

Infographic

Inequality

in Mexico, Central America
and the Caribbean:

gap analysis and
recommendations



UNITED NATIONS

ECLAC



IFAD

Investing in rural people



NEW
NARRATIVES

This infographic is based on the book *Inequality in Mexico, Central America and the Caribbean: gap analysis and recommendations*

Structural gaps and the project "New narratives for rural transformation in Latin America and the Caribbean"

The technical cooperation project "New narratives for rural transformation in Latin America and the Caribbean" is implemented by the Subregional Headquarters of the Economic Commission for Latin America and the Caribbean (ECLAC) in Mexico, with financial support from the International Fund for Agricultural Development (IFAD). The IFAD-ECLAC project analyzes the "new rurality" and studies structural gaps to reduce rural poverty and inequality and to promote structural transformation in the region's middle-income countries.

Ten years of collaboration, timeline

This initiative is being developed in continuity with three other recent IFAD-ECLAC collaborations..



Pillars of the New Narratives

New Rurality

To understand the implications of the recent transformation of rural spaces in Latin America and the Caribbean for the design of public policies.

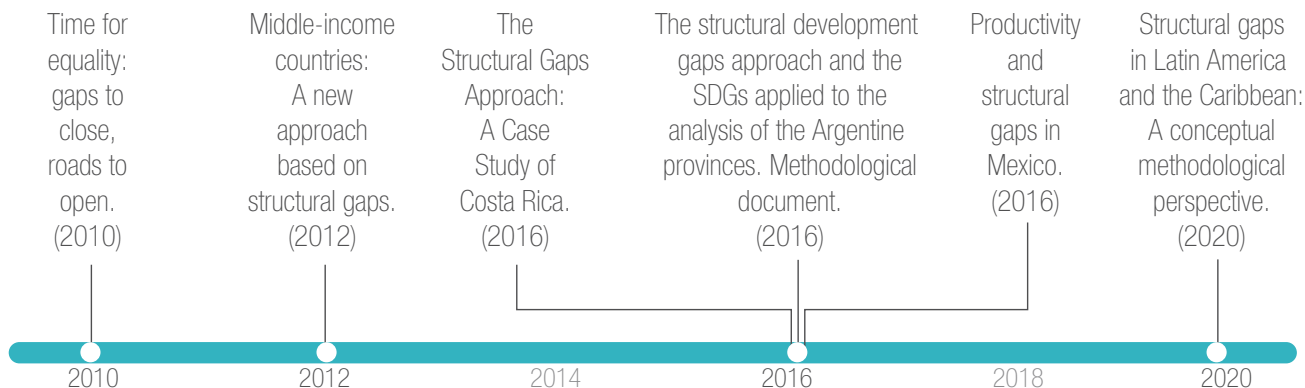
Structural Gaps

Structural Gaps are the different broad and persistent expressions of inequality in different social, economic and territorial areas.

Definition of Structural Gaps

Structural gaps are defined as the obstacles that countries face in achieving their development. They can be of two types: productive lags, which must be overcome through innovation and investment, and, fundamentally, social lags.

The concept of structural gaps in ECLAC: key documents



Major structural gaps in the region

The document "Middle-income countries: a structural gap approach" identifies eleven types of structural gaps (ECLAC, 2012):

- 1 Per capita income
- 2 Inequality
- 3 Poverty
- 4 Investment and savings
- 5 Productivity and innovation
- 6 Infrastructure
- 7 Education
- 8 Health
- 9 Taxation
- 10 Gender
- 11 Environment

Three structural gaps hinder human development in the subregion countries:



Gap associated with the international economic and social order, designed for the benefit of hegemonic countries.



Gap associated with the subordinate role countries of the subregion and rural areas play in global production chains.

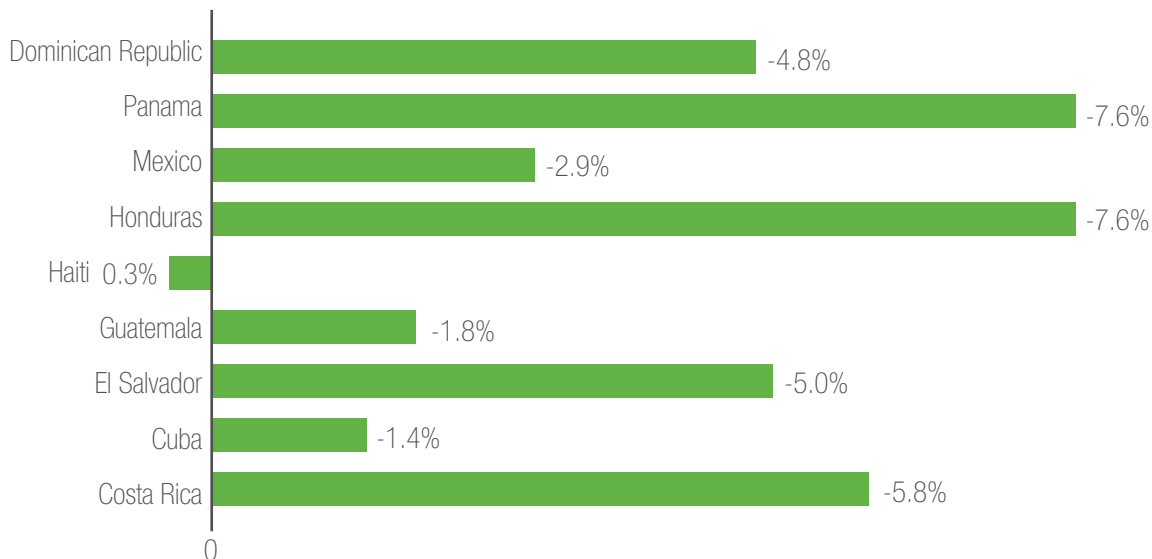


Gap associated with governance and the concentration of power in the economic elites.

The comparison of gross domestic product (GDP) with national income helps to understand how the international economic and social order benefits hegemonic countries as this affects various gaps. In highly developed countries, national income is greater than the value generated in their country, since they obtain significant resources from abroad. On the other hand, in less developed countries, national income is lower than GDP.

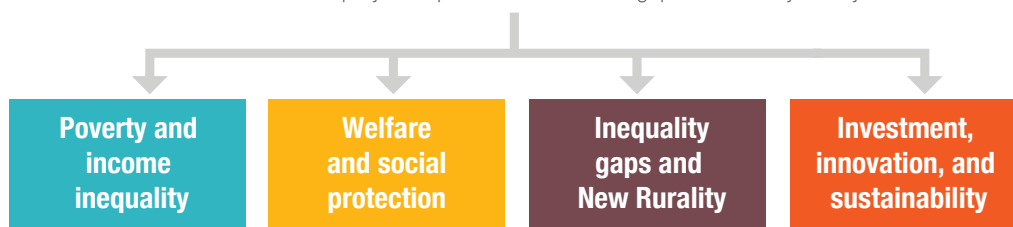
Subregion Countries: ratio of national income to gross domestic product, 2019

(Percentages)



Structural gaps: major subjects

The New Narratives project explored the structural gaps in four major subjects:



Poverty and income inequality

The analysis of poverty gaps and inequality is fundamental to understanding the socioeconomic situation of a society and design effective policies to address these problems. However, there are challenges in accurately measuring poverty and inequality, as well as in selecting the most appropriate methodologies. The project addressed structural poverty and inequality gaps under various measurement approaches as shown in the examples below.

Structural poverty gap under a rights-based approach

In order to advance in the development of poverty measurements with a rights-based approach, a conceptualization and measurement of poverty under this perspective in the region was proposed.

Eight rights were identified whose violation constitutes poverty



Adjusted headcount ratio

The adjusted headcount ratio indicates the path that a given society must take to completely eradicate poverty. It is expressed as the quotient of the total number of deprivations experienced by people in multidimensional poverty divided by the number of deprivations that could be experienced by the study population considering the extreme situation where all people were poor and suffered all the deprivations included in the measurement.



Adjustment to the measurement of income distribution using the system of national accounts

Methodologies have been proposed to adjust the income distribution by considering the system of National Accounts, so that it is possible to analyze inequalities with greater precision. The findings show that, when adjusting for income not reported in the surveys, inequality increases, which could be verified by adjusting the Gini index.

GINI of National Income* (Market)

	Costa Rica, 2018		El Salvador 2019		Guatemala, 2019	
	w/o adjustment	w/adjustment	w/o adjustment	w/adjustment	w/o adjustment	w/adjustment
Households	0.524	0.606	0.434	0.622	0.472	0.631

* Taxes and public or private transfers are not included.

Welfare and social protection

Demographic change in the subregion, as well as population aging, migration and other demographic factors, can have a significant impact on inequality gaps. These gaps may be expressed in terms of access to such services as social security, healthcare, education and other basic services. The project conducted an in-depth analysis of these gaps, exploring strategies to effectively address them.



In particular, special attention was paid to inequality gaps in social protection. This involved analyzing how some population groups may face greater difficulties in accessing technical programs and social protection services, which in turn may perpetuate inequality, as shown in the examples below.

Demographic change and social protection gaps

Demographic change in Central America, Mexico and the Hispanic Caribbean, with emphasis on aging, is addressed for social protection systems. The importance of addressing social protection gaps lies in their manifestation in terms of insufficient coverage, inadequate benefits or lack of accessibility, which prevents progress towards universal protection for all.

Age structure of the population by sex in the Subregion (10 countries)

(Millions of people)

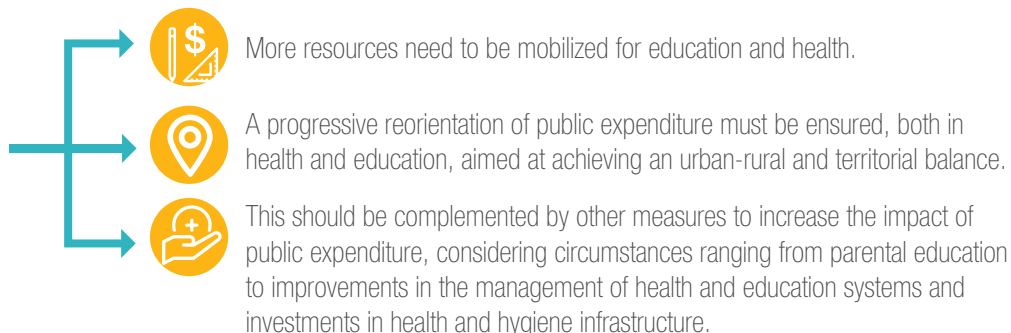
■ Men ■ Women



Public expenditure on health and education

Public expenditure can and should contribute to increasing the coverage and quality of health and education services, but its impact is conditioned by a wide range of variables. The incidence of structural gaps and intermediate variables of diverse depth mean that it is not correct to establish a mechanical causal relationship between public expenditure and health and education outcomes.

The most important implications of this study are threefold:



Well-being gaps in Mexico, compared to Argentina, Costa Rica and Panama

The core problem of the welfare gaps approach is the distance between a country's per capita income and its level of access to and guarantee of fundamental social rights. Based on the analysis, a series of public policy recommendations are proposed for the Mexican context with the aim of making progress in closing the identified gaps.



Economic growth gaps

Mexico experienced the slowest annual per capita GDP growth rate between 1990-2000.



Income distribution gaps

In all 4 countries there was a slight reduction in income inequality between 2002 and 2019.



Employment gaps

Mexico maintains the highest levels of population employed in the informal sector from 2000 to 2018.



Wage gaps

Mexico's wage share of GDP was lower than that of the other three countries.



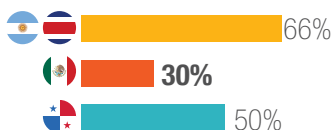
Tax and social expenditure gaps

Mexico collected between 0% and 0.5% of GDP between 1990-2018, was lower than the other countries.



Social protection gaps

Women's pension system



Education gaps

The population between 7 and 24 years of age shows lower school attendance levels in Mexico.



Poverty and extreme poverty gaps

In Costa Rica, Mexico and Panama, the total poverty rate decreased between 2014 and 2019, as it grew in Argentina.



Care gaps

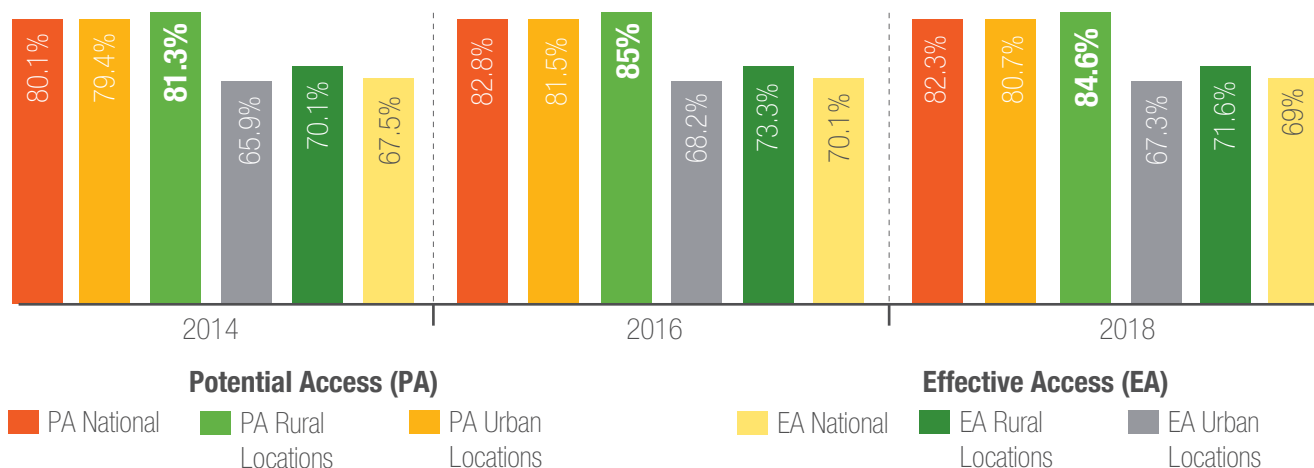
Costa Rica and Mexico show greater gender inequality against women than Argentina.

Health access gaps in Mexico

A methodological framework is proposed to study health access gaps in rural localities, with the construction of three baseline indicators: potential access, effective access and effective and quality access to health in rural localities compared to urban ones.

Difference in potential and effective access to health, 2014-2018

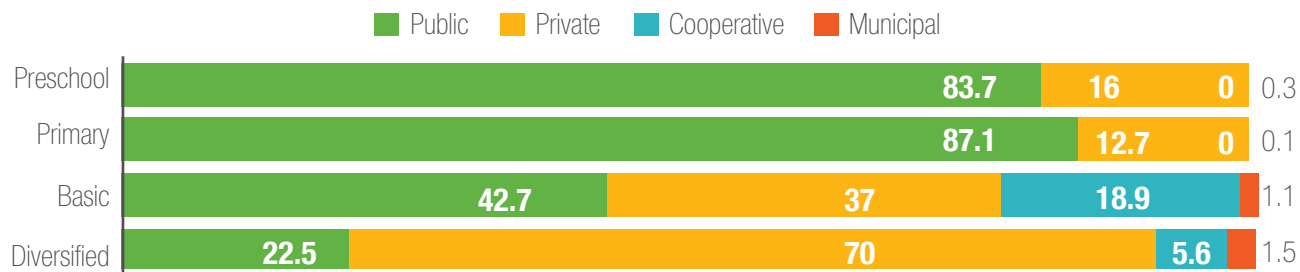
Despite progress in potential access for rural sectors, and after 20 years of economic reforms and new social policies aimed especially at the poor due particularly to Seguro Popular, there are still very wide gaps compared with effective universal access, which increase when considering the quality of health care.



Gaps in access and quality of education in Guatemala

Apart from primary education, access gaps are significantly high, as well as quality gaps that mainly affect rural populations.

Enrollment by level of education, by sector 2020



Inequality gaps and New Rurality

The new rurality refers to the transformation of rural areas, where significant changes are taking place in economic, social, demographic and environmental terms. These changes pose challenges for the study and analysis of inequality in rural spaces, as the dynamics are different from those in urban environments.

Agriculture for a new rurality: Chihuahua

A study of the specific type of rurality taking place in Chihuahua in northern Mexico was carried out by quantitatively and qualitatively analyzing the productive, economic and technological gaps.



In the last 20 years, the rural environment has been transformed:

It is the largest state and the **fifth largest agricultural economy in the country**



Agricultural expansion with the opening of land to irrigation with wells in the desert



Crops such as: yellow corn, cotton, walnuts, apples



Milk, beef and live cattle production

Other circumstances have emerged:



Migration to the United States



Increase in the remittances sent from the USA



Penetration of organized crime



Mining and tourist companies



Climate change

In the agricultural subsector the state of Chihuahua shows great dynamism:

13.7% was the **national annual average growth** from 2009 to 2018

16.8% was the **average annual growth** of the subsector in Chihuahua during the same term



Access to Clean Fuels and Technologies for Food Cooking in Guatemala and Honduras

Guatemala and Honduras are among the countries in Latin America and the Caribbean with the highest levels of poverty and the lowest proportion of the population dependent on clean fuel technologies and the highest use of firewood. Available estimates and statistics show that a large part of the population, particularly in rural areas, uses firewood as the main cooking fuel.

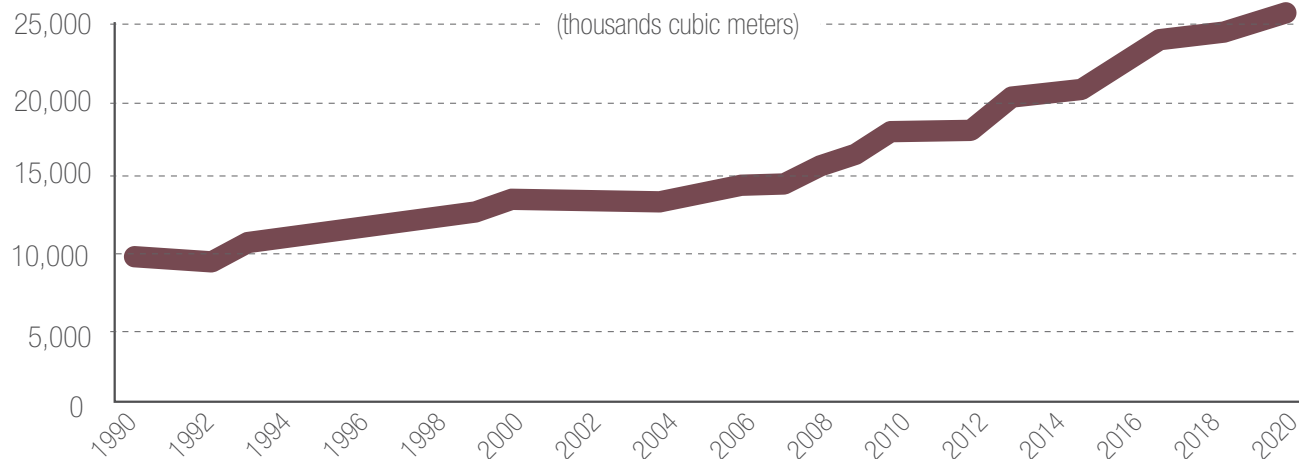


According to WHO, air pollution caused by open fires and stoves located in poorly ventilated spaces and fueled by firewood or charcoal is responsible for hundreds of thousands of deaths around the world (WHO, 2018).



Guatemala

Estimates of household firewood consumption, 1990-2020



Given that in the short and medium term it is difficult for all households to switch to electricity, LP gas or both, strategies to adopt improved biomass cooking stoves and reduce firewood consumption and emissions of particulate pollutants should be promoted.

Investment, innovation and sustainability gaps

The project also explored how inequality gaps can constrain key development issues such as investment, innovation and sustainability, presenting strategies and practical lessons to address these challenges, as can be seen in the examples below.

Innovation gaps in coffee growing MSMEs in El Salvador and Guatemala

The coffee production chain in El Salvador and Guatemala shows that the developing countries concentrate their production strategies on the agricultural production link that generates the least amount of added value. These dynamics result in a practically null participation of Micro, Small and Medium Enterprises (MSMEs) of the producing countries in the post-production links and, therefore, less appropriation of added value compared to transnational companies and importing countries.

Indicator for innovation

An indicator composed of eight dimensions was developed to determine the capacity of coffee growing MSMEs to take advantage of innovation as a tool for scaling up to the marketing link.

The eight dimensions analyzed are:

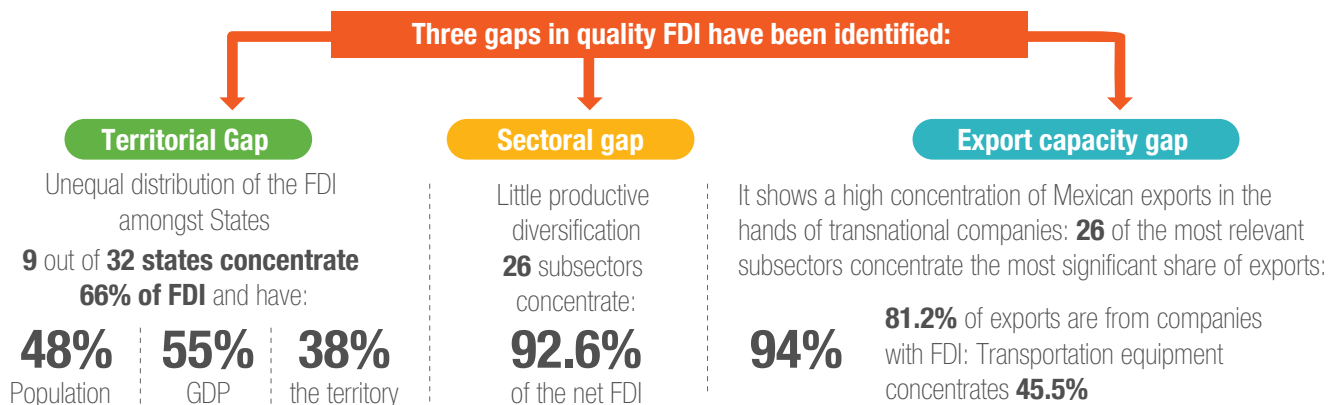
Dimensión	Description
1 Access to markets	Ability of the productive unit to link with international markets
2 Legal aspects	National and international regulations and legal aspects that condition commercialization
3 Diversification	Scale up to new links in the chain or link up with other industries.
4 Financing and access to capital	Financial services and products for production, innovation and risk management
5 Institutionalality and associativity	Strengthening of support institutions and the strategy to promote coffee production
6 Production	Production practices to ensure grain productivity, sustainability and quality
7 Sustainability and social responsibility	National and international production and marketing standards
8 Information and communication technologies	Leveraging technology for production and commercialization

Gaps in quality foreign direct investment in Mexico

A set of indicators was proposed to measure the quality of foreign direct investment in Mexico. Investment gaps are linked to the concept of structural heterogeneity, to the coexistence of polarizations between spaces, social groups and advanced and modern economic activities, on the one hand, and backward, marginalized and dependent ones, on the other.

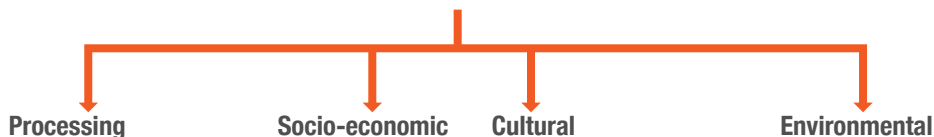
Quality Foreign Direct Investment (FDI)

It consists of the ability of investment flows to increase employment, improve capabilities and boost the competitiveness of local firms, and to achieve spillover effects in the areas of information, technology and training from foreign affiliates to domestic affiliates.



Sustainability gaps in the Dominican Republic's tourism poles

The adoption of 131 sustainability indicators is proposed to identify and measure the gaps in the sector and implement public policy recommendations that strengthen management structures and create disciplines for systemic monitoring of the impacts of tourism in four dimensions:



This framework of indicators was applied to examine the sustainability gaps in the Puerto Plata and Colonial City tourism poles of the Dominican Republic. Sustainability is related to the optimal use of the environmental resources of tourist destinations, conserving natural resources, the use of their cultural heritage, the involvement of the local population in their development, education, and a constant monitoring of the territory.

Financial inclusion in the Dominican Republic with a territorial and gender perspective

To compare the experiences of women living in rural and urban areas in the Dominican Republic, a comprehensive statistical analysis was conducted using the 2019 National Financial Inclusion Survey (ENIF) database and fieldwork with in-depth interviews to learn whether the existence of certain characteristics -such as gender, marital status, age and income- are related to greater or lesser financial inclusion.

Individuals with an account in a financial institution

Dominican Republic	Years			
	2011	2014	2017	2021
Women*	37.4%	56.0%	54.1%	49.0%
Men*	39.2%	52.2%	58.4%	53.7%

***Percentage of respondents** (% over 15 years of age) who reported having an account (individually or jointly with another person) with a bank or other financial institution or who reported having personally used a mobile money service in the last 12 months.

Gender gaps in access to the financial system

Gender gaps persist even when variables such as education, income, working age and migration status have been controlled for. In addition, gendered social norms place expectations on women that lead them to prioritize domestic and care tasks, thus limiting their possibilities and ambitions.



The importance of including more women and, in particular, more women from rural areas in the Dominican financial system, in household financial decisions, in the acquisition and use of financial products and services, and in access to services is raised. financial channels or formal financial services intermediaries



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