Financing for Development

in Latin America and the Caribbean

Edited by
Andrés Franco

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The International Conference on Financing for Development

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After having worked closely for many years as a diplomat from Venezuela with other delegates on the intergovernmental processes that are the core of the United Nations, I have been given the privileged opportunity—as Executive Coordinator of the United Nations Secretariat on Financing for Development—to assist in the technical and coordination work of the UN Secretariat, through the Department of Economic and Social Affairs, in providing support to the Preparatory Committee and Bureau on Financing for Development. The International Conference on Financing for Development is now set to take place in Mexico in the first trimester of 2002. It will be one of the most important UN projects since the Millennium Summit in New York in 2000.

There can be no undertaking of greater importance to all our nations, and to coming generations, than the sustainable development of all the world's countries and peoples, and the removal of all obstacles to that development effort. The role that financing plays in that effort cannot be overestimated. The challenge facing the world today is to secure adequate resources and to use them appropriately, efficiently, and equitably to meet the needs of people the world over. That is why world leaders at the UN Millennium Summit gave such prominence to this topic and agreed to "make every effort to ensure the success of the High-level International Intergovernmental Event on Financing for Development" (as it was called before the designation "International Conference" was finally agreed upon in February 2001).

Let me take just a moment to bring all readers up to date with this Financing for Development effort. The process began in the General Assembly, in 1997, after financial crises hit Asia, Latin America, and elsewhere, and when concerns about the negative impacts of globalization were high on the agendas of many countries. Developing and developed countries alike, as well as countries with economies in transition, were faced with difficult questions regarding financing for development: what were the opportunities and challenges, where were the greatest bottlenecks, what were the successes and failures? By the end of 1997, after adopting the very noteworthy "Agenda for Development," the United Nations had decided that intensive discussion on these broad financing and other macroeconomic issues was essential.

The Financing for Development initiative should also be seen in the context of the long-standing belief that the pursuit of development is inseparable from the pursuit of peace. (That is why the adoption of the "Agenda for Development" was so pertinent, a year after the adoption of the "Agenda for Peace"). Indeed, as many have said, in a world without cooperation, without solidarity, without justice, there can be *no* lasting peace. A world in which two-thirds of people live in dehumanizing poverty and have yet to see the barest fruits of the progress enjoyed by a minority is not a sustainable world.

After a rigorous and inclusive consultative process, the UN member states thus identified the following six areas as being critical for addressing all aspects related to the availability of financing for development. They are:

1. mobilizing domestic resources;
2. mobilizing international resources for development, including foreign direct investment and other private flows;
3. expanding trade;

4. increasing international financial cooperation for development including, *inter alia,* official development assistance (ODA), as well as identifying innovative resources for financing;

5. tackling debt; and

6. addressing systemic issues, including enhancing the coherence and consistency of the international monetary, financial, and trading systems.

All these issues are interrelated, and one of the characteristics of the Financing for Development process is that there has been an agreement to deal with these issues "holistically" or "comprehensively," so that the output of the conference constitutes a balanced whole. No such undertaking had been attempted in the United Nations, in the economic area, for over 20 years.

Moreover, the ongoing discussions within the United Nations should be seen as only the first step in a lengthy exercise, since most agree that the Financing for Development initiative should be considered the start of a process, not an end. But how much progress we make in each of the above areas, and each of the sub-themes within them, will depend very much on the political will mobilized—particularly in the industrialized countries—to address these problems comprehensively, and on the resources, both financial and human, that we can bring to bear. Each individual, government, and institution has its specific role to play, and it cannot be emphasized enough that it is only with the concerted efforts of all—civil society and private sector included—that we will obtain tangible results.

It is encouraging to note that tremendous efforts have already gone into the Financing for Development process. Among these, we should mention that:

- member state delegations have devoted much of their attention to financing for development issues since 1998, recognizing the central role that it plays in their efforts to create a better world for future generations;
- representatives of civil society have used their often scarce human and financial resources to call attention to existing conditions at the

community level, giving voice to the aspirations of the poor and disenfranchised, and to put forward very bold ideas and initiatives;
- international and regional institutions, particularly the Bretton Woods institutions (the World Bank and the International Monetary Fund), have allocated staff resources to the technical work under way, showing great willingness to set aside institutional rivalries in order to make progress;
- private sector partners have willingly joined our discussions, often at their own expense, to share with us their own perspectives on how globalization can be fostered in a way that maximizes the benefits and helps minimize the costs and make it a "win–win" game for all.

With all of this hard work, we are hopeful that concrete initiatives will be within our grasp in the near future. But, as indicated before, the process is not free of challenges. All of the main actors are constantly called upon to rise above their own particular preferences and priorities to reach compromises that benefit the whole even as they remain responsive to their own constituencies' concerns. Securing adequate resources continues to be an uphill battle. Sadly, in some countries of the North we observe a propensity to reduce aid budgets, which often is associated with what we might rightfully refer to as isolationist tendencies. Moreover, resource discussions come with questions of how existing funds can be used more effectively, as well as the struggle to seek the fulfillment of earlier commitments by all parties to existing agreements. All are mindful of these challenges and will not cease to search for workable solutions.

Besides the political considerations already referred to, there are many practical and economically sound reasons for working on financing for development. The globalizing world has brought us all closer together, for better or for worse. Thus, the ills that plague a farmer or worker in one corner of the world today may have consequences later for the city dweller in another country, thousands of miles away. By the same token, the fruits of that laborer now find their way to the consumption basket of that far-away city dweller.

At the Millennium Summit, world leaders solemnly said: "We believe the central challenge we face today is to ensure that globalization becomes a positive force for all the world's people. For while globalization offers great opportunities, at present its benefits are very unevenly shared, while its costs are unevenly distributed . . . . We are committed to making the right to development a reality for everyone, and to freeing the entire human race from want" (United Nations 2000, para. 5).

Following this line, we have been proposing that, besides the many obvious political and economic considerations, there are also *ethical* arguments that can and should become the principal guide to our deliberations on international economic cooperation issues in general, and on Financing for Development in particular. As believers in social justice, we cannot rely solely on criteria of "mutual benefit" or "common interest" and turn a blind eye to the widespread poverty and despair that continue to prevail in so many parts of the world today. We cannot ignore the tremendous burdens faced by men, women, and children the world over, including in the most industrialized countries. One of the most powerful sentences in the Millennium Declaration states: "Global challenges must be managed in a way that distributes the costs and burdens fairly in accordance with basic principles of equity and social justice. Those who suffer, or who benefit least, deserve help from those who benefit most" (United Nations 2000, para. 6).

In the end, there is one common and universal goal that keeps us focused: that we should put into place a system that is more responsive to the world's problems; more respectful of all of the world's people, especially the poor; more protective of our precious and scarce natural resources; more cognizant of the riches with which our diversity endows us; and more willing to use our human and financial resources to fulfill the aspirations of the world's people, regardless of where they are—in other words, a world in which solidarity is the overriding guiding principle. Some say this is utopia, but have not all the world's major changes for the better been powered by great ideals and convictions? With the UN Charter to guide us, we should continuously strive to do better.

In closing, let me then reiterate that we see in the UN Financing for Development process, to culminate in the Mexico conference in 2002, a wonderful opportunity for the world community to make effective the Millennium Summit commitments to international development cooperation and solidarity. I have in mind, in particular, the commitment to "spare no effort to free our fellow men, women and children from the abject and dehumanizing conditions of extreme poverty, to which more than a billion of them are currently subjected. . . . No individual and no nation must be denied the opportunity to benefit from development" (United Nations 2000, para. 11). This concerns us all.

Reference

United Nations (2000). *United Nations Millennium Declaration.* Resolution A\RES\55\2, adopted by the General Assembly of the United Nations, September 18, 2000.

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Since the early 1990s, the nations of Latin America and the Caribbean (LAC) have joined other developing countries in an effort to bring the issue of financing for development to the agenda of the United Nations. Although the discussion had begun earlier in the 1980s in the context of the North-South Dialogue, it was not until 1997, when a financial crisis hit many developing countries, that a decision was made to convene an international forum.

Today the International Conference on Financing for Development has become the symbol of the beginning of a long and difficult process involving many international actors with relevant roles and interests to protect. Developed nations and developing countries in various regions (Asia, Africa, and Latin America and the Caribbean), the World Bank, the International Monetary Fund, regional financial institutions, and private sector and civil society organizations have perspectives that nurture the debate and contribute toward the effective mobilization of resources for development.

What is the role and what are the sensitivities and perspectives of LAC in regard to financing for development? *Financing for Development in Latin America and the Caribbean* attempts to provide a comprehensive answer to this question, taking into account the need to prevent external crisis in the future, to reduce the vulnerability of the region, to reform the international financial system, and to minimize the social impact of these factors.

The authors provide a comprehensive view of the regional perspectives on financing for development through an analysis of the investment patterns and capital flows to the region; the role of regional development financial institutions in making capital flows more efficient and equitable; the strengthening of existing mechanisms for the prevention and management of crisis; the impact of external indebtedness on economic and social development; the trends and perspectives of intra- and interregional foreign investment, and the private sector capital flows from investment banks.

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