disparity between boys and girls completing primary school in Latin America. As with many states in the region, Guatemala has advanced towards achieving universal primary education coverage and national statistics give the impression of acceptable progress. However, just 14 per cent of indigenous girls in rural areas complete primary school and the gender gap with regard to the completion of primary school is growing slightly, despite the commitments made under the MDGs.

The deaths of children from malnutrition in eastern Guatemala in 2009 garnered much attention in the international media. It has resulted in the malnutrition issue coming strongly to the fore, with the government calling it a national emergency. However, it is highly questionable how much is being done to tackle this urgent issue. The World Bank highlights this in its poverty assessment for 2009, stating that *'there are indications that the extremely high rates of malnutrition have not changed.'*⁸⁷ Chronic malnutrition in a different age group (children aged six to nine) has been reduced nationally between 2001 and 2008, but the urban-rural gap is actually growing. In some primarily indigenous locations, chronic malnutrition in this age group is actually increasing.⁸⁸ The Ch'orti' in Chiquimula are reported to be particularly affected.

This is borne out by Christian Aid's own experience in the zone. Christian Aid's partner Bethania works among Ch'orti' communities in Chiquimula, providing a whole package of support, as well as running a malnutrition clinic there. The clinic's doctor, Carlos Arriola, told Christian Aid: *'When you go to the community you find them eating once or twice a week and that doesn't fulfil anyone's nutritional requirements. These children don't become malnourished by chance. They become malnourished because they don't live in the right conditions. There isn't enough food; there isn't land; there are no land rights... It is primarily the children who die. Often the deaths aren't registered as malnutrition. The malnourished child has a very low immune system, so the malnourished child has a very high chance of getting pneumonia, or severe diarrhoea or tuberculosis. So a child can die of bronchitis*



Christian Aid/Hannah Richards

Bethania Director Dr Carlos Arriola is treating Evelin, 7, for acute malnutrition. Some 70 per cent of Guatemalan indigenous children under five are chronically malnourished, which stunts their mental and physical growth

and pneumonia, but the reason behind it is the malnutrition.' As our partner's testimony makes clear, this problem is grave, and even malnutrition rates of 70 per cent affecting indigenous communities in rural areas may be an under-estimation of the true scale of the problem.

Another key issue in Guatemala is the wage level. Although there have been gradual increases in the agricultural workers' wage (set just below the national minimum wage), it continues to fall short of even the cost of a basic food basket. It is well below providing enough income for the 'household basket of essential items'.⁸⁹ Recent surveys by the National Institute of Statistics in Guatemala also show that 60 per cent of Guatemalan workers are paid less than the already insufficient minimum wage and that indigenous workers on average receive 23 per cent less than the national minimum wage.⁹⁰ With such poor minimum wage levels and wage discrimination, it is unsurprising that indigenous poverty levels and chronic malnutrition remain so high.

In Guatemala's case, the insidious effects of inequality are clear. There can be no suggestion that the continued and increasing suffering of Guatemala's poor – most particularly its indigenous population – is due to a lack of resources or institutional capacity. It is directly linked to the failure of the state to address critical tax and social spending issues to achieve even a moderate redistribution of the nation's wealth. The elite has effectively wielded a veto over all attempts to reform.

Brazil

When it comes to inequality, Brazil can unfortunately claim a special recognition. There have been years when Brazil's Gini coefficient has reached 0.63, *'almost a historical and worldwide record.'*⁹¹ During the structural adjustment years of the 1980s, widening inequality was a major problem. Although globally there are clear trends towards growing inequality in most countries, Brazil is one of a handful of countries that has an established trend of reducing inequality.⁹² Since 1998, inequality has been falling with the most progress made between 2001 and 2007.⁹³ Researchers have found that two-thirds of the decline in extreme poverty can be attributed to the reduction in inequality – showing how powerful any measures that address inequality can be.⁹⁴ Key measures driving progress are particularly job creation and the increase in the minimum wage (which increased 35 per cent between 2001 and 2007) and public transfers including the conditional cash transfer programme *Bolsa Família*.

In spite of progress made, there are still glaring inequalities in Brazil. The results of Census 2010 have just been published and these show that while there has been

progress on the minimum wage, income inequality is still very strong. Discrepancies between races are among the greatest inequalities. The average monthly income of whites was R\$1,538 (US\$860), nearly double that of Afro-Brazilians (R\$834/US\$466) and more than double that of indigenous people (R\$735/US\$411).⁹⁵ Big gaps in life expectancy and literacy rates are also documented in the census.

Ethnicity – and inequality between races in Brazil – is a growing issue. It is all the more relevant as the census has just revealed that Afro-Brazilians are in the majority, making up 50.7 per cent of the population of 190 million, while the white population stands at 47.7 per cent. Among the Afro-Brazilian community, the Quilombolas merit special attention given the particular exclusion and criminalisation to which this group has been subject. There are more than 3,000 Quilombola communities⁹⁶ spread throughout Brazil, mainly located in rural areas, representing around 1.7 million people.⁹⁷ The indigenous population in Brazil is small, with the Guaraní being the largest indigenous group. There are around 46,000 Guaraní living in seven states, and it is estimated 46 peoples live in isolation or voluntary isolation.⁹⁸

Given Brazil's progressive reputation, it is relevant to question how public policies are promoting equality among the races. The Quilombola communities provide a useful case study. There have been undoubted successes such as Article 68 in Brazil's Constitution, which confers collective land rights on Quilombola communities. There are also some specific targeted government programmes such as the Quilombola Brazil Programme. This and other special support programmes set up at state level have provided water, electricity, homes, nutritional and health support and education services, for example. These programmes are certainly an achievement and one that was long overdue given the critical state in which many communities have been living. (The Quilombola Nutritional Survey in 2006 found nutrition in the under-fives in the Quilombola communities to be 76.1 per cent higher than in the general Brazilian population and even 44.6 per cent higher than in the rural population).⁹⁹ More recently, UNICEF has characterised the standard of education for Quilombolas as very poor, particularly highlighting the huge lack of access that Quilombola children have to secondary education.¹⁰⁰ However, a focus on basic needs gives a very limited answer to this question. The rights of indigenous and Afro-Brazilians to land and territory are the central issue. The lack of progress – and even steps backward – in this area is ultimately maintaining high levels of social exclusion, impoverishment and sometimes even expulsion from the land of ethnic groups in Brazil.

Few are unfamiliar with the scale of inequality of land ownership in Brazil. Brazil has the most unequal pattern

of land ownership in the world. Just three per cent of the population own two-thirds of all arable land.¹⁰¹ Although there has been progress – the Landless Movement (MST) has resettled more than 1 million poor people since 1984,¹⁰² while the Quilombolas have gained collective land titles for 185 communities¹⁰³ – there is no doubt that the 'agrarian aristocracy' is still firmly in place in Brazil. The trend is now moving in the direction of further land concentration and the expansion of a myriad of public and private sector businesses. For example, in the Baixo Sul region of Bahia, the advance of monocultures such as eucalyptus and rubber and the rise of property and tourism interests have begun seriously to threaten Quilombola territories.¹⁰⁴ The Guaraní are reported as suffering a severe shortage of land, a situation aggravated by the agribusiness boom and the expansion of ranching.¹⁰⁵

Over the last decade, the Quilombola movement has emerged more strongly and visibly than ever. The constitutional guarantee regarding Quilombola land ownership is unique as it is the only form of collective land entitlement in Brazil. However, things are progressing slowly since this landmark moment. In 22 years, only 185 Quilombola communities have acquired title to their lands (on 104 legally recognised Quilombola territories),¹⁰⁶ a tiny proportion of the more than 3,000 communities in existence. As of August 2010, there were 984 proceedings opened with INCRA, the government's land regularisation agency, and of those, 77 per cent had not proceeded beyond simply receiving a reference number.¹⁰⁷ At the same time, the chronic budget underspend within INCRA points to a disturbing lack of will to advance on this issue. In 2009 only 12 per cent of funds for its Quilombola land entitlement programme were spent, despite this budget suffering a 35 per cent cut from the year before.¹⁰⁸

When President Lula took office there were high expectations of progress in the implementation of communities' land and territorial rights, yet these hopes were soon dashed. The Lula government introduced a series of bureaucratic obstacles to Quilombola land regularisation proceedings, resulting in slower and more costly processes. There are now norms, for example, preventing the contracting of external anthropologists or the services of NGOs or universities, which used to be allowed. INCRA in Maranhão provides a useful illustration. It spent a year without an anthropologist – a key figure in the most time-consuming stage of land regularisation – and now it only has one anthropologist on staff. A single anthropologist can normally write a maximum of three reports a year, yet INCRA-MA has more than 200 proceedings pending.¹⁰⁹

It is likely that this lack of political will to make progress is down to the government's decision to retreat in the face of strong public opposition. When Article 68 was passed,

there was little knowledge of the reality of Quilombola communities and no understanding of what was being approved, or that it might have major consequences for the restructuring of land ownership. Land titling efforts have now brought this to light, resulting in a backlash, with land conflicts and criminalisation of the Quilombola movement growing. The reactionary stance has been led by the right-wing Democratic Party, the National Confederation of Industry, the Brazilian Confederation of Agriculture and Fisheries, the Brazilian Association of Pulp and Paper and the Brazilian Rural Society. Certainly, the agrarian and business elite feels threatened and sees Quilombola land-entitlement efforts as going against its ideology of land ownership, effectively removing large tracts of land from the property market.

Attempts to criminalise the Quilombola movement have included legal procedures, direct police interventions in communities, as well as media coverage that stigmatises Quilombolas as criminals. Maranhão, the second-poorest state in Brazil, is an emblematic example. It has been beset by a number of serious land conflicts, which have been handled aggressively, and the degree of violence in the region is high.¹¹⁰ As land conflicts have grown, Brazilian civil society has begun to document the growing cases of what it has termed 'environmental racism'.¹¹¹ For example, Quilombolas have been presented as destroying the environment, while landowners are presented as conservationists; or Quilombola communities are identified as 'slummifying' areas, as in the case of the island of Marambaia, where the Brazilian Navy is unhappy with restricted access for its Naval War Fleet. There have also even been attempts to question whether Afro-Brazilians are falsifying Quilombola identity to gain access to land, claims that gained much media coverage in 2007.¹¹²

Land conflicts involve indigenous communities as well. During the eight years of Lula's government, a record number of indigenous leaders were murdered while fighting to maintain their traditional territories.¹¹³ Indigenous activists report that landowners and large-scale farmers frequently use violence and threats to force them off their ancestral territory and that local authorities do little to protect them.¹¹⁴ Very recently, in November 2011, an indigenous Guaraní leader, Nisio Gomes, was killed in Mato Grosso do Sul. According to Brazil's Human Rights Secretary, this is '*part of systematic violence against indigenous people in the region*'.¹¹⁵

While, nationally, economic policy has been carrying the government down a conflictive route, at the same time government inertia in carrying out land entitlement procedures have ended up leaving Quilombola communities highly vulnerable in the face of increasing pressure from

both private and public sector businesses. The lack of progress on land rights has serious consequences. While some government policies can be accessed with simple certification, some services depend on territorial delineation – so progress in service provision to some extent becomes paralysed. This has very serious consequences given the current conditions in many Quilombola communities.

The strength of opposition to progress on inequalities of land ownership in Brazil cannot be underestimated. It is strong, well organised and accompanied by violence where necessary. It is a volatile situation that brings to the fore '*two of the oldest national wounds – access to land and racism*'.¹¹⁶ The unequal struggle of rural workers, landless peoples, Quilombolas and indigenous peoples against powerful agrarian and business elites shows no signs of abating.

Bolivia

Political inequality is another area of relevance. Historically, racism and discrimination have excluded indigenous peoples and Afro-descendants from decision-making. In some places across the region, this is changing as indigenous and Afro-descendent movements are emerging as key political actors. In both Ecuador and Bolivia, there are organised indigenous political parties, and, of course, in Bolivia an indigenous president. There, change has been fast, and since the election of Evo Morales in 2005 the government has started to implement an ambitious reform agenda to enshrine political, social and economic rights for indigenous and Afro-descendent communities.

Morales was given considerable support from the country's indigenous majority (and small Afro-descendent population), with a clear mandate to reverse the historical inequalities faced by Bolivia's marginalised majority. But the government has had to face fierce political opposition on addressing structural inequalities from the outset.

One of the main electoral pledges made by Morales' MAS party in 2005 was to change the country's constitution, but it did not gain the necessary two-thirds majority in the elections to Congress to do this unaided.¹¹⁷ While the Constituent Assembly was set up in July 2006, due to disagreement between the government and opposition forces representing the eastern lowlands and the urban middle classes (the so-called *media luna*) it did not produce a new constitution until the end of 2007. This was put to a national referendum in January 2009 and ratified into law with a 61 per cent 'yes' vote.¹¹⁸

The new constitution recognises the 36 indigenous groups in the country, and guarantees many important rights, including those relating to trade unions, workers and the right to organise. It also provided the government with

a mandate to push forward with an ambitious reform programme. However, Morales' reform process has been beset by problems, not only due to political opposition but also because of the sheer size and ambition of the agenda. Still, there have been some changes and particularly in relation to the political participation of indigenous groups.

In 2006, the National Development Plan was launched. It highlights the need to *vivir bien*, a concept taken directly from indigenous 'cosmovision'. It means 'living well', not necessarily better than your neighbour, but with people's basic needs being met in harmony with others and with the natural environment.¹¹⁹ On 4 April 2010, departmental and municipal elections were held, and for the first time these included the appointment of indigenous departmental assembly members in accordance with their own customs. In October 2011, a landmark law against racism and all forms of discrimination was passed. It represented a historic breakthrough, since the law establishes preventive and educational measures to combat racism and responds to the repeated recommendations of various United Nations agencies.¹²⁰ Finally, in October 2011, steps towards reforming the judiciary, which had long been mired in a structural crisis preceding the MAS government, came to fruition with the election by direct popular vote of senior judicial officials. The aim is to create a more inclusive and participatory judiciary, with quotas for women and indigenous peoples.

Bolivia's progress on political participation and racial discrimination issues are notable in the region. It can also claim progress in poverty and inequality reduction, primarily due to a raft of new social policy measures. In July 2011, Bolivia's vice president Álvaro García Linera published a report outlining the government's achievements in this area. The information was taken from data supplied by the government think-tank UDAPE, based on the Household Surveys conducted by Bolivia's National Statistic Institute (INE).

These recent statistics do show that there has been an overall drop in poverty since the MAS government came to power in 2006. The most striking aspect is the decrease in poverty in rural areas. This reduction in poverty is linked to the government's social programmes, a fact that has been acknowledged by multilateral institutions such as the International Monetary Fund (IMF). The Bolivian experience replicates those in some other countries in the region, where increased social spending, and particularly the emphasis on welfare and social protection programmes, has had a positive impact on poverty reduction. Recent statistics also point to a decrease in levels of inequality, particularly rural inequality, in recent years. No doubt more analysis will emerge to verify the government's findings and interpretations during 2012.

The government explains the reasons behind this improvement through the role of the state in increasing government revenues (primarily through increasing taxes payable by hydrocarbon companies). These extra revenues have helped support social welfare programmes such as the universal pension (*Renta Dignidad*), the school attendance grant (*Bono Juancito Pinto*) and the maternal health grant (*Bono Juana Azurduy*), as well as increased public investment, particularly through building and upgrading infrastructure at the local level.

Certainly, there are significant areas of political progress for indigenous and Afro-descendent groups, and evidence is emerging of a national trend in relation to socioeconomic improvements. However, Bolivia remains a deeply conflictive society, with frequent bouts of protest. Conflicts arise both from government clashes with the elites, who are resistant to structural reforms that might challenge their political and economic power, and clashes between Morales and those groups often considered to be his core supporters. This has most recently been illustrated by the controversial road project through the Isiboro-Secure Indigenous Territory and National Park (known as TIPNIS).

In October 2011, the president backtracked spectacularly on the construction of a road project in the Amazon that had triggered protests by indigenous people.¹²¹ The government believed that the road, funded by the Brazilian government and built by a Brazilian company, would be beneficial to the local communities and boost economic development and regional integration. But protesters feared the project would only lead to greater illegal settlement and deforestation. This led to a series of protests and confrontations in the Amazon. On 25 September, riot police intervened at an indigenous march, firing tear gas and rubber bullets among the estimated 800 marchers. It was confirmed that there were no fatalities, although there were injuries and arrests.¹²² Following the arrival of protesters after a two-month march from the affected area to the country's capital, La Paz, the president bowed to pressure and signed a new law forbidding the construction of the road project in the Amazon.

The expansion of extractives industries also highlights some of the major contradictions of the Morales administration. Under Morales, hydrocarbon operations have significantly expanded in the country's northern Amazon basin.¹²³ While the ownership arrangements of extractives ventures may well have changed – given greater state ownership and participation in the sector – environmental and social implications are unchanged. The hydrocarbons expansion has also generated significant tension between indigenous groups across the country and the authorities, and it is highly likely that conflicts over land use will continue.

Nicaragua

Even those countries where ethnicity and race issues are not seen as particularly relevant should not be forgotten. In Nicaragua, there are small numbers of ethnic minorities, but these are still suffering from high levels of social exclusion. The available population statistics disaggregated for ethnic groups appear somewhat unreliable. Estimates of those belonging to an ethnic minority from 2006 ranged from 10-15 per cent of the total population.¹²⁴ An ECLAC study in 2007 found that 8.6 per cent of the total population are either indigenous or Afro-descendent.¹²⁵ The largest ethnic groups are the Miskitu (28 per cent of the total), the Mestizo of the Caribbean Coast (26.5 per cent) – both of which live in the Autonomous Atlantic Regions (RAA)¹²⁶ – and the Chorotega-Nahua-Mange (10.8 per cent) located in the department of Masaya.¹²⁷

The Northern and Southern Autonomous Atlantic Regions were created specifically to respond to Nicaragua's constitutional recognition of the country's multiethnic character and as a commitment to providing specific rights to these groups. It is notable that there is no legal recognition of indigenous groups in other parts of the country. While the ethnicity of communities on the Caribbean Coast is at least recognised, indigenous groups in the Pacific or Central-North regions are considered socially and politically invisible.¹²⁸

While racial discrimination certainly exists in Nicaragua, the problem is largely not recognised. However, it is common for Nicaraguans to refer to the population in the autonomous regions as 'the other' and its separateness is heavily reinforced by geographic isolation as well as by skin colour and linguistic and cultural differences.¹²⁹ At the same time, there is simply little recognition that any other indigenous groups exist. There is evidence of racial discrimination in the labour market and of lower wages being paid to ethnic minorities.¹³⁰

The most evident expression of racial discrimination is in the vastly unequal human development across groups and regions, which the poverty map makes clear. The Pacific region concentrates a high percentage of the population and has better infrastructure and more investment. The Central-North region has less population, less infrastructure and a high concentration of the rural poor. The Atlantic coast region has the smallest and most concentrated ethnic population, but is characterised by much higher poverty levels, extremely difficult access to basic services and high levels of social exclusion.

According to the unsatisfied basic needs index, indigenous and Afro-descendent groups suffer most. Eighty-three per cent of the population in the RAA have unsatisfied basic

needs, with the rate for the Miskitu reaching 93.3 per cent and for the Mayagnas 94.4 per cent.¹³¹ These groups survive with their agriculture, producing mainly for their own consumption and selling where possible. (Commercialisation is difficult given the extremely poor transport and communication links in the autonomous regions). Agriculture, while essential for livelihoods in the zone, is also increasingly threatened by the advancing agricultural frontier, which is leading to more land conflicts. There is a strong feeling in the autonomous regions that there is simply no protection from government on this, and that, in fact, expanding private sector activities are supported by the government, with no thought to protecting communities' livelihoods and interests.¹³²

While data collection in a sufficiently disaggregated format over time is a problem, there is some evidence available from household surveys and UNDP and ECLAC analysis to show the great disparities on a range of social indicators that are affecting indigenous and Afro-descendent groups. In key areas such as infant mortality, Nicaragua has made some limited progress nationally. There is, however, a marked difference in progress between departments. The highest infant mortality rates are in the Northern Autonomous Atlantic Region (RAAN), Jinotega and the Southern Autonomous Atlantic Region (RAAS). Between 1995 and 2005, when rates were falling strongly in a whole range of departments (for example in Managua by 48.1 per cent and in Chinandega by 48.3 per cent), the RAAN and the RAAS experienced the least progress (with reductions of only 6.4 per cent and 17.7 per cent).¹³³ Consequently, gaps are growing between ethnic and non-ethnic groups.

Christian Aid partner IEEPP has looked closely at maternal mortality rates and health-sector spending.¹³⁴ Its research shows that among the Afro-descendent and indigenous populations on the Caribbean Coast, maternal mortality rates are at least 2.1 times higher than the national averages. In 2000, in RAAN and RAAS, the maternal mortality rates were 204 and 192 per 100,000 live births and this actually went up in both regions by 2007, reaching 220.2 and 284.2 respectively. These are alarming rates, more so given these are the only regions in Nicaragua with consistent increases. The trend of gaps growing between the RAAN and the RAAS and the rest of the country was visible as early as 2002.¹³⁵

The lack of basic infrastructure and services is a key contributor to the health problems experienced in the zone. In 2005, the UNDP's *Human Development Report for Nicaragua* looked at the autonomous regions, constructing a municipal level human development index for the zone.¹³⁶ It found, for example, that in the RAAN and RAAS, 5 out of 19 municipalities' potable water coverage was less than 10 per cent of households.

The lack of attention to this area is even more notable when compared with income levels and economic development potential. The autonomous regions generate a large percentage of the country's marine products. Although the Pacific coast produces a higher volume of marine products for sale, the high value of products such as lobster produced on the Caribbean coast mean the latter's share of export earnings is higher.¹³⁷ The UNDP also found that the very poor health and education indicators were not mirrored by very low expected levels of income per capita. This is attributed to the successful income generation work supported by NGOs, and brings into sharp relief the huge lack of investment and presence of the state in the zone.

There is certainly no practice in Nicaragua of allocating budgets that are weighted in favour of territories according to unsatisfied basic needs and higher poverty rates. On the contrary, for the autonomous regions, the budget is decided purely through annual negotiations and is an exercise in political control from central government. The UNDP draws attention to the insufficiencies in the annual budget allocation for health spending in the autonomous regions, particularly given the high operating costs and hugely deficient infrastructure in this geographic isolation.

But what is really of concern now are the current reductions in social spending occurring in Nicaragua, as a result of the economic crisis. As IEEPP's research demonstrates, cuts in 2010 affected the construction of maternity centres and those no longer being built are in the areas most in need – Jinotega, RAAN and RAAS. (The budget for construction of maternity centres fell by 74.7 per cent between 2009 and 2010 – using real figures). It is imperative to prioritise these zones and this type of spending, yet both are in the frontline of cuts.

The Hunger Zero programme, which is the emblematic food security programme of the Nicaraguan government, also merits a mention. It was designed to increase agricultural productivity as a means to combat hunger and targets women farmers with donations of goods (for example a cow, pig, chickens, construction materials, fruit and vegetable seedlings) as well as some technical assistance. The programme is generally perceived as having had some positive achievements, and the focus on women and Miskitu communities in the RAAN and north of Jinotega is seen as a strength of the programme, in terms of promoting equity.

However, the match between spending and the municipal level index of extreme poverty is unsatisfactory. Extremely poor municipalities such as El Tortuguero, La Cruz de Rio Grande and El Ayote (all in the RAAS) receive very little coverage from this government programme. El Tortuguero has an extreme poverty rate of 87.4 per cent, but only 3.3 per cent of its households are supported by the Hunger

Zero programme. This situation of mismatch is replicated in 8 out of 10 of the poorest municipalities of Nicaragua.¹³⁸ At the same time, those municipalities that receive the highest programme coverage are not the poorest ones.

Where there is more evidence of a match is between voting patterns and the programme's coverage. Seventy-five per cent of municipalities that receive the most benefits from the Hunger Zero programme are those with a majority for the ruling Sandinista party in the elections of 2006.¹³⁹ While ethnicity considerations were taken into account in programme design, the poor application of the Hunger Zero programme is down to party politics trumping ethnic concerns. It means the programme is not effectively correcting the imbalance caused by the exclusion of ethnic groups living in the poorest municipalities.

Clearly, ethnic groups in Nicaragua are hugely disadvantaged. The effects of discrimination are deleterious, with indigenous and Afro-descendent populations lagging behind in many areas key for their quality of life and even their survival. And even more of a concern is that – as in Guatemala – there is clear evidence the gaps are growing. However, racial discrimination is essentially invisible, a topic that is given little attention nationally. The invisibility of the problem also means the government is under little pressure to improve the situation and correct the growing inequalities affecting indigenous and Afro-descendent groups.

Dominican Republic

There are marked contrasts between Haiti and the Dominican Republic, the two countries comprising the island of Hispaniola. Haiti was the first independent Caribbean state and the first black-led republic, whereas in the 15th century, the Dominican Republic became the first permanent settlement of Europeans in the Americas. For decades, the uneven economic and social development between the two countries has led to a steady stream of Haitians migrating to the Dominican Republic, hoping that this relatively richer country will provide them with economic opportunities that Haiti does not offer.

Despite the contribution they make to the growing Dominican economy, Haitian migrants and their descendants represent the poorest of the poor. They are treated unequally and suffer widespread racism and discrimination because of their country of origin and the colour of their skin. They are rarely given identification documents, and struggle to get access to education and healthcare. This is clearly despite their significant contribution to the functioning of the Dominican economy for which Haitian illegal migrants remain a key source of labour for many employers (for example agriculture

– particularly bananas, sugar, tomatoes and vegetables – construction and domestic workers). A UN report on human development found that the economic situation of most Haitians living in the Dominican Republic was worse than that of the poorest fifth of the Dominican population.¹⁴⁰

Thousands of Dominicans of Haitian descent (Dominico-Haitians) live without recognition of Dominican nationality and have no access to social services based on their perceived or induced lack of legality in the country. Historic migration patterns led to large numbers of migrants and their descendants living in *bateyes* (originally temporary sugar plantation workers' communities). As the sugar industry has declined, these communities have remained, with levels of unemployment increasing. Living conditions in the *bateyes* are notoriously bad and can only be described as bleak. More recently, Haitian migrants and their descendants have become more concentrated in poor urban neighbourhoods.

To make matters worse, the Dominican Republic has retroactively applied a denationalisation policy that is stripping thousands of Dominicans of Haitian descent of their previously established citizenship.¹⁴¹ Up until January 2010, every child born on Dominican territory was a Dominican citizen. The law has now changed and it specifically excludes children of people living in the country illegally, when before, anyone born in the Dominican Republic was recognised as Dominican (unless in transit), regardless of parentage. Now citizens must prove that they have at least one parent of Dominican nationality to be recognised. If you are a person born to undocumented Haitian parents living in the Dominican Republic, you no longer have the right to Dominican citizenship even if you have lived there your whole life. Increasing numbers of Dominicans of Haitian descent are having their nationality revoked.¹⁴² Those people under investigation are unable to finish school, enter university, get married or find formal employment, putting them into a legal limbo.

This bureaucratic Catch-22 was identified during the UN Universal Periodic Review (UPR) on the Dominican Republic. The UN UPR urged the government to reconsider these measures to ensure that Dominicans of Haitian descent were not denied citizenship or arbitrarily subjected to cancellation of birth and identity documents, retroactively.¹⁴³ But the Dominican Republic government rejected this recommendation.

The situation of Haitian immigrants and Dominico-Haitians in the Dominican Republic is particularly abhorrent. Their living conditions are dire. They are victims of direct racial discrimination based on the colour of their skin. They are denied identity documents or formal work permits,

which makes earning a living even more difficult, as well as excluding them from accessing basic services such as health and education.

Christian Aid, in collaboration with local partners such as the SJRM and MUDHA, has campaigned for many years – both within the country and internationally – to protect and defend the rights of Haitian migrants and their descendants. However, the country is still far from implementing the necessary reforms and genuinely tackling the widespread discrimination and inequalities that persist in the Dominican Republic. The human rights abuses suffered by Haitian immigrants and Dominico-Haitians seem to pass for invisible on this little-noticed island and premier tourist destination for Europeans. The abysmal situation deserves far more attention from the international community.

Conclusion

Discrimination on the basis of race and ethnicity is clearly an unresolved issue in the region. Inequalities between ethnic groups prevail. Gaps are large and there is clear evidence that they are growing in some cases. The rise of indigenous poverty in Guatemala by 22 per cent in a six-year period beggars belief. There should be great concern in the region that while progress over the last decade has been moderately positive, indigenous and Afro-descendent groups are being left behind. The lack of reliable, consistent, disaggregated data compounds the problem, making it harder to evaluate – and address – this problem properly.

The land issue also remains unresolved; an issue that disproportionately affects indigenous and Afro-descendent groups. There is clearly a hugely unequal struggle underway between privileged white political and economic elites and poor, isolated, indigenous or black populations often seen as 'inferior' and as a peasant underclass. Overall, there is far from enough formal recognition of the prevailing ethnic inequalities and racial discrimination in the region. There are few public policies specifically to address these problems and to correct the imbalances in favour of disadvantaged groups and territories.

GENDER INEQUALITY



Christian Aid/Ana Cecilia Gonzales-Vigil

Christian Aid partner Asociación Casas de la Salud runs several integrated *wawa wasis*, or childcare centres, looking after the children of migrant workers in impoverished Ica, Peru

‘..despite widespread guarantees of equality, the reality for many millions of women is that justice remains out of reach. . .¹⁴⁴ Women pay an unjustifiable price for discrimination. . . the quality of our democracy, the strength of our economies, the health of our societies and the sustainability of peace – all are undermined when we fail to fully tap half the world’s talent and potential¹⁴⁵

Michelle Bachelet, Under-Secretary-General and Executive Director, UN Women, and former President of Chile

Latin America and the Caribbean is a region beset by high levels of inequality, including stark territorial and racial inequalities. Gender inequality is also a major barrier, which means poverty and its myriad negative impacts disproportionately affect the region’s women and girls. Women are not a homogenous group – inequality exists between women and men, but also between women, particularly in relation to race, ethnicity, class and location (urban or rural).

Gender inequality manifests itself in a number of ways in the region. While women have taken up more roles in politics in recent years, they are under-represented in leadership positions compared to men. More girls and

young women than men are attending school and gaining access to higher education, but poorer, indigenous girls from rural areas often miss out compared to their urban, affluent counterparts. While increasing numbers of women are entering the labour market, their incomes are lower than those of men; they often work in the ‘invisible’ informal sector under poor conditions. Women spend a disproportionate amount of time caring for children and carrying out domestic chores compared to men, which affects their employment opportunities, economic autonomy, independence and quality of life. Gender-based violence is prevalent in the region, including rape and femicide, which is often carried out with impunity. In Brazil, 52 per cent of judges and policemen do not think such

violence is an issue.¹⁴⁶ Therefore, even with enacted laws to support victims of this violence, such as *Lei Maria da Penha* in Brazil, implementation has failed. Although gender-based violence affects both men and women, poor women, often from indigenous ethnicities, are particularly affected.

Both public policies and social norms are at fault as both can affect the levels of gender inequality in any country. Neo-liberal policies, religious conservatism and a prevailing culture of machismo and other societal attitudes have all worsened gender inequality. Likewise, the media, formal education and health services can be tools of advancement or detriment with regard to improving equality between women and men.

Women and politics

There are now more women in national parliaments in the region compared to a decade ago – a rise from 12 per cent in 1990 to 22 per cent in 2009,¹⁴⁷ which is slightly above the global average.¹⁴⁸ This increase is a result of the reform of electoral systems or quota laws, enforced in 12 of the 18 countries in Latin America.¹⁴⁹

Costa Rica's 1996 reform to the electoral code demands a minimum 40 per cent quota for women's participation in parliament. Women now hold 44 per cent of party leadership positions, bringing women into the parity zone.¹⁵⁰ In 2010, Laura Chinchilla Miranda was elected the first female president of Costa Rica, while the country has also enacted several other laws since 2001, on paternity leave, domestic workers and adolescent mothers, which have all contributed to a more equal society.¹⁵¹

While the rate of women taking up government roles in Latin America and the Caribbean as a region hovers around the global average, there is still much room for improvement at country level. Only 4.2 per cent of Haiti's government is made up of women and just 9.6 in Brazil.¹⁵² Even in countries where women are well represented, often they are not part of the leadership ranks. In Paraguay, women make up 47 per cent of parliament members, but only 19 per cent of executive positions; and the rates for Panama are similarly 45 per cent and 19 per cent.¹⁵³ In addition, according to Social Watch, El Salvador has '*made no effort to reduce the gender gap despite its commitment in 1995 in Beijing to promote gender equity in its [government] institutions*'.¹⁵⁴ Only 9 per cent of the Legislative Assembly are women. Moreover, when we consider the ethnicity and class of women in politics, poorer, indigenous women are under-represented in many governments in the region.

Girls' education

Gender parity in education has not only been achieved, but in some cases has also been exceeded in countries in Latin America and the Caribbean; in primary, secondary and, most prominently, tertiary levels. This means for example that on average, a higher percentage of girls complete secondary school compared to boys.¹⁵⁵ According to recent UNDP research, 25 out of 27 of countries in the region have achieved parity in primary and secondary education.¹⁵⁶

However, these positive trends hide the stark inequalities between rich and poor girls within some countries. For example in Nicaragua, less than 10 per cent of rural poor girls attend secondary school, while for their rich urban counterparts the rate is nearly 75 per cent. In Peru, the differential is 40 per cent/90 per cent.¹⁵⁷

Regarding the successes, a key policy that has helped achieve gender parity has been cash transfer programmes. Mexico's *Oportunidades* is helping to discourage girls from abandoning school by offering higher monetary scholarships to girls versus boys from the first year of secondary school. Evaluations indicate that the programme has significantly increased the enrolment of children, particularly girls, especially at the secondary school level, leading to an average of 0.7 years of extra schooling. Furthermore, evidence suggests that young women who graduated from the programme were obtaining better jobs than their parents.¹⁵⁸

In Bolivia, multilingual satellite schools are helping to ensure that indigenous girls in remote areas have access to education. Supported by a central school, the satellite schools send teachers out to isolated communities to provide classes that promote multiculturalism and provide indigenous children with language skills. Between 1992 and 2001, the proportion of rural girls completing six years of schooling increased from 41 per cent to 74 per cent.¹⁵⁹

In order to achieve universal education and gender equality in the region, greater attention should be paid to excluded children who have been left behind – often girls from rural areas, ethnic minority or indigenous groups.

Women in the labour market

Women in ever-increasing numbers are joining the labour market in Latin America and the Caribbean. The region is showing positive trends in terms of gender parity in non-agricultural employment (MDG 3).¹⁶⁰ Between 1990 and 2005, women's economic participation almost doubled in the region, and is set to increase further by up to 70 per cent between 2005 and 2030.¹⁶¹ However, the encouraging statistics mask the reality of a region where gender

inequalities in the workplace are rife and the many women working in the informal sector are 'invisible' when looking at official statistics on labour.

Gender inequality is manifested, first, in different forms of discrimination in the labour market (lower incomes, more risk of unemployment, less well-protected jobs, poorer working conditions) and, second, in the lack of remuneration and recognition for the care economy, which is vital to social reproduction and is shouldered largely by women. In addition, women are working more, but this has not been matched by increasing male support with domestic tasks – so the burden on women has increased.¹⁶² For example, women in Brazil spend more than three times the amount of time on housework than men.¹⁶³

Although women are now more active in the labour market, their participation still leaves much to be desired. Only 52 per cent of women in the region were employed in 2008, largely due to the burden of unpaid work in the home.¹⁶⁴ When women are in work, there is clear evidence that they are paid less than men, even when both have similar levels of training.¹⁶⁵ In addition, statistics show that women suffer more than men from rising unemployment and benefit less from its subsequent fall.¹⁶⁶ During the 2009 financial crisis, exports in Latin America and the Caribbean dropped by 24 per cent,¹⁶⁷ which hit employment hard, particularly in Mexico, Central America and the Caribbean, where economies are heavily dependent on external markets. Unemployment reached nine per cent in the region, with women suffering a greater degree of unemployment than men.

Many women entering the labour market today are less protected than men. So much of women's work is in the informal sector, which remains beyond the reach of regulations and increases their vulnerability.¹⁶⁸ Although there has been economic growth and some progress on social policy, on the whole the region has not been able to shake off the legacy of the 1990s structural adjustment policies, which led to a state withdrawal from social policy arenas and a commercialisation of social protection. This process has impacted disproportionately on the wellbeing of women. From a gender perspective, the 2009 crisis has worsened conditions further, as very few adopted measures such as unemployment benefits and public investment plans considered the position of women explicitly.¹⁶⁹

Nicaragua's export processing zone (EPZ), where female labour dominates, lost 16,000 jobs in 2008.¹⁷⁰ This loss, of course, has significant impacts on women's income and financial independence. However, these same jobs that provide financial independence also expose women to poor conditions due to lax labour and environmental standards (which countries are applying as part of their efforts to

attract foreign investors). Latin America and the Caribbean has several EPZs concentrated in Central America and the Caribbean. In Jamaica and Nicaragua, more than 90 per cent of workers are women; the highest rate in the world. In some cases, where decent labour laws exist in principle covering EPZs, in practice these are often not enforced, leading to very poor working conditions.

Any improvements to wages and conditions are generally the result of arduous worker struggles, which demand high levels of worker organisations and some freedom to unionise. Organisations such as Christian Aid partner CODEMUH¹⁷¹ are working tirelessly to secure labour rights for female workers in *maquilas* (assembly plants). A positive outcome from a recent CODEMUH campaign is that 30 cases of women affected by work-related diseases have been recognised as occupational, entitling the women to compensation and healthcare.¹⁷² In the past, occupational disease had been ignored by the Honduran authorities and women were sacked for not meeting their targets, even if they had a crippling illness caused by work. CODEMUH, through research and legal support, has successfully proved the link between medical conditions suffered by workers and the work carried out in *maquilas*. Unfortunately, such stories are the exception rather than the rule.

Domestic work is another sector that highlights women's vulnerability to poor working conditions. Globally, it has become one of the major sources of employment for women, particularly migrants or women from minority groups.¹⁷³ Domestic work is often 'invisible', excluded from labour laws and social protection, particularly as policies are difficult to enforce, and women often face exploitation and abuse by their employers.

In some countries, there is increasing political will to ensure that all women are entitled to protection at work, no matter what job they do. For example, Argentina, Bolivia¹⁷⁴ and Chile have created laws to provide basic labour and social rights for domestic workers. In Brazil, the National Federation of Domestic Workers is currently lobbying to expand domestic workers' rights in the Constitution, obliging employers to provide both retirement and employment insurance, observe strict limits on working hours, pay for overtime and provide social benefits on the same terms as other workers. The government has announced plans to draft legislation reflecting these demands, although employer unions and the media have voiced concerns about the increasing costs that will result from any new requirements. Of course, in the vast majority of countries in the region, little or no progress has been made and this issue is unlikely to climb up the political agenda any time soon.

The beauty and the thorns of a rose – Christian Aid partner Cactus fights for better working conditions for women in Colombia¹⁷⁵



Colombia is the second-largest exporter of flowers in the world. Yet the national and international companies that own the flower plantations in the region surrounding Bogotá do not guarantee healthy and safe working conditions for their mainly female workers. The use of pesticides and long working shifts contribute to skin lesions, allergies, respiratory problems, headaches and bone illnesses, which in some cases lead to an incapacity to work. A lack of proper health insurance also means that women do not receive the medical treatment they need. The work-related illness Carpal Tunnel Syndrome, for example, causes 90 per cent of cases of women being unable to work. This situation is not isolated and occurs with other illnesses, affecting the livelihoods

of women working in the flower industry and their families. But even if such conditions prevent people from working again, the authorities in Colombia refuse to recognise them as labour-related illnesses or to provide compensation to workers affected.

In 2011, Christian Aid partner Cactus published two investigations to denounce the physical and psychological costs of the flower exportation industry on women workers. Cactus, which represents the legal claims of these women, launched an international campaign in September 2011 in London to encourage citizens and consumers to challenge poor working conditions in the flower industry and promote more ethical purchasing decisions in Europe.

Some Latin American countries have established national tripartite commissions focusing exclusively on gender equality issues; and many women trade union movements have formed to prevent issues affecting women from being overlooked. These include the Union Women's Network in Mexico and the Movement of Working and Unemployed Women in Nicaragua, both of which support women workers in *maquilas*.¹⁷⁶

However, even policies in support of gender equality can fail if societal attitudes are not addressed. For example, in the Caribbean, women's employment rates have increased because of vocational training in non-traditional skills. However, because of employer prejudice, many women seeking work in areas such as woodwork, repairs and manufacturing have had to start their own businesses.¹⁷⁷ It is important to involve men in tackling societal attitudes that reinforce gender inequality. For example, Christian Aid Jamaica works with local agency Children First to provide boys and young men with communications, life skills and vocational training, thus improving their employment opportunities. It also encourages them to challenge socially constructed roles, changing perceptions of men and women in society, and helping to tackle related issues such as gender-based violence (see page 31).

Women and the care economy

Women devote a large amount of their time to care-giving work, which for poor women can reduce their quality of life. Childcare responsibilities fall disproportionately to women, particularly poorer households with larger families and greater childcare needs. Women have long working days, when both paid and unpaid work is counted.¹⁷⁸ Following lobbying from social movements and women's groups in Brazil, Christian Aid partner SOF is raising awareness of childcare issues and economic autonomy in public debates around gender and women's empowerment.¹⁷⁹

Most childcare services are too costly for poor women, so participation in employment is unequally distributed among socioeconomic groups. This prevents poor women going to work and gaining autonomy, increasing desperately needed household incomes. Some poor women take up self-employment to balance domestic responsibilities and their need for income. In Latin America, more than half of all non-employed women aged 20-24 cited unpaid household work as the reason they did not seek employment.¹⁸⁰

Some working mothers rely on other female relatives or neighbours. In some situations, girls are taken out of school to help, which can affect their educational performance. Others take their children to work or are forced to leave them home alone. Working mother Wilma Tarqui, for example, works 12 hours a day in Peruvian asparagus

fields with no childcare support: *'Sometimes my children cry when I go in the morning, and I feel so bad. But what can I do? There just isn't enough money if I don't go out to the fields.'*¹⁸¹ As explained in Chapter 5, agri-businesses exporting Peruvian asparagus operate under specific labour laws, and the primarily female labour force is subject to lower wages and worse working conditions than other workers in Peru. The social costs of these policies for women are significant.

Christian Aid partner Asociación Casas de la Salud supports migrant workers with childcare¹⁸²

Parents that work in the asparagus fields in Ica are out all day from 4am to 5pm. They often have to leave their children with older siblings or neighbours, or even alone, as they cannot afford childcare. Malnutrition and anaemia are prevalent among these children and they receive very little stimulation, enjoyment or learning opportunities at such a formative stage of their lives.

To tackle this, Christian Aid partner Asociación Casas de la Salud runs several integrated *wawa wasis*, or childcare centres, targeting the sons and daughters of migrants in the region. The families come from the highland areas of Peru, with very high rates of poverty, such as neighbouring Huancavelica.¹⁸³

Thousands benefit from these childcare centres – between 2009 and 2011, malnutrition in children under five in Ica dropped from 13 per cent to 7.6 per cent¹⁸⁴ due in part to the nutritional programme offered by the centres.

One of the main reasons for both the lack of recognition of the care economy and the failure to address the need for affordable childcare provision is that stereotypes persist. Men are seen as providers and woman as care-givers. Many countries fail to recognise the importance of women's productive and reproductive role in the national economy. State policies to support women have been limited as they focus on formal employment or do not take other gender-equality targets into account. Addressing gender equality in Latin America and the Caribbean depends as much upon progressive taxation and social spending as other areas. Social spending, while expanding in much of the region, is still lagging far behind what is needed, with even basic areas such as nutrition, health and education suffering. Unfortunately, most countries are barely progressing in areas such as publicly funded childcare.

However, in recent years, the care economy is gaining prominence on the public agenda in some countries thanks to new public policies promoting greater state involvement

in care provision. ECLAC is calling for the expansion of coverage of day nurseries and pre-school facilities to improve the educational performance of poor children and allow women time for remunerated work.¹⁸⁵ In Chile, following pressure from the agricultural trade union, the Chilean National Office for Women's Affairs (SERNAM) established two childcare centres in 1991. Between 2005 and 2006, these centres benefited 17,693 children and around 10,000 female seasonal agricultural workers.¹⁸⁶ They provided meals and pre-primary education, which has resulted in reduced stress and increased concentration among agricultural workers, contributing to their productivity.

Conditional cash transfer programmes: reinforcing gender inequality?

Conditional cash transfer programmes have been implemented in several countries in the region, including Brazil, Mexico, Peru, Bolivia, Ecuador and Colombia. These programmes provide income to poor households, which is conditional upon children going to school and receiving healthcare. Such initiatives have emerged as an important social policy tool to help meet the most basic needs of the region's poor. However, women's work time and gender inequality issues are not considered. A 2010 study concludes that cash transfer programmes *'do not help women address the unequal gender division of labour at home, since the conditions attached to receiving the money generally increase women's work, and do not encourage men's involvement in childcare'*.¹⁸⁷

One key challenge of cash transfer programmes is that they can reinforce conventional thinking around gender divisions of labour as mothers must carry out unpaid work, attend meetings and clinics (and often more) to comply with the conditions attached to the payments, while also caring for their children. Under Mexico's programme, for example, this has led to the exclusion of some working mothers, while others have given up economic activities to make time to meet the conditions.¹⁸⁸ In addition, women throughout Latin America have expressed a preference for training to enhance their employment prospects, for example in setting up microenterprises, marketing and managing finances – instead of workshops on health and education.¹⁸⁹ As cash transfer programmes are not combined with job creation for women, this hinders their rights, their potential to earn an income and limits their ability to engage in a role beyond that of primary caregiver.

Gender-responsive budgeting

Gender-responsive budgeting is a useful approach for influencing budget policy in favour of women, and ensuring that their circumstances are considered when planning budgets and programmes. This is not about creating separate budgets for women, but rather about allocating resources following an analysis of the social status of women/girls and men/boys, how public policies affect people of both genders and government spending priorities.¹⁹⁰ It also enables citizens to hold their governments to account for failure to make progress on gender equality by providing related information.

Over the past decade, more than 60 gender-responsive budgeting initiatives have been implemented across the world, and a plethora of tools have been introduced to adapt approaches to particular countries and sectors. Such budgeting is a crucial element of several international protocols and frameworks, including the 1979 Convention on the Elimination of all Forms of Discrimination Against Women (CEDAW), the 1995 Beijing Declaration and Platform for Action (BPfA) and the UN's MDG 3 on gender inequality (2007).

In Latin America and the Caribbean, gender-responsive budgeting initiatives have emerged in a context of democratisation, increased legitimacy of

the agenda of women's rights through active civil society and renewed interest for public budgets brought about by 'good governance' discourse.¹⁹¹ There are examples of such budgeting in at least 11 Latin American countries, where this approach has been institutionalised in planning and budgeting to improve women's access to basic services, to strengthen policy response to women's unpaid work and to support women's role in participatory budgeting processes at a local level.¹⁹²

In Ecuador, the government's Ministry of Finance has included gender criteria in its Planning and Public Finance Laws. As a result of the mandatory inclusion of a gender perspective in all sector projects and programmes, resources allocated for gender equality have tripled between 2010 and 2011.¹⁹³ In Central America, three countries now include gender measurements in national household surveys. El Salvador and Honduras have integrated modules on time use and unpaid work to capture the full range of women's economic contributions.¹⁹⁴

The experience in Brazil is particularly interesting. Since the 1990s, social actors at both local and national levels have collaborated to monitor Brazil's governmental budget processes, including gendered budget work. This

has driven greater transparency, accountability, participation and empowerment in relation to women's rights. Health and domestic violence have been the focus areas. The Feminist Centre for Research and Advocacy (CFEMEA) in Brazil has been working together with local women's groups to advocate for policy and budget reforms. For example, CFEMEA targeted the congressional women's caucus, highlighting the lack of funding for domestic violence shelters. Following lobbying from women's organisations, two government ministries have increased spending on policies that benefit women and have set up mechanisms to track budget allocations. The Ministry of Health is now providing more public information on its spending and the previously abandoned National Programme for Women's Health has been re-introduced.

On its own, gender-responsive budgeting is not a solution to financing equality and women's empowerment. However, it plays an important role within a multi-faceted approach. Its success depends on political will, women's participation, comprehensive, systematic and participatory monitoring systems that include sex-disaggregated data and information, and accounting for women's social and economic contributions through unpaid work.

One of our partners working in the camps told us: 'Many women get sick with nervousness; their nightmare starts every time the sun sets and night falls... One of them told us that she sleeps with three pairs of jeans because this prevents would-be attackers from acting too quickly. This gives her more time to scream for help...'

Gender-based violence

An extreme manifestation of gender discrimination and inequality, gender-based violence can be physical or psychological and can occur in both public and private spheres, often repeatedly to the same victim. Such violence is prevalent in the region; Inter-American Development Bank (IDB) evidence from 15 countries suggests that 47 per cent of women have been a victim of at least one act of sexual violence in their lifetimes.¹⁹⁵ Poor women are more likely to be the victims of violence so income inequality is directly feeding into this cycle. It is important to note that men are also affected by gender-based violence and, crucially, are also part of the solution, particularly in addressing the social attitudes that perpetuate it.

Haiti, Colombia and Central America all have particularly high rates of gender-based violence. Haiti's earthquake and ongoing emergency situation, Colombia's armed conflict, and the rise of gangs and organised crime in Central America have increased the prevalence and effects of this. As argued by the UN Special Rapporteur on Violence against Women, Ms Yakin Ertürk: *'the fact that the authorities fail to investigate, bring to trial and punish those responsible for acts of violence against women has contributed to the creation of a climate of impunity which has led to a lack of trust in the system of justice. The impunity of crime, socioeconomic disparities and the machista culture favour a generalised state of violence in which women are submitted to a continuous series of multiple acts of violence, such as murder, rape, domestic violence, sexual harassment and commercial sexual exploitation'*.¹⁹⁶

Sexual violence in Haiti is a result of the country's unequal gender relations, its macho culture and propensity to make women bear the brunt of underlying problems including poverty and unemployment. The effects of the earthquake have fuelled a serious rise in sexual violence and intimidation, perpetrated against women and girls in camps. One of our partners working in the camps told us: *'Many women get sick with nervousness; their nightmare starts every time the sun sets and night falls... One of them told us that she sleeps with three pairs of jeans because this prevents would-be attackers from acting too quickly. This gives her more time to scream for help...'*¹⁹⁷ Some of Christian Aid's other partners are monitoring incidences of gender-based violence in camps to track trends and raising these issues with authorities to help address these problems. The impacts are serious, with increasing violence severely affecting women's physical and mental health, as well as causing increases in sexually transmitted diseases, pregnancies, trauma and depression. These all have public health implications in the long term. However, Haitian society is generally de-sensitised to this violence, and has

come to see it as the norm. It is considered a long-term development problem instead of a humanitarian issue requiring an immediate response.¹⁹⁸

The Haitian authorities and international community are not unaware of these problems. But resources are limited, particularly to patrol camps and to set up special police units to tackle cases of violence against women. Camp committees have been established by residents and these have had some success in addressing sexual abuse. It is a great shortcoming that humanitarian organisations that include protection for women and girls in their interventions are the exception rather than the rule.¹⁹⁹

In Colombia, women and girls have been subjected to widespread and systematic sexual violence throughout the now 45-year armed conflict. Many have been sexually abused and exploited simply because they are women – turned into sexual slaves, to sow terror within communities and so make it easier for military control to be imposed, to force whole families to flee their homes and allow land to be appropriated, and to wreak revenge on adversaries. In 2010, at least 20,000 examinations of suspected cases of sexual violence were carried out in Colombia.²⁰⁰ More than 85 per cent of victims were under 18.

Sexual violence against women in Colombia is not restricted to the armed conflict. Women human rights defenders or social leaders who expose abuses are also targeted for their work. Sexual assault, harassment and insults are used as an attempt to discredit women's reputations and their work. Women human rights defenders require different support and protection that responds to the specific threats they and their families' face that differ from those of their male counterparts.

Social attitudes that blame women and girls rather than the abuser have the effect of silencing survivors and their families. Societal attitudes towards women lie at the root of the state's failure to afford women protection in the first place, and to bring to justice those responsible for violence against them. All sexual violence in Colombia, as elsewhere, feeds off a general acceptance in society that it is a normal part of life for women and girls, rather than criminal behaviour. Colombia, like Haiti and elsewhere, has a long way to go to fulfill its duty under human rights law to transform such attitudes.

In Colombia, very few of the perpetrators of sexual abuse have been brought to justice, exposing victims to threats, harassment and further violence.²⁰¹ Rape is under-reported because of the shame and stigma associated with the crime, fear of further violence, a general lack of security, and a lack of confidence in the justice system.

In Central America, femicide – the intentional killing of women for being women – is a particularly brutal violation

of the rights to life, liberty and personal security.²⁰² Mexico and Guatemala have the highest number of femicides in the region, but it is also prevalent in other Central American countries.²⁰³ The majority of murdered women are marginalised, young and poor. In Costa Rica, for example, the victims are commonly migrant workers. Meanwhile, in Honduras women are being killed at a rate of one a day in a wave of gender-based violence, which is now the second-highest cause of death for women of reproductive age in the country.²⁰⁴

Femicide is fuelled by discrimination, and the presence of a culture of violence, impunity and poverty. This violence is linked to deeply entrenched gender inequality and discrimination, economic disempowerment and aggressive masculinity. Some women's organisations consider that femicides are a backlash against women who have moved out of the domestic sphere to earn an independent living and many of the perpetrators are known to victims.²⁰⁵

Femicides are made invisible when records of deaths are not disaggregated by sex or even monitored at all by authorities, reinforcing the need for gender-responsive budgeting. Furthermore, the failure of state authorities to investigate violent crimes against women is itself evidence not only of gender discrimination but also of discrimination based on class and ethnicity, as victims are often poor, indigenous or migrant women.²⁰⁶ In Honduras, between 2008 and 2010, there were 1,110 reported cases of femicide, yet only 211 made it to court and only 4.2 per cent of these cases resulted in a conviction.²⁰⁷

Conclusion

Gender inequality in the region leaves much to be desired. While there have been some advances in the areas of education and women's roles in politics, a great deal of progress is still needed to achieve gender equality, particularly regarding the implementation and monitoring of policies in both domestic and public spheres. The attitude of society, particularly machismo, is one of the most important factors preventing political will and implementation of laws and policies.

Gender inequality in the workplace is a major problem, with women suffering a broad range of impacts from lower wages, less job security and poorer working conditions. And of course this is all against a backdrop where fewer women are able to work – as they shoulder the burden of caring for the family – and so women's access to earning their own income is doubly disadvantaged.

As always, there are ongoing struggles to right these wrongs, with the establishment of national tripartite commissions, trade unions fighting for women's rights and gender-responsive-budgeting efforts. However, there are still many advancements to be made in integrating gender into employment-related policies. The question of addressing wage differentials between men and women remains. This is a particularly intractable issue – as the lack of progress in the UK on this issue (despite legislative efforts) illustrates. There is still a huge amount to be done with regard to preparing women for the labour market, ensuring adequate working conditions, job security and providing accessible childcare options.

One of the biggest tasks for the region is to confront the wave of violence against women. A multi-faceted approach is needed to protect women from violence, provide adequate support and treatment, improve enforcement of the law, dedicate more resources to preventing these crimes and end impunity. Challenging the prevailing social attitudes that have allowed this level of violence against women to become normalised is key to solving the problem.

A holistic approach is necessary to address gender inequality. States, civil society and citizens must work together, to change the systems, structures and prevailing social attitudes that deny women and girls the same rights and opportunities as their male counterparts.

INEQUALITY AND GOVERNANCE



Christian Aid/Hannah Richards

Some 10,000 people from all over the country march to La Paz, Bolivia, to call for a referendum to approve the new constitution

‘Democracy is supposed to deliver greater equality. But as the experience of Latin America shows, countries that democratise and improve on their governance structures do not necessarily resolve inequality issues, no matter how glaring’

Eric Gutierrez, Christian Aid Governance Adviser

As this report has already highlighted, a major part of the income inequality problem in Latin America and the Caribbean lies with the rich, and what really sets the region apart is that the richest decile receives a larger share of income than any other region in the world.²⁰⁸ The region’s wealthiest citizens – in other words, the elites – also face a very low tax burden compared with the poorest citizens, who face a heavier tax burden than their income warrants. Unfortunately, structural reforms to introduce more efficient and progressive tax systems – particularly oriented towards taxing the rich – would undoubtedly face great resistance from both the political and economic elite.

However, the problem of inequality across Latin America and the Caribbean is not just one of income distribution, or rather lack of it, but also a problem of who holds power. Clearly, money buys power. In Latin America and the Caribbean, highly unequal power structures give rise to highly unequal socioeconomic outcomes. The role and influence of the elite, both economic and political, has for centuries exacerbated an imbalance in governance structures, which in turn has led to persisting inequality and greater social conflict.

Martín Rodríguez Pellecer, editor-in-chief of online independent Guatemalan newspaper *Plaza Pública*, states: *'What causes most violence is inequality, but most of the elite are not willing to address this... Conservative? No, ultra conservative. They have always believed that you have to clench your fist and turn increasingly to repressive measures in order to deal with inequality. As a result the violence witnessed in Honduras and El Salvador is worsening and in Guatemala the situation is not improving as fast as it should and will not change for good until the structural causes of inequality, such as the low tax burdens, access to power structures and education for all are addressed.'*²⁰⁹

Power and the effect of extreme inequality on democracy are themes discussed in a 2010 joint report on democracy in Latin America, co-authored by the Organization of American States (OAS) and the UNDP, entitled *Nuestra Democracia* (Our Democracy). In the report, Heraldo Muñoz, UN Assistant Secretary General and Director of the UNDP's Bureau for Latin America and Caribbean, said: *'Countries of Latin America have experienced their longest period of democratic governance and appointment of public authorities through the ballot box. However, there is an issue of quality in our democracies. People are clearly angry about inequalities of wealth and power, low levels of citizen engagement in public affairs, public and private corruption, lack of citizen security and State weakness, among other issues. Latin America is still searching for its democratic identity.'*²¹⁰

Political settlements

A Christian Aid Occasional Paper observed that powerful local and national elites remain the 'elephants in the room' during discussions about international development. *'They are always in a position, and by definition have the power, to flout, coopt, thwart or even reverse good governance reforms and development-enhancing institutional change. Yet their influence is typically ignored; the analysis of their roles routinely depoliticised.'*²¹¹

The best illustration of how elite influence is ignored or depoliticised is in land-reform implementation. Since the 1990s, various elected and democratic governments in the region have attempted to implement different land-reform programmes. But these have been resisted or subverted by entrenched landlord interests – they openly challenged the programmes in court, thereby dragging or even stalling implementation; they evaded coverage by resorting to legal technicalities, such as subdividing their properties or transferring ownership to companies they control; or they bribed or intimidated civil servants from implementing redistribution. Yet nothing seems to be done to deal systematically and strategically with successful elite opposition to land reform.

Thus state-led land reforms have been failures. At least two countries – Brazil and Colombia – attempted a different approach to land reform. They implemented market-led land reform, based on a 'willing seller, willing buyer' model, hoping it could take off from where state-led land reform failed. Colombia established the Agrarian Law 160 of 1994, while, from 1998, Brazil implemented the *Projeto Cédula da Terra* (Land Reform and Poverty Alleviation Pilot Project). But these market-led land reforms failed spectacularly as well, simply because the power of the landed elites was such that they could easily distort the land market and fix prices. 'Free' market exchange became fictional, because the 'willing sellers' of the powerful and dominant classes easily weighed in and intimidated the 'willing buyers' of the weak and subordinated classes. Neither were promises to decentralise state functions delivered, simply because redistribution was handed over to local authoritarian enclaves across the region.²¹²

It is in this context that the notion of political settlements has been put forward. Political settlements are defined as *'the balance or distribution of power between contending social groups and social classes, on which any state is based'*. This definition presupposes that different elite and interest groups in society contend and bargain with each other, and that what emerges from such contention and bargaining is a particular structure of property rights and entitlements.

Some political settlements can be exclusionary, often resulting in continued conflict, instability or slow growth. But others can be more inclusive, whereby historical and contextual reasons force actors to find an agreement around an agenda for growth and development. The question that needs to be put forward is – how can the poor achieve a settlement with elites that is more oriented towards redistribution?

Bolivia's recent experience offers food for thought. As explained earlier, the country's indigenous president Evo Morales has often faced opposition from the political and business elite from the so-called *media luna* departments in the east and south of Bolivia when seeking to implement social and economic reforms. Although it appears the government has pushed forward its reform agenda despite such opposition, in actual fact the lack of successfully negotiated compromises with the elite has hindered progress and meant that the more redistributive reforms – such as land reforms – have been exposed to opposition and effectively stalled. (Land reform in Bolivia is a complex issue with other factors at play including lack of government funds, the departure of some key government representatives pushing forward reforms and the potential conflicts between *campesino* and indigenous groups on land reforms.)

But Latin America has an example, too, of a more redistributive political settlement – that which has taken place in Costa Rica. In the 1950s, Costa Rica was nearly identical to Guatemala in terms of population, topography and level of economic development. But whereas Costa Rica developed into a stable country with one of the best welfare systems in Latin America, Guatemala became mired in one of the bloodiest conflicts, the worst poverty, and extraordinary levels of discrimination in the region. Experts explain that Costa Rica's ruling party of the time succeeded in enforcing a bargain on its landed elite. This was due to the party building an electoral base in the rural areas, thereby giving voice to the rural poor, and by successfully dividing landlord opposition nationally. Costa Rica was thus able to carry out a land-reform programme, but without expelling landowners en masse and instead including them as key players in its economic agenda (although with reduced power and ownership of assets). In contrast, in Guatemala, landowners not only consolidated and united politically, they also built an alliance with the military, which led Guatemala into bloody conflict.

Essentially, the key factor for Costa Rica's settlement is that the ruling party enforced a bargain on its landowning elite, and gave them a choice between paying tax on their lands or having them confiscated permanently for redistribution. This changed the incentives structure for landowners – those who were 'unfit' or not interested in agriculture accepted payment and had their lands redistributed; those who were productive retained control over their land, but paid more taxes, and in return received improved public services that further expanded productivity. The subsequent expansion of agriculture was a win-win for both the landowners and the government – the former as it increased its economic activity, the latter as it saw its tax base expanded.²¹³ However, this is not necessarily a blueprint that can be applied uniformly across the region, or indeed across the developing world, as cooperation between all actors and adequate incentives are needed.

The shortcomings of typical approaches to evaluating governance

Most approaches to evaluating governance draw on the plethora of international tools available to do so. These tools can provide a useful snapshot of specific components of governance, such as political risk, human rights abuses or corruption. Yet the results they provide are limited, as they incorporate facts, international and/or local expert judgements, and/or surveys of public perception, but rarely all three together. Such standard approaches do not necessarily present the full picture and can be misleading if used as definitive measures.

Some actors are increasingly recognising the shortcomings inherent in standard governance measurement tools. The DFID and AusAID-funded Governance and Social Development Resource Centre (GSDRC) cautions over the use of governance indicators: *'Increasing emphasis on the need to measure "good*

*governance" and how it relates to poverty reduction has led to a proliferation of worldwide data sets, guidelines and frameworks for assessment. There is considerable debate about the validity of different methodological approaches to measurement, and increasing recognition that measuring governance is itself a political process.'*²¹⁴

Regardless of their limitations, these tools remain popular. Some of the most quoted data sets include: those of Freedom House, Transparency International's Corruption Perceptions Index and the World Governance Indicators of the World Bank. Freedom House measures freedom in terms of human rights and democracy, and monitors where countries are complying with international human rights tools (by signing up to and ratifying agreements, for example). Meanwhile, Transparency International's Corruption

Perceptions Index (CPI) presents an annual ranking of nearly 200 countries 'by their perceived levels of corruption, as determined by expert assessments and opinion surveys'.²¹⁵

Christian Aid has reservations about this latter approach, particularly as it ignores the 'supply side' of many corrupt transactions – that is, the fact that it is northern actors paying many of the bribes in southern countries.

Yet the most serious shortcoming of all of these approaches is that they do not encapsulate an actual power analysis. They fail to ask who holds the power, which actors influence decision-making and whether power is being exercised responsibly and in the interest of everyone in society. A power mapping that captures which actors truly hold the reins of power can provide a much fuller understanding of governance in a given country.

The Honduran elites and their role in the coup

Much of Honduras' political and economic power, as with many other Latin American and Caribbean countries, has been concentrated in the hands of a small number of families. Many analysts and academics in Honduras and abroad believe that this concentration of economic power coupled with the political influence of this small fraction of the country's population was a major reason behind the Honduran *coup d'état* on 28 June 2009.

The Honduran elite began to emerge at the end of the 19th century, when there was an influx of foreign capital, and the migrants behind this money started to establish themselves in key economic sectors, such as the banana industry. The influence of these elites was subsequently consolidated in the form of family and/or political alliances. Over the decades, the elite would increasingly diversify their economic interests and therefore expand the reach of their influence, by investing in other sectors, such as banking. Political scientist Ernesto Paz, at the public National Autonomous University of Honduras (UNAH), claims that the elite families have gradually taken over party structures and decision-making posts in the Honduran government. *'These groups, which not only paralyse, but influence political reforms needed in this country, are generating a crisis of governability and weakening the party system.'*²¹⁶

A non-exhaustive list of who owns which companies in Honduras, published in the national newspaper *El Libertador* in 2009, confirms that the concentration of the country's wealth is held by a few elite families.²¹⁷ For example, nine of the country's main sources of print media (newspapers or magazines) are owned by Rodrigo Wong Arévalo, Jorge Canahuati Larach and Carlos Flores Facussé (a former president from 1998 to 2002). Telecommunications are mainly controlled by Rafael Ferrari, who – along with Rodolfo Irías Navas and Miguel Andonie Fernández – owns many of Honduras' radio stations.

Other key sectors such as banking and business are mainly divided among Miguel Facussé Barjum, Jorge Faraj Rishmagüi, Camilo Atala Faraj and Rafael Ferrari; with fuel and energy dominated by Fredy Nasser. Food and drink is controlled by Miguel Facussé Barjum, Jorge Canahuati Larach and Schucry Kafie. Investor Miguel Facussé Barjum, his son-in-law Fredy Nasser, energy magnate Schucry Kafie, and banker and industrialist Jaime Rosenthal are said to be the most powerful men in Honduras, according to an article in Inter Press Service (IPS) and echoed by other media commentators.²¹⁸

Jesuit priest Ismael Moreno, director of the Jesuit Reflection, Research and Communication Team (ERIC), told IPS that

the *'repetitive presence of certain last names in Congress and the executive branch is not fortuitous'*.²¹⁹ He added that these elite groups *'are so interrelated and closely linked to the Honduran political system, where their meddling is very strong, that it can be stated that they handpick presidents and other authorities, dictate the news agenda in the media, and are the main contributors to political campaigns'*.

In addition to this, the human rights situation in the country has also been a concern for decades, with weaknesses particularly evident in the areas of justice, security, and the marginalisation and discrimination of the country's poor.²²⁰ In the year preceding the 2009 coup, human rights defenders and trade unionists were attacked and threatened in a climate of virtual impunity.²²¹

In the run-up to the coup, it was clear that the conditions were ripe for political upheaval. Despite President Zelaya himself being part of the elite through his family's business concerns, as leader of the country he was taking Honduras down paths that were unacceptable for the established elite. The coup is routinely blamed on Zelaya's promotion of a constitutional referendum that would change the law to mean a president could only serve one term in office. However, there are many other factors involved, and Zelaya's friction with the elite can be traced to before he proposed this referendum.

Around 2007-2008, when South America started to shift politically towards the left, the Honduran leader embarked on a closer political relationship with Venezuelan president Hugo Chávez. This move was controversial among the Honduran elite, the media and at odds with the country's traditionally close relationship with the US. Zelaya also began to introduce some moderately progressive measures in an attempt to break the decades of political and economic control by a few that was clearly at odds with the best interests of the country's (mainly poor) majority. For example, he issued a presidential decree raising the minimum wage by 60 per cent (except in free-trade zones) as of 1 January 2009,²²² restricting mining exploration, introducing free school enrolment and providing subsidised gas purchased from Venezuela. Zelaya's subsequent efforts, supported by the country's social movements, to initiate constitutional reform were the final straw for the elite and confirmed their fears that he was no longer playing by the unwritten rules, officiated over by the elite.

It was in this context that Zelaya was ousted and, perhaps unsurprisingly, the human rights situation deteriorated rapidly afterwards. In the immediate aftermath of the coup, the Inter-American Commission on Human Rights (IACHR) reported that it received *'hundreds of complaints... alleging grave human rights violations'*, many of which were confirmed after its visit to Honduras in August 2009.²²³

As leading human rights organisations Amnesty International and Human Rights Watch have documented, little has been done by the government to tackle human rights violations reportedly perpetrated with impunity, mainly by the police and the military, in the aftermath of the coup. In a report published in December 2010, US-based Human Rights Watch argued that the state had failed to ensure accountability for abuses committed under the country's de facto government in 2009.²²⁴ Equally as concerning are figures reported by Human Rights Watch for 2010, which have found that there were 47 cases of threats or attacks – including 18 killings – against journalists, human rights defenders and political activists since the inauguration of President Porfirio Lobo in January 2010.²²⁵

The Bajo Aguán Case

The insecurity surrounding the 2009 coup has exacerbated the ongoing land conflict in the valley region of Bajo Aguán and created a climate of impunity on which businesses have been able to capitalise.²²⁶

In 1998, a group of landless peasant cooperatives from Bajo Aguán began to investigate the sales of land in the area. In 2001, as a result of the irregularities discovered, 28 peasant groups created the Unified Peasant Movement of Aguán (MUCA). Together with the Peasant Movement of Aguán (MCA), consisting of another 45 peasant groups, they beat a legal path through the courts to reclaim these lands, based on the illegality of the sales and the fact that the large landholders never actually held the land titles. These movements are still engaged in a court battle as although the land ownership dispute is resolved in principle, there are ongoing financial disputes.

However, since the coup – and particularly in 2010 and 2011 – peasant movements in the region have been the targets of unprecedented levels of human rights violations, as large landholders attempt to cement control over land they use and/or want to use for biofuels, specifically palm oil plantations.²²⁷ According to the Inter-American Commission on Human Rights (IACHR), 42 individuals linked to these peasant organisations were reportedly killed between September 2009 and October 2011.²²⁸ In this context, EDF Trading (a subsidiary of French utility company EDF) and German development bank DEG Deutsche Investitions- und Entwicklungsgesellschaft mbH ended their involvement in the project being developed by palm oil company Grupo Dinant subsidiary Exportadora del Atlántico, following claims by environmental group CDM Watch that the project is linked to those human rights violations.²²⁹

Since the coup, the business elite has remained entwined with government. For example, Honduras' Foreign Minister Mario Canahuati has yet to give up the reins as a director of the Lovable Group, one of the largest industrial groups in Central America.

Analysis conducted by AmericasBarometer (a series of surveys to measure democratic values and behaviour in the Americas conducted by the Latin American Public Opinion Project – LAPOP) in Honduras in 2010 suggests that wealth and education are significant determinants of support for coups, with wealthier citizens and those with lower levels of education expressing higher support for them.²³⁰ These results suggest a combination of low education and high wealth may be lethal for democracy in Honduras, and perhaps elsewhere.

The findings of the 2010 AmericasBarometer survey offers little evidence that Hondurans, and especially elites, favour democracy. This was reinforced by the Latinobarómetro poll in 2011 (taken in 18 Latin American countries), which found that 10 per cent fewer respondents than the previous year saw democracy to be preferable to any other type of government (a drop from 53 to 43 per cent of respondents).²³¹ The pollsters attributed this to 'high levels of violent crime in all those countries'.

The politics of land reform

The land issue is a particularly conflictive one – not just in Honduras, but in many Latin American countries – and land reforms have always been heavily resisted by elites in the region. Even if such reforms make it onto the government agenda, they almost immediately become no-go policy areas and, ideologically, are just too much for elite groups to consider. This is borne out by the experiences in Brazil and also by the stalled land-reform efforts in Bolivia.

Increasingly, land reform is viewed by academics and political commentators as impractical and there are signs it is falling off many countries' agendas altogether. Peru's experience (covered in Chapter 5) illustrates the challenges. Although redistributive land reforms in the 1970s had some positive impacts, the 'hyper' land concentration over the past decade has had numerous negative impacts on the rural poor, as well as serving to concentrate land and natural resource wealth in startlingly few hands. In 2008, the government proposed legislation related to limiting the size of landholdings to 40,000 hectares, mainly as part of an effort to prevent a company achieving market domination. At this point, the Gloria Group – Peru's leading multinational company – owned 60,000 hectares.²³² It quickly became clear that such a proposal would not go forward. Some of those who support land reform have publicly stated that perhaps the time for traditional land reforms has passed and that other solutions have to be found.²³³ Such solutions are needed urgently, particularly considering the widespread conflict caused by the ownership and exploitation of natural resources by the extractives sector.

Conclusion

Inequality in the region goes beyond wealth and is deeply rooted in unequal power structures – who holds the reins of power and who is excluded. The countries with the highest poverty rates also have some of the most polarised societies in the region, both politically and economically. Political instability is fuelled by extremely high income inequality levels, and those structural changes necessary to address inequality have been heavily resisted by elites.

Achieving deep structural reforms that can deliver significant benefits for the poorest will only be possible (and sustainable) with the cooperation of the region's elite. Without this, attempts at reforms will end in deadlock and most probably lead to even greater polarisation within society. Such an outcome carries the risk of violent protest or even the overthrow of governments.

It is urgent that governments and civil society in Latin America and the Caribbean start to make the case convincingly that equality is good for everyone in society. In reality, inequality is exacting a high cost. It is holding back growth and stunting private sector development, as internal markets under-perform – unsurprising, given the extremely limited purchasing power of millions of poor families and the low productivity of poorly nourished and educated poor workers. And, critically, the costs of crime and violence to the state are huge, alongside their dramatic social costs. Significant resources are used unproductively by elite families, who have to invest heavily in their own personal security (particularly anti-kidnapping) measures. There is simply no doubt that high levels of inequality have serious impacts on the quality of life of everyone living in the region – both rich and poor.

There is an urgent need for governments and civil society, including elites, to come together to negotiate a new political settlement for countries in the region. Progressive elite voices may not always be heard, but they certainly exist. According to Guatemalan journalist Martín Rodríguez Pellecer, *'It would be a huge generalisation to say that all the elite in Central America is self-interested, indeed there is a part of the elite that is ill at ease with how their governments distribute the countries' wealth.'*²³⁴ These voices must be encouraged and harnessed in the ongoing struggle for change.

PERU'S LOST DECADE



Christian Aldana Cecilia Gonzales-Migli

Workers pick asparagus in the district of Santiago, Ica region. They are expected to work out in the fields all day from 4am to 5pm

'In Peru, the [economic] crisis hit at a moment when many sectors were hoping to be included in the distribution of benefits from the bonanza of the last few years. And now we have to change from a debate on wealth redistribution to worrying about how to restructure our economy. From looking only outwards (to export) we have to promote our internal market, while simultaneously protecting our social, cultural and climatic diversity... The challenge now is how to independently finance our own development, ensuring the rights of citizens are met and that there is the requisite balance with nature'

Enrique Fernandez Maldonado and Carlos Bedoya, National Public Budget Group²³⁵

Peru's consistently high economic growth rates over the past decade have been extraordinary. The average growth rate throughout the García government has been more than 7 per cent, and reached 9.8 per cent in 2008.²³⁶ Inflation has been low and the Central Bank of Peru has significant reserves (US\$44bn).²³⁷ Despite this enviable macroeconomic position, progress tackling inequality is questionable. Some progress has been made on poverty, with rates declining from 48.3 per cent in 2004 to 34.8 per cent in 2009.²³⁸ However, this progress is below the level one would expect for a country with such impressive growth rates. Moreover, national figures reflect a large urban bias, with most reductions occurring outside rural areas. While the poverty rate in

Lima is around 15.3 per cent,²³⁹ rural poverty rates remain high. Huancavelica, the country's poorest region, has a poverty rate of 77.2 per cent, while in five other departments the poverty rate is more than 59 per cent.²⁴⁰

The lack of progress made in tackling the high levels of social exclusion and inequality between urban and rural areas and between ethnic groups is a serious concern. Instead of translating economic progress into widespread positive development outcomes, rural – and mostly indigenous – areas remain in states of almost total abandon and progress towards improving basic service provision is very poor.

Peru's fiscal policy

One of the biggest paradoxes is why with such considerable economic growth there has not been more positive growth in tax collection levels. Of course, the tax take in absolute terms has increased, but the tax take as a percentage of GDP has only risen from 12.3 per cent of GDP in 2001 to 14.9 per cent in 2010.²⁴¹ This is far below the level at which Peru should be. The tax system is also highly regressive, and indirect taxes make up more than 60 per cent of the tax take.²⁴² Tax is a major issue in political debate and has been a central feature in electoral campaigns. Unfortunately, the debates in 2011, on increasing tax collection, bringing in windfall taxes on mining and other highly profitable sectors, improving tax equity and reducing tax concessions, were exactly the same as debates in both 2006 and 2001 – a sign of how little change has been achieved.

Mining taxes are a particular area of note: the mining sector is a huge contributor of tax, thanks to the commodity price boom. Profit tax is the main tax burden for mining companies, which pay the standard corporate tax of 30 per cent. However, these companies receive generous tax incentives, and are able to deduct all costs of exploration and development, and benefit from generous accelerated depreciation and profit reinvestment rules. In addition, Peru is unusual in that it did not charge royalties on minerals until June 2004. After a public outcry, a royalties law was passed – however, the majority of large mining companies have refused to pay this, using the tax stability clauses in their contracts as the basis for rejecting the change.

The mining sector is not the only one that receives preferential tax treatment. Since 2000, non-traditional agro-export sub-sectors have been subject to preferential rates of corporate income tax (15 instead of 30 per cent). They have also benefited from a temporary labour law that has reduced labour costs to companies by reducing workers' pay and benefits packages.

Not only has little progress been made on tax in recent years, Peru is also a serious underachiever when it comes to social spending. It spends much less than other countries in the region in key areas such as education, health and social protection. In 2008/2009, Peru allocated only 7.8 per cent of its GDP to social spending, which is far behind other countries in the region. This situation has not improved over time and these levels of spending have been maintained since the 1990s, fluctuating between 7 and 9 per cent of GDP.²⁴³ Its spending is significantly out of step given its level of development and it is also far below the level required to respond to the population's needs.

Education spending fluctuates at around 3 per cent of GDP in Peru – a very low level compared to the rest of

the region – and also far below the level of 6 per cent that various political parties committed to when they signed the National Accord of 2003. Even though social spending is rising in real terms with economic growth, the actual amounts invested in education are still minute (around US\$75 per head) when compared to the regional average (US\$247 per head).²⁴⁴

Health spending fluctuates around 1.4 per cent of GDP – below the regional average of 2.8 per cent²⁴⁵ and, again, well below acceptable levels. This has serious consequences, including for achieving the MDGs – particularly when considering that Peru has one of the highest maternal mortality rates in Latin America.²⁴⁶ Potable water is also a key area, and statistics reveal a serious lack of progress on this. In 2001, 46.6 per cent of poor people had access to potable water, but by 2010 that figure had fallen to 43.5 per cent. Analysing the same data for those living in extreme poverty shows that while 37.3 per cent had access to potable water in 2001, only 30.6 per cent had this in 2010. Disaggregated data from the National Statistics Institute (INEI) shows that the decline has occurred in rural areas. It is inexplicable that such a basic need, with such major implications for public health, has been so neglected by a state whose economy has tripled in size.

In Peru, malnutrition suffered by children also remains a major public health issue. Nationally, it has been reduced from 22.9 per cent in 2005 to 16.5 per cent in 2011.²⁴⁷ However, in rural areas, levels of chronic malnutrition are much higher, reaching 30 per cent of children under five.²⁴⁸ In fact, on average, chronic malnutrition in rural areas is three times higher than urban levels²⁴⁹ and in certain regions remains extraordinarily high. In Huancavelica, for example, chronic malnutrition affects 44.7 per cent of children.²⁵⁰

It is not that there have been no public policy responses in Peru. Like many countries in the region, Peru has a conditional cash transfer programme – entitled *Juntos* – though compared to other countries it devotes considerably fewer resources to this.²⁵¹ *Juntos* is given to women from the poorest households, those with children under 14 and those who are pregnant. It provides them with a cash transfer of 100 nuevos soles (around US\$38),²⁵² regardless of the number of children they have, and its main aim is to address malnutrition, as well as tackling mortality rates and education provision.

To receive the transfer, women must meet certain conditions, including securing identification documents for themselves and their children, ensuring their children attend primary school, going for health and nutritional check-ups, delivering their children in a health facility and receiving training in sexual and reproductive health issues and nutrition. The low quality of public services in Peru is,

of course, a major obstacle to meeting the programme's conditions, yet the requirement on women to hold identity documents has been positive, and they have received a range of benefits as a result, including being more fully recognised as citizens.

Although *Juntos* has provided some support to families, Peru is very far from having a national social protection system, or anything approaching a coordinated approach to welfare. Its social protection programmes are recognised as having very high administration costs²⁵³ and key programmes such as *Juntos* and *Vaso de Leche* (Glass of Milk) operate with serious deficiencies in coverage.

The implementation of public spending is a major challenge in Peru. The decentralisation process was introduced a decade ago under Alejandro Toledo's administration as a result of a key electoral pledge. It created elected regional governments with the objective of transferring political and fiscal functions from the central government to the regions. It was characterised by its extreme haste and a lack of capacity building and technical support provided to regional and local governments. In addition, the central government does not do enough to use the public budget to compensate for and correct the high levels of poverty and inequality.²⁵⁴

The fact that a proportion of the income tax from mining and hydrocarbons (*canon minero* and *canon petrolero-gasífero*) goes directly to regional and local governments in the places where the resources are extracted simply adds to this imbalance. This is because there is no mechanism to allow redistribution of wealth from areas that are richer in natural resources to poorer, non-extractive zones. While it is true that many departments rich in natural resources are also among the poorest regions, the weak decentralised structure of government means that many departments with abundant resources, due to the payment of tax from the extractives industry, have little ability or technical capacity to spend this wealth.

Economic development

In Peru, there is certainly an imbalance in taxation and public spending, and little sign of progressive approaches to either. Similarly, the country's economic development strategy has been skewed under the three previous administrations,²⁵⁵ with the government vigorously promoting the agro-export sector, as well as the production of biofuels, mining, and oil and gas extraction. All of these sectors imply huge areas of land concessions being granted, with the greatest benefits flowing to the large businesses that can operate at this level – in this case, not just northern multinationals but, notably, also a number of large Peruvian and Brazilian companies. This strategy to focus on primary commodity export – a

specialisation common in Latin America during the last two decades – has meant limited progress has been made in economic development.

Small businesses and smallholder agriculture have been totally absent from economic development plans. This is not unsurprising, of course, as this was explicitly part of the vision of García's administration, famously put forward in the former president's commentary in a national newspaper in 2007 about '*the dog in the manger syndrome*'.²⁵⁶ García's vision was explicit in its aim to promote the concentration of land and natural resources in big business hands. The poor rural population was characterised as technologically backward, unproductive and essentially recalcitrant in not getting out of the way faster. The García administration introduced a raft of legislation to facilitate this process, providing incentives and facilities to grant land concessions to businesses.

The poor have suffered not only because the government has failed to invest in the sectors in which they work, and on which they depend economically, but also from the negative impacts of growth in other spheres. The vastly increased concentration of land ownership over the last decade has effectively reversed the distributive impact of the land-reform process, which was implemented during the 1970s,²⁵⁷ and has resulted in a 'hyper-concentration of land'.²⁵⁸ This accelerated concentration of land ownership is directly linked to the expansion of the agro-export (particularly in the coastal region), biofuels, mining, oil and gas, and forestry sectors. At the same time, the number of smallholdings has multiplied.²⁵⁹

This concentration of land ownership is closely linked to the problem of land conflicts in the country. When García came to power in 2006, there were just 80 social conflicts registered with the Ombudsman (*Defensoría del Pueblo*), yet when he left office there were 200 – mostly linked to extractive industries.²⁶⁰ The events at Bagua, Amazonas, in 2009, deserve a special mention. This conflict garnered international headlines when five indigenous people, five Mestizo townspeople and 23 policemen were killed and 169 civilians injured as a result of a protest against a legislative package related to land use in the Amazon.

In addition, the concentration of economic power in the hands of one or several multinationals in key supply chains, such as cotton, coffee and dairy (and even in smaller sub-sectors such as tobacco and mango), has had detrimental impacts on the prices paid to small farmers.²⁶¹

The case of Huancavelica

The impoverished department of Huancavelica is an emblematic example of the Peruvian state's inability to respond to the basic needs of its people. There, around 77.2 per cent of the population live in poverty (2009),²⁶² down from 82.1 per cent in 2008. Chronic child malnutrition affects 44.7 per cent of children.²⁶³ Most inhabitants of this semi-arid region, which is vulnerable to drought and suffers from very poor water management, live in rural areas and are heavily dependent on agriculture. Ironically, Huancavelica is a major provider of water to neighbouring Ica department, serving the irrigation needs of its agro-export sector, and also produces a large amount of the country's electricity via hydroelectricity generation.

Attempts to address malnutrition in Huancavelica are mainly through the *Juntos* programme (see p40), the coverage of which is recognised as a major challenge. According to data gathered in December 2010, *Juntos* reached 91,018 families in 76 out of 93 districts in Huancavelica.²⁶⁴ Yet there are signs that Ollanta Humala's administration will prioritise addressing malnutrition in Peru, and already there are attempts to focus *Juntos* more on impoverished areas, including an expansion in Huancavelica.²⁶⁵

The budget for Huancavelica is an issue that merits attention. The department is not a major recipient of tax income from the extractives sector, and depends more heavily on ordinary resources transferred from the national government and controlled by the Ministry of Finance. This ministry has full discretion as to how amounts are allocated and is certainly in a position to allocate transfers on the basis of the greatest need and to make up any shortfall in poorer regions. But an

analysis of budget transfers to Huancavelica – in comparison to other departments – shows just how little the Peruvian government has done to apply strong criteria of need when allocating resources to departments (see table on p43).

Although Huancavelica is the poorest of Peru's 24 departments, it ranks only ninth in terms of budget spending per capita. The department with by far the greatest resources per capita (Moquegua) receives twice as much (per capita) than Huancavelica, but has a poverty rate of just 19.3 per cent. The richest department – Madre de Dios – receives the second-highest budget allocation. At the other end of the spectrum are the departments of Huánuco and Puno, with poverty rates of 64.5 and 60.8 per cent but budget spends per capita that put them in 20th and 16th place in the rankings respectively. The table illustrates clearly the lack of strategy in addressing Peru's poverty and inequality challenges through public spending.

Generally, there are problems with the regions' abilities to spend. According to the region's congressman, Hugo Carrillo, Huancavelica's government returns large sums year on year to the Ministry of Finance. The congressman estimated that some 100m nuevos soles (US\$38m) were returned annually over the last 10 years and that around 120m nuevos soles (US\$45m) were returned in 2010.²⁶⁶ There has been no professionalisation of the civil servants employed in regional and local governments, and no support from central government to develop capacities and mechanisms that ensure high-quality spending.

'We spend 150m soles (US\$57m) on the national stadium. At the same time there are regions out there with medical

centres which have no nurses and tables constructed out of cardboard. What was spent on the national stadium is pretty much what we get to spend in Huancavelica despite all our growth and resources. The central problem is vision. There has been no central planning system, no long-term plan, there isn't even an understanding of the conditions that exist in this country,' says Carrillo.²⁶⁷

The lack of investment in agriculture, and especially agricultural research and development and appropriate technologies, is notable. This is particularly an issue for the *sierra* (mountainous regions), where vast numbers of people are dependent on agriculture, and where there have been no efforts at modernisation and little investment. Peru's strategy to focus on the agro-export sector, pouring millions into infrastructure in the wealthier coastal areas, has serious implications for areas such as Huancavelica that are left with little investment. The 2010 budget of 2,114m nuevos soles (US\$800m) for smallholder agriculture was underwhelming to say the least – it made up only 2.6 per cent of the national budget and was less than that provided in 2008 and in 2009.²⁶⁸ This lack of investment has a serious impact in rural areas where need is extremely high. In Huancavelica, 97 per cent of farmers operate without any agricultural machinery at all,²⁶⁹ while for 90 per cent of households, most agricultural production is ultimately destined for household consumption and never reaches the market.²⁷⁰ Without any coherent territorial development strategy that focuses on rural job creation and the development of smallholder agriculture, the population of Huancavelica will continue to suffer the adverse impacts of widespread poverty and inequality.

Table 2: Analysis of responsiveness of budget allocation to poverty in Peru

Department	Poverty rate	Population 2009 est.	Budget 2009 Nuevos Soles	Spend/per capita	Ranking of spending per capita
Huancavelica	77.2	471,720	380,931,572	807.54	9
Apurimac	70.3	444,202	356,744,779	803.11	11
Huánuco	64.5	819,578	373,055,627	455.18	20
Ayacucho	62.6	642,972	516,449,398	803.22	10
Puno	60.8	1,340,684	813,781,293	606.99	16
Amazonas	59.8	411,043	335,094,007	815.23	8
Loreto	56	970,918	645,506,157	664.84	14
Cajamarca	56	1,493,159	758,582,407	508.04	19
Pasco	55.4	290,483	305,710,545	1052.42	4
Cusco	51.1	1,265,827	853,040,715	673.90	13
San Martín	44.1	771,021	556,969,239	722.38	12
Piura	39.6	1,745,791	788,374,509	451.58	21
La Libertad	38.9	1,725,075	766,524,240	444.34	22
Junín	34.3	1,292,330	714,280,425	552.71	18
Lambayeque	31.8	1,196,655	487,659,343	407.52	23
Ancash	31.5	1,109,849	935,922,321	843.29	7
Ucayali	29.7	458,177	401,954,577	877.29	6
Tumbes	22.1	218,017	220,404,630	1010.95	5
Arequipa	21	1,205,317	773,767,180	641.96	15
Moquegua	19.3	169,365	271,715,551	1604.32	1
Tacna	17.5	315,534	435,768,877	1381.05	3
Lima and Callao	15.3	9,908,228	640,890,596	64.68	24
Ica	13.7	739,087	427,109,593	577.89	17
Madre de Dios	12.7	117,981	176,678,567	1497.52	2
Total			12,936,916,145		

Sources:

1) Poverty rates for 2009 taken from INEI at inei.gob.pe2) Population estimates for 2009 taken from INEI at inei.gob.pe There are based on projections of the 2007 census.3) Budget figures are taken from the Ministry of Finance website, which provides spending by region. See: mef.gob.pe/index.php?option=com_content&view=article&id=2335percent3Aestadistica-anual-cierre-del-presupuesto-del-sector-publico-ano-fiscal-2009&catid=216&Itemid=100751&lang=es The budget figures used here refer to the spending that was implemented (not just budgeted) that year. Figures include the two main sources of financing – ordinary resources (*recursos ordinarios*) and determined resources (*recursos determinados*). Determined resources includes both the FONCOMUN (which is designed according to a formula to ensure poorer areas get more in relation to their level of need) as well as all the royalties and the *canon* (tax income from the extractives industries) in each region. The amounts correspond to the 2009 period.



Christian Aid/Hannah Richards

Placida Pariona Llanoy with her flock of alpaca. She and her husband have made huge changes to their homestead and farm after learning new skills and initiatives from Christian Aid partner CEDAP

Jobs and wages

Employment is an area in which Peru is severely underperforming. In 2009, it was documented that only 8.2 per cent of the economically active population had jobs that included an employment contract, income higher than the minimum wage, a working week of less than 48 hours, health insurance and pension contributions.²⁷¹ Job-creation strategies and the minimum wage are critical issues, yet they are often ignored in the public policy arena. Any attempts to raise the minimum wage are particularly resisted by the private sector. There is great unease in civil society that poverty-reduction strategies have been reduced to debates around welfare programmes, while strategies to provide well-paid jobs, decent working conditions, employee benefits and job security are barely visible.

This has been a difficult area for many years. Reforms of the 1990s saw employment laws significantly changed, with more flexibility (and less job security) enshrined in law, the right to unionise eliminated, the minimum wage frozen, widespread lay-offs implemented in the public sector and a reduction in a whole list of employees' benefits (for example, the right to paid holidays and pension contributions). Practices such as blacklisting trade union leaders or other

'undesirable' workers are still prevalent in some industries (for example, textile and agro-export sectors).²⁷²

The labour laws applied to the agro-export sector leave much to be desired. Further reforms in 2000 lowered the protections and benefits available to workers – on asparagus plantations, for example. Workers now receive less overtime pay, salaries that are effectively lower than the minimum wage²⁷³ and fewer paid holidays.²⁷⁴ This legislation will remain in place until 2021.

Yet research by Oxfam shows clearly that the erosion of wages for workers in the asparagus sector is an unnecessary benefit for companies, and so another poor public policy choice. Oxfam looked at the overall competitiveness of the industry in global markets and found that the Peruvian asparagus industry is more than twice as productive as its closest competitor.²⁷⁵

It is also worth noting what is driving poverty reduction in Peru. It is certainly not the creation of good-quality, formal jobs. In 2008, the World Bank documented that 70 per cent of poverty reduction in Peru was the result of work in the informal sector.²⁷⁶ INEI has also found that improvements in income poverty are mainly due to public donations (cash transfers) with far less attributable to employment income.²⁷⁷

Racial discrimination

Peru is an extremely ethnically diverse country, with indigenous people making up around 47 per cent and Afro-Peruvians comprising almost 10 per cent of the population.²⁷⁸ However, it is notable that Peru does not have a strong indigenous movement like those in Bolivia and Ecuador. Poverty and social exclusion in Peru are clearly linked to racial discrimination, which affects these ethnic groups and goes back centuries to the country's colonial past.

Peru's Truth and Reconciliation Commission identified a high level of racial discrimination as a key factor that enabled the violence and human rights abuses perpetrated during the 20-year conflict (1980-2000).²⁷⁹ It characterised this discrimination as having a structural character and being a historic cause of the conflict. The commission also found that racial and ethnic differences were invoked by the perpetrators of violence to justify their actions and that violence levels were by far the worst in the poorest zones.²⁸⁰

Discrimination in Peru is described as everyday. As journalist Dan Collyns observes: *'Racial stereotypes are reinforced on a daily basis in the media. Tabloid newspapers use crude sexual innuendo to describe a black congresswoman in a way they would not dare to refer to a white member of parliament. They compare a black footballer to a gorilla when he loses his temper on the pitch. And on prime-time Saturday night television, the country's most popular comedy programme abounds with racial stereotypes with which the audience are so familiar they scarcely question what they are watching.'*²⁸¹

Afro-Peruvian civil rights organisation Lundu campaigned for the Frecuencia Latina television channel to pull such a character (Negro Mama) from a show. It won this battle but faced an abusive counter-campaign conducted on social networking sites.²⁸² In the end, the character was back on air after a month.

More recently, race and class-based divisions reared their head during the 2011 presidential elections in a particularly virulent way on social networking sites. Overtly racist comments directed towards eventual presidential winner Ollanta Humala were posted online and were similarly countered through a Facebook page called Democratic Shame.²⁸³ On this page some 7,000 people shared their experiences of actual and perceived racist comments that they had encountered during the election campaign.

The effects of this discrimination are varied and insidious. Certainly, they include direct experiences of racism such as violence, threats and abuse in the street. Discrimination is also clearly felt in the job market, with wages for indigenous and

Afro-descendent groups around 40 per cent less than those of the rest of the population.²⁸⁴ A survey conducted in Peru found that at least half of all respondents perceive that ethnic background affects a person's chance of obtaining jobs.²⁸⁵ While education and qualifications are seen as very important, a person's *'buena presencia'* (good appearance) is also cited as key. This is about how you look and express yourself, but is also demonstrably about skin colour as a criterion.

Perhaps most worrying is that years of racist attitudes in Peru have resulted in indigenous peoples rejecting their own identity, refusing to speak their own languages, turning their backs on their own cultures and even using derogatory words against people like themselves as their self esteem is eroded. *'People lack self esteem, they respect white people more than themselves,'* says Wilfredo Ardito, a lawyer working with human rights organisation APRODEH on racism and discrimination.²⁸⁶



Lidia Rejas washes her dishes and wastes no water, which is scarce in the Peruvian highland community where she lives. The glaciers – which are the community's main water supply for drinking and irrigation – are melting as a result of climate change

Conclusion

There is no question that the market has generated wealth in Peru, but there has been little socially useful distribution of that wealth. While there has been progress on income poverty and, officially, inequality measures show inequality reduced, it is questionable how far we can celebrate success, particularly given that socioeconomic gaps are so clearly visible along racial lines and discrimination is rife. While the incomes of the poor have increased, this is largely down to welfare programmes and very little is to do with quality job creation or successful income generation for smallholders.

It is also worth remembering that inequality measures fail to measure wealth adequately. This is likely to be highly relevant in the case of Peru, where the household data used to measure income inequality will not fully capture the trends of capital accumulation in the highest income groups, which have been benefiting enormously from high rents as a result of the commodity boom over the past decade.

Income inequality measures also exclude property assets. This is a huge drawback in the case of Peru, where land concentration trends are so marked. In addition, inequality indicators fail to capture other aspects related to the poor's deprivation and vulnerability, by not looking at the wider, multidimensional aspects of poverty. The state's lack of investment in meeting basic needs and lack of progress in social areas is notable and one that deserves to be highlighted. Given the failure of income inequality statistics to capture all these variables and adequately reflect the nature of the gaps in terms of assets and service provision, it is not surprising that civil society groups in Peru are increasingly critical of the mainstream interpretation of poverty indicators and often refer to this as the 'lost decade' in social terms.

Yet the Humala administration has indicated that it will take a different approach, with social inclusion its key headline phrase. The government has already committed itself to ending chronic malnutrition in children within five years – an ambitious but long overdue goal. It has also passed a new law that recognises indigenous people's land ownership rights, including their right to prior consultation with regard to extractive industry projects.²⁸⁷ The new government has also given signals it will address rural development issues, particularly smallholder agriculture. The potential for smallholder agriculture in Peru's growing internal market and with its growing urban middle-class is strong. This alongside the emergence of Peru's 'gastronomic movement' – under which there has been a resurgence in producing and consuming traditional foods – is notable. While there is a general recognition of the market opportunities,

many still doubt whether it will be translated into positive development. But at least Peru's small farmers are now part of the debate.

It is time for concentrated and massive investment in smallholder agriculture, a genuine focus on (quality) job creation and more thoughtful, strategic territorial development strategies. All of this calls for a fundamental rethinking of Peru's economic model, as well as progressive tax and budget reforms and prioritising investments by need to compensate for the ingrained inequality between regions. Civil society organisations in Peru under the umbrella of the National Public Budget Group, a Christian Aid partner, have recommended tax reform to increase levels of tax collection to 19.5 per cent of GDP. This is alongside calls for fundamental tax reforms to address the regressive nature of the system, an overhaul of mineral taxation (including a renegotiation of the tax stability contracts) and a reduction of the generous tax exemptions on offer for the private sector. The group has also called for the increase in resources to be ring-fenced for social spending – particularly for health and education, but also for investment in regional economic development strategies.

Reform will not be easy, particularly in light of the 'hyper-concentration' of land and economic power in the hands of big business and the elite. This is an extremely hard path to alter; it means confronting power structures and essentially changing the rules of the game. While there is certainly hope and expectation in Peruvian civil society, this is also tinged with a fear that progress will be difficult, and radical change overnight is highly unlikely, given the track record of recent administrations.

INEQUALITY AND CLIMATE CHANGE



Christian Ald/Paula Plaza

The Chibchiri lagoon provides water for irrigation to the farming communities living in the district of Paras, Ayacucho, in Peru, where Valerio (pictured) lives. Before, the lagoon used to be full of water, but it now has very little – meaning communities here are at risk of losing their crops and animals

‘We work hard in the countryside, and all it takes is one night of intense cold for us to see nothing but dried-up plants the next day. We feel like pachamama (mother earth) is upset because we are destroying nature; the balance has been broken, and we have to fix things’

Atencio, a mother from a rural community in Peru, whose livelihood has been affected by the impact of climate change²⁸⁸

Latin America and the Caribbean is an extraordinarily complex and heterogeneous region in terms of its variety of ecosystems. These characteristics, alongside its high levels of poverty and inequality, make the region one of the most vulnerable to climate change. The region is already feeling the effects of climate change, a phenomenon that comes with significant inequality at its core. It is the countries and people who have contributed least to climate change who suffer most from its impact and consequences.²⁸⁹ However, it is also becoming increasingly apparent – as more poor people in developing countries are affected – that climate change is likely to lead to deepening inequality.²⁹⁰ Unfortunately, there is as yet only a limited body of work looking into this.

While climate change can exacerbate poverty, it is also the case that the high levels of inequality experienced across the region contribute to environmental degradation. This occurs primarily through the overuse of some resources by the rich (such as cars, planes and so on). It also occurs due to an excessive use of some natural resources by the poor (forests, for example) as part of their survival strategies, which also leads to environmental destruction, though rarely on the scale of commercial practices such as logging.

Climate change increases vulnerability as it pushes the poor further below the poverty line and makes those just above this line very much at risk of falling below it. As the rich protect their assets and so are not vulnerable in the same way, the poor are disproportionately affected and

by definition find it harder to recover lost livelihoods and assets than those with more resources and stronger social capital. The tendency therefore will be for gaps between rich and poor in the region to grow as climate change impacts intensify, unless there is an effective public policy response to reverse this. Such a response should include adopting new clean development models throughout the region. It is also critical that this avoids the mistakes of the past, including economic models (such as the Washington Consensus) being implemented without any regard for equity. If climate change is not to exacerbate inequality in the region, new clean development strategies must have equity at their core.

The impact of a changing climate on inequality

An increase in natural disasters is generally attributed to climate change, and emergencies brought about by this cause significant losses for countries in the region.²⁹¹ Such losses are often expressed in macroeconomic terms (as a percentage of GDP, for example). However, what is more significant – yet perennially unreported – is the way in which loss of assets extends down to the poor in affected communities. From a household perspective, greater reporting is needed on the multifaceted shock to a poor individual's welfare following a natural disaster in three areas: impact on an individual or household's physical integrity, assets and income.²⁹²

Extreme weather patterns can cause havoc for small farming communities. For example, an intense Indian summer towards the end of 2011 in Puno, southern Peru, led to widespread damage to quinoa crops, a staple foodstuff for locals.²⁹³ The projected crop area for the season was 30,000 hectares, but due to the intense heat, substantial areas of the crop had not fully germinated. It is not just arable crops that have been impacted. In the same area of Peru, the extreme weather – this time a wave of intense cold – led to the deaths of baby alpacas, whose fine-quality wool is a much sought-after commodity. Snowfall of between 20 and 40 centimetres on higher grounds directly contributed to the low survival rate of the baby alpacas as they were unable to graze.²⁹⁴ Most of the families in the affected communities rear, on average, 20 to 50 alpacas, but these figures were expected to be reduced by 50 per cent. These losses will equate to substantial amounts of annual incomes for these communities, however, this impact is likely to go unnoticed elsewhere.

In October 2011, Central America, and El Salvador in particular, was hit by Tropical Depression 12-E, bringing around 1,500mm of rain in little more than a week. An emergency appeal by the International Federation of Red Cross and Red Crescent Societies (IFRC) reported that the

accompanying flooding and landslides severely affected around 10 per cent of El Salvador's territory.²⁹⁵ The Ministry of Agriculture and Husbandry (*Ministerio de Agricultura y Ganadería*) reported losses of corn crops of more than 54 per cent, and of 33 per cent in the case of bean crops. Agricultural production was affected in 188 municipalities. On the coastal fringe and lowlands, families lost 100 per cent of their subsistence crops, as well as jobs related to agricultural production. There was a loss of some 50 per cent of dairy production, and about 80 per cent of vegetables were lost in Riego de Zapotitlán, one of the main food sources for San Salvador city. Some 27,000 small fishermen and 40 ships for large-scale fishing were directly affected, particularly in four areas of Bajo Lempa. This was a double blow as before this emergency the affected areas had some of the highest rates of malnutrition in the country, particularly Ahuachapán, where 27 per cent of the children have chronic malnutrition.²⁹⁶

The Caribbean is also experiencing increasingly severe weather patterns related to the rise in sea temperatures, which are manifested in fiercer hurricanes, cyclones and typhoons.²⁹⁷ According to the Caribbean Community Climate Change Centre (CCCCC), countries have real cause for concern as: *'the threats posed to the region's development prospects are severe and that adaptation²⁹⁸ will require a sizeable and sustained investment of resources that the region is unable to provide on its own...'*²⁹⁹ The small size of the Caribbean islands and their economies, and the extent to which the main industries of many islands – tourism, fisheries and agriculture – rely directly on natural resources mean natural disasters and other threats to the environment can be devastating for the region. The consequences are not only felt in the environment, they also have sizeable effects on people's economies, livelihood and lives.³⁰⁰

At a conference held by the Inter-American Conference on Social Security (CISS) – entitled Natural Disasters in Latin America: Welfare Impacts and Solutions – in Mexico City in 2010, one of the presentations on Peru found that direct experience of a natural disaster increases the probability that a household is unlikely to escape from poverty. In fact, the probability of being 'always poor' is 21 times the probability of being 'never poor', for a household that experiences a natural disaster.³⁰¹ This is primarily because of the negative impact of the disaster on the agricultural activity of the household, which has a knock-on effect on the level and variability of its income. Such an impact makes it imperative for climate change to be given a more prominent role in the debate on sustainable development. A starting point for this, and a means to better-inform the debate, could be the development of an indicator or framework to help establish more concrete links between climate change and inequality.

The impacts of glacial melt in Peru

According to the Tyndall Centre for Climate Change Research: 'Peru is considered as the third country most vulnerable to the effects of climate change [after Bangladesh and Honduras]',³⁰² This is largely because of the impact of climate change on glacial melt in the country. According to the *Human Development Report 2007/2008*, rising air temperatures are responsible for accelerating the retreat of glaciers, which are crucial for slowly releasing water.³⁰³ The Intergovernmental Panel on Climate Change (IPCC) predicts that based on current levels of greenhouse gas emissions, average global temperatures will rise two to four degrees Celsius in the next several decades.³⁰⁴ In the Andes mountains range, located in the equator, average temperatures have already increased by about 1.8 degrees Fahrenheit (one degree Celsius) in the last 100 years, contributing to the melting of the glaciers.³⁰⁵

The impact of the climate on rapid glacial melt of the tropical Andean glaciers is now widely recognised to be threatening long-term economic and human development.³⁰⁶ This is particularly evident in Peru and Bolivia, which together accommodate more than 90 per cent of the world's tropical glaciers (Peru has more than 71 per cent of the surface area, and Bolivia about 20 per cent).³⁰⁷ In Bolivia, the disappearance of the Chacaltaya glacier, which was located some 20km outside of La Paz in the *cordillera real* mountain range, has become symbolic of the effects of climate change,³⁰⁸ while according to reports, Peru will be the most vulnerable of all South American countries to water stress in the future.³⁰⁹ Some 70 per cent of Peru's power comes from hydroelectricity – so once the flow from glaciers becomes irregular, so will power supply.³¹⁰

The impact of glacial melt will also potentially affect the provision of



Christian Aid/Paula Plaza

A river fed by glacial water in Paras, Ayacucho, in Peru. As a result of climate change, glaciers and snow-capped mountains in Peru are melting at an alarming rate, threatening water supply for thousands of people

drinking water in large cities such as Lima. In response to this threat, at an International Forum on Seawater Desalination held in Lima, in March 2008, former Peruvian President Alan Garcia announced plans to start looking into desalinating water from the Pacific Ocean.³¹¹ British company Biwater has been linked to a desalination project to provide drinking water in Lima for a number of years.³¹² However, desalination would be a highly energy-intensive and expensive response, which could lead to substantial hikes in water tariffs.³¹³

Glacial melt will inevitably affect Peru's overall economic development as well. In recent years, the boom sectors of the Peruvian economy have relied on large volumes of water. For example, non-traditional agro-exports such as artichokes and asparagus require constant irrigation, creating huge demand in the desert coastal strip, which already has a precarious water supply. Similarly, mining exports, which

account for as many as two-thirds of Peru's export revenue, require a high use of water for washing and treating the minerals.

The impact of glacial melt will also directly threaten the livelihoods of thousands of small-scale farmers.³¹⁴ The poorest will be disproportionately affected by glacial melt as they do not have warning systems, emergency plans, infrastructure or financial support to cope with disasters. In addition, thousands of smallholders living in glacier-fed areas are more vulnerable to the increased likelihood of natural disasters due to glacial retreat. Rapid melting of the glaciers can lead to rivers bursting their banks or to the formation of glacial melt-water lakes, which can suddenly burst due to the high volume of large ice chunks collapsing into them.³¹⁵ Moreover, small-scale farmers are already at a disadvantage in terms of access to irrigation and so they will bear the brunt of water shortages in the future.

Low-carbon development in Latin America and the Caribbean

Apart from mitigating and adapting to the direct impacts of climate change, the region will have to reform its economic and energy strategies significantly to ensure it follows a clean development path in future. This is fast becoming a large part of development debates, both globally and regionally. Christian Aid believes that: *'Developed countries need to commit to deliver sufficient financing to developing countries that will be delivered through a special dedicated window under the Green Climate Fund, with democratic and equitable governance, that will enable... developing countries to pursue energy access and sustainable development through a clean development model. This should be a leapfrog fund for low-carbon energy access.'*³¹⁶

But Latin America and the Caribbean's current model is not on the right track. An economic strategy based on extracting natural resources, the expansion of agribusiness, mining, oil and gas and forestry industries, and land concentration in sectors with a whole range of negative environmental impacts is simply not one that is conducive to environmentally friendly, low-carbon economic development. However, there are signs that some countries are moving in a new direction, particularly with regard to the energy sector. The Dominican Republic is one example. To date, the country has relied on costly oil-based electricity generation. This coupled with the country's poorly managed privatisation of electricity supply led to a high frequency of blackouts, expensive electricity costs and broad consumer protests at a poor service.³¹⁷ The Dominican Republic has since set a target to source 25 per cent of its energy use from renewables by 2025, a target supported by a landmark law providing incentives for rapid investment in the sector. Three major new wind farms were scheduled to be operationalised in 2011 as part of the National Energy Commission's plan for the country to reduce its dependence on fossil fuels. In October 2011, the country's first large-scale wind-power project – believed to be the largest so far in the Caribbean – was inaugurated.³¹⁸

Ecuador's Yasuni-ITT (Ishpingo Tambococha Tiputini) Initiative, meanwhile, is perhaps one of the region's most innovative and ambitious approaches to securing a low-carbon future. The idea is that governments, foundations and individuals would pay Ecuador to keep proven oil reserves in the ground in the ITT oil field within the Yasuni National Park and that part of the 'climate finance' funds raised would go to indigenous peoples living there.³¹⁹ This area, which covers a section of Ecuador's Amazon rainforest, is recognised as one of the most biodiverse regions in the world. The Ecuador government believes that non-exploitation of the oil would avoid the release of some

400 million tonnes of carbon dioxide into the atmosphere by preventing deforestation of a significant area of the jungle. Ecuador, which is highly dependent on oil exports to countries such as the US and China, had hoped to raise an initial US\$100m for the Yasuni-ITT initiative by the end of 2011, increasing to a total of US\$3.6bn by 2024. The UNDP has agreed to administer the funds. Although commitments were slow to appear,³²⁰ by the end of 2011, the initiative did meet its initial goal of raising US\$100m before the year's end.³²¹

Other low-carbon development initiatives that have already been piloted in the region include Mexico's 2007 National Strategy on Climate Change, which adopts long-term, non-binding targets. In the energy sector, the strategy aims for a 21 per cent reduction of greenhouse gas emissions over the next six years. Brazil is moving towards energy independence through the expansion of alternative energy sources such as hydroelectricity, ethanol, and biodiesel (see box on p51). Environmentally friendly public transport policies implemented in Curitiba (Brazil) and Bogotá (Colombia) are now being replicated in dozens of cities in the region. Argentina is moving forward with renewable energy in rural areas that provides affordable and reliable electricity to communities and has an impact on productivity and jobs.

Still, consensus is that progress so far is minimal, despite more than two decades of discussions aimed at giving energy efficiency and renewable energy more prominence in the energy policies of Latin American countries.³²² The fact that these issues have not been fully integrated into energy policies reflects a failure on the part of public policy-making and international cooperation to incorporate sustainable patterns of development.³²³

The sustainability of low-carbon plans throughout the region is also dependent on social license (the consent of local communities, following adequate consultation). For example, there is much concern among residents, environmental groups and local and international NGOs about mega-projects, such as the Belo Monte dam in Brazil's Amazon region. They argue that such projects will displace thousands of indigenous people and damage the environment, while the Brazilian government maintains that these projects are necessary to address the country's energy needs.³²⁴ There are certainly unresolved tensions and questions over the sustainability of Brazil's hydroelectric plans.

According to an ECLAC report, a number of factors affect the development of renewable energy and energy efficiency in Latin America and the Caribbean, including *'a lack of political will on the part of Governments, which is often combined with a lack of knowledge, ideology, perceptions or a lack of public support and the predominance of a liberal*

economic doctrine that hampers sustainable development in the energy sector' and 'the market power and dominance wielded by electricity, gas and oil companies'.³²⁵

Low-carbon energy versus biofuels

As global reserves of fossil fuels are depleted, biofuels are increasingly promoted by policy-makers as a clean energy alternative. To an extent, they do offer a cleaner solution to fossil fuel, however greater demand for biofuels is forcing developing countries with large areas of land to use this to cultivate crops for biodiesel such as palm oil, rapeseed, maize or soya. Throughout the developed world, there is a growing appetite to offset greenhouse gas emissions by implementing targets on how much global transport fuel should be sourced from renewable energy by 2020.³²⁶ This has been set at 10 per cent, but would involve using seven per cent of the world's arable lands. Such an increased demand for land would – and already has in many Latin American and Caribbean countries – threaten poor people's rights, as the concentration of land ownership is central to many problems across the region, especially in Colombia, Brazil, Peru, Bolivia and, increasingly, also Central America. It is likely that biofuels production will aggravate problems experienced by poor communities further.

Conclusion

While progress on energy in the region is patchy, there is genuinely little to be optimistic about in terms of the transformation to a clean economic development strategy. It is urgent that there is more regional debate on these issues, particularly in the context of the post-Durban climate negotiations and as a central feature of the Rio+20 United Nations Conference on Sustainable Development (UNCSD), scheduled for June 2012.

Already there seems to be fragmentation on the definition of what a green economy actually is, both between developing and developed nations and within developing countries. It is a source of growing concern among civil society organisations in Latin America and the Caribbean, as illustrated by reactions to the Regional Preparatory Meeting for Rio+20 for government representatives, held in Chile in September 2011. *'The green economy is the new international environmental vogue, but it has lost all vestiges of the concept of sustainable development and has taken another direction,'* stated Maureen Santos, from the Brazilian Federation of Agencies for Social and Educational Assistance (FASE).³²⁷ There are already signs the world is faltering before the real work has even begun.

Latin America and the Caribbean is one of the regions most vulnerable to climate change, which is already affecting the poorest and most vulnerable people across the region. This makes it all the more crucial for climate change to form an increasingly prominent place in the debate on sustainable development. However, more research – based on a framework or specifically developed indicator – is needed to inform this and measure more explicitly the impact of climate change on inequality.

CONCLUSIONS AND RECOMMENDATIONS

'... the task of creating more progressive tax systems in Latin America is difficult. Yet, it is at the same time indispensable... Inequality in Latin America is primarily the result of income concentration at the top. Moving towards more equity will thus require a reduction in the income share of the top decile, something that social services by themselves will not do'³²⁸

Diego Sanchez-Ancochea and Iwan Morgan, Institute for the Study of the Americas

There has undoubtedly been progress in Latin America and the Caribbean, particularly since 2002. This is a significant shift given the many negative impacts of the region's wholesale adoption of neoliberal policies under the Washington Consensus, and there are certainly lessons others can learn from the region. For example, the commitment to increase social spending, successes in expanding primary education, and Brazil's progress on the minimum wage and extensive, well-managed cash transfer programme are all areas to note. More recent highlights include Bolivia's reformulation of its hydrocarbons tax regime, which has provided resources to dedicate to new social protection programmes, while Ecuador's unusual strategies – including its successful debt default, undertaken to facilitate more social spending, as well as its attempts to secure climate finance to forgo oil exploration – are also worthy of more international attention.

However, even with progress, it is clear that inequality – and not only income inequality, but also social exclusion and political marginalisation – is firmly entrenching poverty in the region. There is ample evidence that stark inequality levels are holding back further progress, making the eradication of poverty much more difficult, and denying citizens full enjoyment of their rights and citizenship.

Discrimination on the basis of race and ethnicity is widespread and ethnic groups are demonstrably poorer and more excluded. A particular concern is that we find clear evidence this situation is worsening, with gaps increasing between ethnic and non-ethnic groups in Guatemala, Nicaragua and Peru. The growing trend of land concentration, resulting land conflicts and the general lack of progress with land reform and land regularisation efforts should be a major concern for policy-makers. The tyranny of averages is hiding the fact that in some ways the region is actually regressing.

Christian Aid firmly believes that reducing inequalities is an effective way to accelerate poverty reduction. For too long, policy-makers have propagated the notion that we should primarily focus on growth and take care of inequality later.

We have firmly challenged this view and the research that supports it.³²⁹ More growth is not enough. In highly unequal societies, growth is an inefficient way of dealing with poverty – precisely because it requires significant increases in GDP to lift the poorest out of poverty. This is particularly important in the context of the world's environmental limits. This additional – and critical – factor also obliges us to think much more deeply about the new economic models that the region so desperately needs. These new models, called for by both North and South, must be demonstrably pro-equity and environmentally sound.

First and foremost, inequality is an issue for public policy. It should be the defining issue for governments in the region, in view of which all public policies are designed. The recommendations below call for an overhaul of weak and regressive tax systems, as the region's first priority. This will create the basis for action and allow the necessary expansion in spending to tackle poverty and inequality effectively. Greatly enhanced social spending (with appropriate gender and ethnic biases built in) is needed. As a priority, government spending must also be directed to job creation schemes, regional economic development strategies, territorial cohesion funds and climate change adaptation and mitigation strategies to protect the poor. It is also long overdue for the region to reform its national economic development strategies and to look at what other (fair and green) models might serve society better. In the main, there is no question that money is available to invest in these activities – there is huge wealth in the region. And because the tax systems are so poor and so regressive, there is huge room for improvement to meet these challenges.

Christian Aid also believes that inequality should frame the design of the post-2015 framework successor to the MDGs. We have called on the UK government to engage actively with the UN agencies to ensure inequality – including gender inequality – is at the centre of the post-2015 global framework.³³⁰ This is an issue of critical importance for Latin America and Caribbean governments and they should add their support to this call.

Tax

Governments in Latin America and the Caribbean must act to use the tax system to address the concentration of wealth head on and enable the region to finance its development comprehensively. Measures should include:

- an increase in the tax take, based in particular on a comprehensive overhaul of income and property taxation policy
- publishing all tax exemptions and working towards the removal of discretionary exemptions and incentives
- regional cooperation to work towards tax harmonisation in an effort to challenge tax competition and the race to the bottom
- tackling domestic tax avoidance and tax evasion through increased investment in tax administration – including the registration of citizens with taxpayer identification numbers
- tackling cross-border tax evasion through the development of a regional framework for automatic exchange of tax information, pushing actively in international spheres for a crack-down on financial secrecy and tax havens, and calling for the implementation of corporate transparency measures such as country-by-country reporting.

Budget

Governments in Latin America and the Caribbean must increase social spending to allow for the expansion of vital social programmes and services. Measures should include:

- a re-prioritisation and re-programming of social spending to reflect equity concerns clearly, including commitments to work towards universal social service provision
- a commitment to deliver a high-quality, publicly funded education system, including measures to address the much-neglected public secondary school system in the region
- publicly funded early childhood education
- a full programme of cash transfers to ensure poor families can access all stages of education, from early childhood, through primary, to the completion of a full secondary-stage education at a minimum.

Economic strategy

Governments in Latin America and the Caribbean must urgently tackle the region's need for new 'post-extractive' economic development models. Measures should include:

- adopting job creation as the primary indicator of progress and particularly prioritising the creation of employment in high-productivity, labour-intensive sectors
- re-prioritising support for MSMEs in the rest of the economy and upgrading and improving skills in labour-intensive, low-productivity sectors
- funding youth unemployment strategies, including technical training and youth apprenticeships, particularly in disadvantaged regions
- reformulation of minimum wage policies, bringing minimum wages in line with the household basket of essential goods
- recognising the importance of trade union activities, collective bargaining agreements and protecting freedom of association effectively, including urgent measures to protect union activists from violence.

Land

Governments in Latin America and the Caribbean must urgently tackle the land issue, particularly in countries where land conflicts are growing. Measures should include:

- efforts to reverse the trend of land concentration via the promotion of land titling for poor, rural communities, productive rural development strategies and limitations on the granting of land concessions to extractives and other sectors
- re-prioritisation of support to the development of internal markets and a coherent and comprehensive package of support for smallholder agricultural development
- urgent actions taken to address land conflicts, including efforts to protect communities from harm
- full implementation of ILO Convention 169 to ensure free, prior, informed consultation and consent of indigenous and Afro-descendent communities is guaranteed before concessions are granted and land use is changed
- a commitment to accelerate land reforms and regularisation efforts, including both the necessary budgets and a clear political commitment to move these forward.

Ethnic and racial discrimination

Governments in Latin America and the Caribbean must urgently tackle inequality between ethnic groups. Measures should include:

- the creation of territorial cohesion funds to ensure the poorest regions – and ethnic communities living in them – get the much greater support they need
- a concerted effort to expand welfare programmes aimed at addressing the poverty and inequality of ethnic groups
- a re-prioritisation of spending on basic services to give higher priority to areas where ethnic groups live, including much stronger efforts to provide the tailored services necessary (for example, bilingual education and appropriate health services)
- urgent measures to address the unacceptably high levels of chronic malnutrition among children from ethnic groups, which should be a national priority in Guatemala, Peru, Honduras and Bolivia
- the creation of territorial economic development strategies to benefit the poorest regions and most discriminated-against populations. At a minimum, these should include job training, MSME support and agricultural development programmes
- legislative efforts as well as practical monitoring strategies in labour ministries to stamp out wage discrimination affecting ethnic groups.

Gender

All national development strategies in Latin America and the Caribbean should recognise and address the different development needs of women, girls, men and boys, and take specific measures to include:

- the proper application of quotas to promote women's participation in politics
- legislative efforts as well as practical monitoring strategies in labour ministries to stamp out wage discrimination against women and to ensure proper protection for women in the workplace
- publicly funded childcare to allow poor women to work
- the adoption of a gender-responsive budgeting approach nationally and regionally to ensure gender is systematically taken into account
- gender-sensitive taxation policies
- new strategies to combine conditional cash transfer programmes, with productive support for women to enter the workplace and/or to generate income through self-employment
- publicly funded initiatives to encourage attitudinal and behavioural change in relation to the social norms that reinforce gender inequality.

Climate change

Governments in Latin America and the Caribbean must urgently rise to the challenges presented by climate change. Measures should include:

- urgently reformulating economic development strategies fully to take into account equality, the imperative for a low-carbon future and access to sustainable energy for all
- taking a lead in fair green-economy debates at an international level
- urgent measures to focus on the poor people within each country, who are particularly vulnerable to climate change and desperately need support to adapt their livelihoods and reduce their vulnerability to extreme weather events and loss of livelihoods
- looking towards the post-2015 MDGs and developing sustainability indicators that are able to track climate change and inequality together.

Methods and measures

Governments in Latin America and the Caribbean must adopt mechanisms to ensure that addressing inequality drives public policy in the region. Measures taken should include:

- adapting income inequality measures to include property and other assets
- broadening inequality indexes fully to take into account unsatisfied basic needs
- improving data collection and household surveys, ensuring the disaggregation of statistics according to gender, ethnicity and territories
- creating public records (by name or anonymously) of personal income taxation to enable new research into how much income richer groups have and how much they are contributing through taxation.

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