



PAN AMERICAN HEALTH ORGANIZATION
WORLD HEALTH ORGANIZATION



14th INTER-AMERICAN MEETING, AT THE MINISTERIAL LEVEL, ON HEALTH AND AGRICULTURE

Mexico City, D.F., Mexico, 21–22 April 2005

Provisional Agenda Item 14.1

RIMSA14/19 (Eng.)
30 March 2005
ORIGINAL: SPANISH

FINANCIAL INITIATIVES OF THE INTER-AMERICAN DEVELOPMENT BANK (IDB) IN SUPPORT OF THE MANDATES OF THE SUMMITS OF THE AMERICAS IN RURAL AND SOCIAL DEVELOPMENT

**Mr. Gabriel Montes Llamas
Principal Agricultural Specialist
Inter-American Development Bank (IADB)
Regional Operations Department 1
Environment and Natural Resources Management Division 1 (RE1/EN1) -**

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Summary

1. The Summits of the Americas held in Miami, Santiago, and Quebec, as well as the adoption of the Millennium Development Goals (MDG) in the year 2000, have collectively led to an ambitious agenda for sustainable development, which commits the international cooperation agencies and countries of the Region to sustained efforts to promote international trade, reduce poverty and hunger, increase human capital of the population through education and health promotion, and develop relatively less developed areas, especially rural areas. These efforts should be undertaken within a framework of promoting equity and social inclusion. The Inter-American Development Bank has been committed to achieving these goals since the announcement of the principles set forth in the Eighth Replenishment. However, as a result of the precepts of the Summits and the Millennium Development Goals, the Bank has renewed its efforts to adapt its institutional strategies (Social Development, Rural Development, and Health), and to develop new financial instruments that facilitate access by countries to the necessary financial resources for carrying out the aforementioned agenda.

Mandates of the Summits

2. Through the realization of the successive Summits of the Americas, which took place in Miami (1994), Santiago, Chile (1998), and Québec (2001), and the adoption of the Millennium Development Goals (2000), an agenda for sustainable development and social inclusion has been consolidated in the Hemisphere and worldwide. Establishing clear priorities, the leaders of the Americas and the rest of the world have committed to promoting democracy and human rights; promoting free trade; reducing the number of people in the world who are in extreme poverty and suffering from hunger by half by the year 2015; eliminating discrimination in access to basic services; and promoting sustainable environmental management based on the rational use of natural resources. The mandates of the Summits represent a global commitment of historical proportions that obligate the international community, of which the Inter-American Development Bank and PAHO are a part, to target their efforts to reducing poverty and hunger, promoting education and health as important elements of human capital formation, and developing areas where extreme poverty is concentrated, especially in rural areas and in depressed urban areas.

3. To best take advantage of these international efforts, the developing countries need assistance in policy reform and institutional strengthening; financial resources to increase their infrastructure; and assistance in fulfilling their commitments to meet international standards, especially with respect to compliance with sanitary and phytosanitary standards.

Miami Summit (1994)¹

4. In the final declaration of this summit we find the following principles applicable to our issue: The mandate to *promote free trade without barriers and to establish the Free Trade Area of the Americas (FTAA)*, requires strengthening of the institutions that will facilitate participation by the countries of America and the Caribbean (LAC) in this increased trade flow by strengthening competitiveness and the activities and institutions linked to health and food quality.

5. *Eradicating poverty and discrimination in the Hemisphere* requires efforts to promote programs that will make it possible to generate sustainable growth, with the inclusion of all social sectors, promoting education, health, and the eradication of extreme poverty, hunger, and illiteracy, without distinction of race, ethnicity, or gender.

6. *Guaranteeing sustainable development and conserving our environment for future generations.* The quality of natural resources is one of the fundamental assets of a society in promoting its sustainable development process. Environmental services provided in rural areas yield significant economic benefits that translate into resource conservation, an upsurge in ecotourism, the biotechnology industry, and coal markets.

Santiago Summit (1998)²

7. In the final declaration we see promotion of the following principles:

- a) *Education as the key to progress.* One of the decisive factors in the struggle against poverty is the education of human capital. The Region should increase the levels of education, health, and training to raise the population's standard of living.
- b) *Strengthening Municipal and Regional Administrations.* The existing institutional structure has been insufficient to meet the growing challenges of economic development, especially in the rural sector. For this reason, the strategies should place renewed emphasis on: modernizing the State, developing new policies, encouraging private sector and civil society participation, and especially, on strengthening local governments.
- c) *Strengthening Science and Technology.* There are considerable lags in applying technological innovations to the productive sectors and social services in the Region. This is especially true with regard to using new technologies for

¹ Summit of the Americas. Declaration of Miami, December 1994.

² Second Summit of the Americas. Plan of Action. Santiago, April 1998.

- communications and information, and to applying biotechnology to the livestock sector as well as to human health.
- d) *Developing Open Markets and Microenterprises.* Latin America and the Caribbean need to consolidate and intensify the reforms made to date in the functions of financial markets, in developing new mediation instruments, improving regulatory structures, and developing systems to support rural development and microenterprises.
 - e) *Registering Properties.* Strengthening property rights, especially through an adequate registry system and an up-to-date census, is indispensable for growth and the eradication of poverty in rural and marginalized urban areas. The assurances provided by the legal system facilitate access by the poor to financing, promote investment, and encourage conservation of natural resources.
 - f) *Women and Indigenous Populations.* One of the greatest challenges in Latin America continues to be inequality and inequity. While it is true that access to education, health, and other services has increased, serious inequities persist between the groups with the highest and lowest levels of income, and between urban and rural areas, not only in terms of coverage, but the quality of services. Furthermore, groups excluded on the basis of race, ethnicity, or gender have even greater unmet needs, because of difficulties in access to services and the scarcity of infrastructure to provide services adapted to their particular sociocultural characteristics.
 - g) *Hunger and Malnutrition.* Eradicating poverty in the Region also entails making a substantial effort to eradicate hunger, since malnutrition affects not only health and well-being, but productive capacity as well.

Quebec Summit (2001)³

- 8. Its priorities are linked with the Millennium Development Goals (MDG), and are:
 - a) *Channeling efforts to free the Region from extreme poverty.* This is in line with the Millennium Development Goal of reducing the number of people living in extreme poverty by 50% by the year 2015.
 - b) *A concrete commitment to promoting programs for improving agriculture, rural life, and agribusiness,* which contributes to the poverty reduction and the

³ Summit of the Americas. Final Declaration- Quebec City, April 22, 2001.

improvement of integral development. One of the facts that characterizes extreme poverty in Latin America and the world is its overwhelmingly rural nature. The agricultural sector is absolutely essential to the development prospects of many of the countries of the Region. Reducing poverty and eradicating hunger require focusing on improving the productive and economic performance of the poor in rural areas, and on empowering them to boost agricultural productivity and raise their level of income. Social services in rural areas will not be sustainable if important investments in productive activities are not made.⁴

- c) *Emphasis on good health and equal access to medical services is critical to human development and to achieving political, economic and social objectives. Reducing equity gaps and increasing social inclusion in health together create the basic conditions necessary for improving the health status of the poorest people. Health is a building block of human capital, and an increase in health care services and access to those services by the general population make a vital contribution to sustainable economic and social development.*⁵

Reducing Poverty and Hunger⁶

Reducing poverty

9. As expressed in the MDG, the objective is to reduce the proportion of people with income under US\$1 per day by half between 1990 and 2015, and to reduce the proportion of people suffering from hunger by half.

10. Poverty in the Region is closely linked to low levels of education and health, and its incidence is more acute in rural areas. The incidence of poverty in people who have only a primary school education is eight times higher than that of those who have a secondary school education. Poverty is even more acute in rural areas, where it is double that of urban areas (59% versus 26%). Children bear the greatest brunt of poverty: 44% of them are poor, versus 28% of adults. The situation of single mothers, who head most of the families in poor households, is of particular concern.

⁴ FIDA: Alcanzar los Objetivos de Desarrollo del Milenio, dando a los pobres rurales la oportunidad de salir de la pobreza. [Fulfilling the Millennium Development Goals, giving the rural poor an opportunity to get out of poverty]. Rome. February 2003.

⁵ BID Perfil de la Estrategia de Salud [IDB. Profile of Health Strategy] Document GN-2321. Washington, D.C. July 2004.

⁶ BID – Los objetivos de desarrollo del Milenio en América Latina y el Caribe: retos, acciones, y compromisos [The Millennium Development Goals in Latin America and the Caribbean: Challenges, Actions, and Commitments]

11. In order to reduce poverty, productive opportunities for the poor and for excluded groups must be increased; the access of these groups to physical and social infrastructure must be expanded; inequalities in the distribution of assets must be addressed; and the problems that continue to marginalize certain ethnic and social groups must be resolved. Support is needed for actions that: increase economic opportunities for, and the productivity of, the poor; support institutions that promote inclusion of the poor; and promote activities that eliminate the structural inequalities affecting human capital, especially in health and education.

12. Between 1995 and 2002, the Bank's loans for poverty reduction and equity promotion amounted to \$22 billion, almost 46% of its total loans. If this trend persists between 2003 and 2015, the figure would be \$38 billion. Loans for investments targeted to poverty reduction (a subset of the foregoing) stood at \$15 billion, and if that trend persists between 2003 and 2015, the figure would reach \$24 billion.

13. In its strategy in support of poverty reduction, the Bank has used innovative techniques such as social investment funds (SIF), which began in Bolivia and have now been duplicated in every country in the Region; programs geared to training low-income youth in Chile, the Dominican Republic, Guatemala, Mexico, Panama, and Peru; and conditional cash transfer programs (CCTs) that promote investment in human capital through nutrition, school attendance, and health, like PROGRESA in Mexico, followed by others in Colombia, Brazil, Honduras, Jamaica, and Nicaragua. Furthermore, the Bank has financed programs for improving the nutrition and health of the poorest in the Region, which include financing the recurrent costs of primary medical care for the poor.

Eradicating Hunger

14. It is estimated that nearly 54 million people in Latin America suffer from hunger, and that the rate of malnutrition ranges from 5% in high-income countries to almost 30% in low-income countries.

15. The Bank finances agricultural development programs that have a dual purpose, to support the target population and to improve food quality. In Central America, the IDB has supported a series of programs aimed at boosting the productive capacity of small farmers--for example, PROCAMPO in Mexico and the Sustainable Agricultural Development Program in Costa Rica. In Guatemala, Nicaragua, Honduras, and Panama the Bank is supporting natural resources management programs in basin areas, in order to increase earnings and protect natural resources.

Social Development⁷

16. On the subject of social development, the Region has made average progress in meeting the Millennium Development Goals, such of primary education coverage and gender equality in education. However, marked inequality persists among countries. In addition, relatively little progress has been made in reducing maternal mortality and in secondary education. During the 1990s, governments increased the proportion of expenditures on social programs. However, the uneven progress is attributable to persistent poverty and inequality; weaknesses in the implementation of social programs for education, health, and housing; the influence of factors such as social exclusion based on ethnicity or gender; and the exclusion of certain regions.

17. Based on lessons learned by the Bank in past decades, the social development strategy proposes four areas of action: (i) adapting reforms in education, health and housing to the characteristics of each country and region; (ii) implementing a human development agenda throughout the life cycle; (iii) promoting social inclusion; and (iv) delivering services with an integrated approach at the local level.

18. With regard to health, the Bank has proposed the gradual implementation of reforms in accordance with each country profile, and emphasis on attaining the MDGs. The countries will be assisted in boosting the efficiency with which resources are invested; reducing the gap between rich and poor; promoting community health systems with decentralized services; reducing problems with human resources, infrastructure, and provisioning; and securing a better balance between prevention and control.

19. In education, the Bank will assist countries in attaining the MDGs in the areas of primary education and meeting the goal of the Summits of the Americas to achieve coverage rates of 75% in secondary education. All this is to be achieved while emphasizing two goals: equity in access and quality in education. On a parallel track, the Bank will assist countries in improving low-income housing conditions by promoting effective resource utilization.

20. The Bank will promote the inclusion of all individuals in its programs, regardless of age, gender, ethnicity, or immigration status. In addition, the countries will be aided in overcoming “social” diseases such as child labor, AIDS, and social and domestic violence. Services should be provided in an integrated manner and with an emphasis on local governments. Poverty is usually concentrated in low-income areas of cities or in rural municipalities.

⁷ BID-SDS. Social Development: Strategy Document- Washington, D.C.-August 2003.

21. Between 1994 and 2001 loans in the social sector (education, health, sanitation, housing and urban development, and social investment loans) accounted for 39% of the total volume of loans, and 37% of the Bank's operations. If we add to this other operations promoting equity and poverty reduction, the Bank surpassed the goals established in the Eighth Replenishment to devote 40% of the volume of loans to operations focused on reducing poverty, promoting equity, and addressing social needs. Recent operations emphasize support for a wide range of reforms in health, education, and housing; projects for social protection, child and youth development, neighborhood improvements, and promoting social peace. In a wide variety of countries social investment funds (SIFs) have been used, as these have become effective implementation mechanisms with simplified procurement policies, prompt disbursements, and concrete and measurable results. During this period, almost \$400 million in grants were approved, the majority of them focused on the development of children, youth, and women. Real progress has been made in integrating the themes of gender and indigenous peoples into Bank operations (nearly 28% of the Bank's operations employ the gender perspective, and 10% address indigenous population concerns).

Rural Development and Health in Agriculture

Rural Development

22. The objectives in the Millennium Development Goals that relate most directly to the rural sector are the eradication of extreme poverty and hunger. Indirectly, other important goals are to achieve universal primary school education and promote health by reducing infant mortality and improving maternal health. Latin America and the Caribbean have not made sufficient progress in eradicating extreme poverty. Renewed efforts in rural development are needed to make moderate advances towards achieving this goal, because of the intimate relationship between the rural sector and poverty in the Region. The incidence of poverty tends to be higher in countries where the agricultural sector accounts for a larger proportion of total GDP, or a larger proportion of the population lives in rural areas.

23. Developing the rural sector plays an important role in the overall attainment of the Millennium Development Goals and in tackling the challenges established by the various Summits of the Americas. Investments that boost the productivity and competitiveness of the rural sector result in higher rural income, which translates into: less poverty overall; modern and profitable agriculture, which is indicative of greater rural development; and better access by poor children to education. Given the high participation of women in agriculture, improving conditions in this sector will contribute significantly to gender equality; furthermore, an adequate food supply leads to better nutrition and lower maternal and child mortality. Accordingly, greater investment in the rural sector, especially when concentrated on the most important public goods (and not on production

subsidies) contributes significantly to attaining goals on the international development agenda (both the Millennium Development and Summit goals).

24. The Inter-American Development Bank has been working on a new Rural Development Strategy that stresses the territorial, multisectoral, and heterogeneous nature of rural development.⁸ The strategy broadens the concept of “rural” beyond agriculture; expands the scope of projects; bases poverty reduction strategies on the heterogeneity of the rural population; attempts to coherently link rural development with sound macroeconomic principles; and places renewed emphasis on institutional development, State modernization, and sustainable management of natural resources. Rural development is viewed as a simultaneous process of productive transformation, organizational change, and social development within a particular rural area. The local approach to rural development emphasizes urban-rural ties and complements traditional programs in health, research, and land titling, which up to now have been promoted through specific programs in each locality.

25. The actions to be promoted come under the framework of the IDB’s overall strategy on competitiveness, the environment, social development, State modernization, and regional integration.

26. With regard to competitiveness, support would be given to programs for: policy reform; strengthening of entrepreneurship; and modernization of services (information technology and health), factor markets (land and water), rural financial markets, and basic infrastructure (irrigation and rural roads).

27. With regard to social development, support would be given to programs for the resource transfer, rural pensions, health, education, nutrition, housing, and labor markets in rural areas.

28. With regard to environmental programs, support would be given to programs that strengthen regulatory frameworks and the capacity to apply them; boost the capacity of farmers and tree growers to employ environmentally sustainable practices; and strengthen the markets for environmental services.

29. With regard to State modernization, support would be given to programs for modernizing public sector in agriculture (Ministries of Agriculture and Rural Development, Public Health and Food Safety Institutes, Research etc.); reviewing and strengthening capacity of local governments; and improving national and regional technical capacity for managing regional public resources.

⁸ IDB. Department of Sustainable Development – Draft Rural Development Strategy - February 2005

30. During the 1990s, the proportion of Bank resources that were used for agricultural loans ranged from 4% to 5%. Between 1990 and 2001, the Bank approved 123 operations centered on the rural sector, with a value of US\$ 6.4 billion, 31% of which were devoted to poverty reduction programs, 30% to sectoral programs, 17% to modernization of services, 16% to rural roads, and 3% to land administration. The areas chosen have been consistent with the goals of the strategy to reduce poverty and boost the competitiveness of the rural sector. With regard to the modernization of services, priority has been given to research and health services. With regard to research, importance is given to financing research through competitive funds, and with regard to health and quality, importance has been given to the modernization and strengthening of institutional capacity. During the 1990s, there was less support from the Bank for projects for irrigation infrastructure and rural financing.⁹

31. Sectoral loans fall within the category of loans that are based on policy reforms related to price and market liberalization, open markets, land markets, and support to strengthen governmental agencies and basic services. Sectoral loans were more successful in liberalizing prices and markets, yet less successful bringing about institutional reforms. Sectoral loans were made in Ecuador, Mexico, Honduras, Jamaica, Nicaragua, Suriname, Guyana, and Trinidad and Tobago.

32. The main purposes of loans made for land administration have been to modernize the census and registry processes and to help boost the operational efficiency of land markets. Ten projects totaling \$195.8 million were approved in the 1990s. These projects make it possible for producers to become a part of the rural markets; however, additional assistance is needed to improve access to credit and technology.

33. In terms of rural roads, 16 projects valued at \$798 million were approved (Peru, Paraguay El Salvador). With regard to agricultural services, mainly projects for technology and some for health, 17 projects were approved between 1990 and 2002, for a total of \$713.9 million. The emphasis in these projects has shifted from investments in capital goods and training to direct funding of research, and to agricultural extension services through competitive funds that emphasize private sector participation and the outsourcing of services. FONTAGRO is an example of one of these competitive facilities, which finances research projects at the regional level. With regard to health, there have been a number of loans made in Peru, Ecuador, Jamaica, Bolivia, Argentina, and numerous multilateral investment funds (MIFs) and technical assistance loans.

34. Between 1995 and 2001, the Bank approved approximately 33 rural projects focused on poverty (Poverty Targeted Investments, or PTIs) totally \$1.967 billion, nearly 4% of the Bank's total financing resources for that period, and nearly 20% of the PTIs

⁹ BID- Office of Evaluation and Oversight- Evaluation of the IDB's Program in the Agriculture Sector (1990-2001)-Washington DC , December 2003.

across all sectors. These loans were made in 16 countries: three projects in Peru, and two each in Bolivia, Brazil and Mexico. These PTIs cover the agricultural sector (25%), water and sanitation, and rural roads.

Health and Food Quality¹⁰

35. The constant growth of international trade and the trend toward the gradual reduction of tariffs reveal how critical it is to strengthen institutions responsible for plant and animal health and food quality control systems. According to a report issued by the World Trade Organization (WTO),¹¹ between 1995 and 2003 the various countries filed 183 cases related to trade issues connected with the application of the Sanitary and Phytosanitary Measures Agreement (Animal Health, Plant Health and Safety). Of these cases, 29% involved plant health, 41% animal health, 27% safety, and 3% other matters. The largest number of cases involved animal health, with the highest proportion related to mad cow disease (BSE), and the second highest to foot-and-mouth disease. In addition, the developing countries, especially those of MERCOSUR, were quite active in filing cases.

36. Between 1963 and 2003 the Bank financed nearly \$600 million in operations related to services for animal and plant health and quality. Examples of recent operations include \$125 million in support for “Provincial Agricultural Services” in Argentina in 1995, and \$41 million for the Agricultural Services Project in that same country in 1991; an Agricultural Services Program for \$34 million was approved for Bolivia in 2000; in Chile the last loan approved was for \$18 million in 1992 for Modernization and Improvement of the Agricultural Sector; in Uruguay, \$19 million was approved in 1998 for the Agricultural Services Program; in Central America, recent operations have been approved in Belize (1999), El Salvador (2001), Guatemala (1998), Honduras (2000), Nicaragua (2003), Panama (1996), and the Dominican Republic (2002). In the Andean Region, programs were approved in Ecuador, “Modernization of Agricultural Services” (1995), and Peru, “Health in Agriculture Program” (1997); a program was also approved for Jamaica in the English-speaking Caribbean, “*Agricultural Support Services*” (2000). The operation that is about to be concluded in Peru was particularly successful, in that it contributed to institutional strengthening of SENASA. It began with good results in fruit fly eradication efforts on the Peruvian coast, produced successful results in the campaign to free vast areas of the country of foot-and-mouth disease, and conducted campaigns against bovine tuberculosis, bovine and goat brucellosis, and scabies in camelids. These programs could serve as models for other countries working with small producers.

¹⁰ Elizabeth Ortega: Participación del BID en el tema de Sanidad y Calidad Alimentaria [IDB Participation in the Area of Health and Food Quality]- RE1/EN1- August 2004

¹¹ The Development Challenge in Trade: Sanitary and Phytosanitary Standards, submission by the World Bank –July 2000.

37. The Bank has also approved numerous technical cooperation programs, and several programs recently with MIF for promoting private participation in the areas of health and quality (Ecuador). As part the “Project Cluster” in the area of “Facilitating Trade and International Investments,” the MIF has approved several projects with activities related to agricultural health and quality, such as the one approved in the context of the “Puebla-Panama Plan (PPP);” Support for Agricultural Trade through Application of the Agreement on Sanitary and Phytosanitary Measures;” and other similar projects in the context of the Andean, MERCOSUR, and CARICOM areas.

38. Preparation of the second stage of the program in Peru, which concentrates on eradicating the fruit fly, is currently under way; as is a Rural Development and Health in Agriculture Program in Ecuador; and a second stage or expansion of the PROSAP program is about to begin in Argentina, with investments in health and quality.

Health Sector Strategy¹²

39. The Bank’s objective is to support the LAC countries in: (i) improving their population’s health through the attainment of the MDGs, as adapted to the characteristics of each country; (ii) reducing equity gaps in health status, with high priority placed on promoting access to health services by the poorest and most excluded in society. The Bank’s emphasis on health programs stems from the Eighth Replenishment, with the subsequent addition of the MDG, in matters related to communicable diseases, maternal and child mortality, reduction of malnutrition, and access to safe drinking water. The health strategy is consistent with the Bank’s transversal strategy for promoting sustainable growth and social equity through its specific strategies of State modernization, social development, competitiveness, and economic integration.

40. Analysis of the health sector in Latin America and the Caribbean shows that despite greater health expenditure than in other regions, poorer results are achieved, reflecting a serious efficiency problem in resource allocation. However, during the last decade there were some improvements in several key indicators: infant mortality was reduced from 39 to 29 per 1,000; the percentage of births attended by professionals increased from 78% to 86%; the percentage of children under 1 year who received the complete vaccination cycle increased from 79% to 90%; and life expectancy at birth rose from 68 to 70 years. There are also other indicators that reveal problems in a specific group of countries: maternal mortality is high (nearly 190 per 100,000 live births); the incidence of tuberculosis increased from 196 to 221 cases per 100,000 population; malaria cases doubled from almost 500,000 to 1 million; and the incidence of AIDS increased. Urban areas are afflicted with the problems of domestic and social violence, alcoholism, traffic accidents, obesity, environmental pollution, and lack of adequate

¹² IADB-Profile of Health Sector Strategy - Document GN-2321- Washington DC July 2004.

water supply and sewerage systems. Mortality from external causes stood at 136 per 100,000 in men, and at 33 per 100,000 in women.

41. The greatest problems are still access by the poorest groups and poor quality services. From the standpoint of the Bank's activities, between 1992 and 2001 nearly 29 loans totaling \$1.7 billion were approved in the sector, which represents significant expansion compared to the 10 loans and \$400 million approved between 1982 and 1991. Loans were made for health infrastructure, sectoral reform, human resources education, and primary health care, and nutrition, vaccination, programs to fight communicable diseases such as dengue, Chagas' disease, and AIDS.

42. The Health Strategy recommends adjustment of the Bank's activities to: (i) link reforms more closely with fulfillment of national health objectives; (ii) achieve more efficient institutions and participatory processes; (iii) develop a stronger intersectoral approach; (iv) adopt a life cycle approach to better address the issue of transition between different stages; and (v) promote efficiency and equity, and preserve the level of health expenditures in times of fiscal constraint.

43. There are examples of projects like Basic Nutrition Program in Guyana (\$6.4 million), whose objective is to improve nutrition among needy populations. The program includes the transfer of resources (food) to mothers who bring their children to the Health Service for check-ups; and another program for reducing anemia includes supplying nutritional supplements to mothers, pregnant women, and children at risk. Another example is the Primary Health Care Reform Program in Paraguay, for \$39 million, whose objective is to implement a National Plan for Health Promotion and Disease Prevention to Promote Maternal and Child Health. In Peru, the Bank finances a Health Sector Development/Maternal and Child Insurance program for \$125 million, and in Nicaragua the Bank is financing the Integrated Management of Childhood Illness Program II for \$27.8 million.

44. The health sector reform projects supported by the Bank also contribute to achieving these goals indirectly. In the year 2000 loans of this type were approved for Bolivia and Brazil.

Water and Sanitation in Latin America and the Caribbean (LAC)¹³

45. It is estimated that 7% of the inhabitants of LAC do not have access to clean water; 60% of urban and rural dwellings with water connections do not have continuous water; and 13% of the urban population does not have access to health services. In

¹³ Christof Kuechemann: Agua y saneamiento: El BID y los Objetivos de Desarrollo del Milenio [Water and Health: The IDB and the Millennium Development Goals]. BID/SDS

general, in order to attain the MDGs, access to services must be increased by 33% between now and 2015.

46. The principal challenges are: (i) the growing urbanization; (ii) institutional modernization being still in its early stages; (iii) the need for public policies that promote efficiency; and (iv) ensuring that the supply of services meets the demand for them.

47. The strategy of the Bank focuses on: (i) financing investments for rehabilitation and expansion of systems; (ii) supporting operations designed to achieve commercial sustainability; (iii) seeking economies of scale, private sector participation, and the development of adequate regulatory frameworks, a modern legal environment, and appropriate sectoral policies.

48. Current IDB operations in the drinking water sector total \$3.8 million, \$2.7 million of which are concentrated in large loans in Argentina, Brazil and Mexico. With regard to technical cooperation, there are currently 30 active operations, totaling \$20 million, concentrated in support for strengthening the institutional capacity of suppliers, regulatory reform processes, and developing regulatory frameworks.

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