



**ANNUAL MEETING OF THE BOARDS OF GOVERNORS**

**FORTALEZA, BRAZIL**

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**ADDRESS BY THE GOVERNOR FOR COLOMBIA  
AT THE SECOND PLENARY SESSION**

*Juan Manuel Santos*

1. It has become commonplace to say that the world changed on September 11<sup>th</sup>. The war against terrorism has become a priority on the international agenda. If we add the economic recession and the special problems in the region, we can say without hesitation that this meeting is being held at one of the most critical, and therefore most interesting, times in recent Latin American history. This explains the great importance we attach to the decisions and policies that come out of this meeting.
2. Just as September 11<sup>th</sup> changed the world's history, in Colombia's case, last February 20<sup>th</sup>, when the peace process with the FARC broke off, also changed our future. The fight against terrorism took center stage and maintaining economic stability became a crucial element in national security.
3. In this connection, I would like to say clearly and categorically that the Colombian government will do not only whatever is possible, but whatever is necessary, not to knuckle under to terrorism or its sources of financing, such as kidnapping and drug trafficking. Since one of the objectives of the terrorists is to weaken the economy, we will redouble our efforts to maintain the confidence that has been built up by responsible management of our public finances.
4. We have sent very clear signals to the market in this regard, announcing budget cuts in sectors other than the military, as our first reaction to the breakdown of the peace process. We have said that the government's revenues must be increased to finance the additional costs of this war, which we will do without sacrificing our objective of making our economy fully sustainable in the medium term.
5. We will continue with the task of maintaining prudent and responsible macroeconomic management, despite the adversities we face internationally and locally. It is precisely in these times of crisis that it becomes more necessary than ever to stick to the path of responsibility and not to turn to facile short-term solutions which, as history has taught us, will later be very costly for our people.

6. But this does not mean that the international community can remain indifferent to the crisis in the region or to the special problems facing Colombia, particularly when, in our case, we are engaged in a war on terrorism and drug trafficking. Such problems are not limited to Colombia, but affect the whole world, and the principle of shared responsibility should therefore prevail.

7. We are concerned, for example, that the idea is gaining ground of reducing flows of funds from multilateral lending agencies such as the IDB to middle-income countries such as Colombia, based on the strange or simplistic contention that we have unlimited access to the capital market. Nothing could be further from the truth. We only need to compare the current figures for net capital flows to Latin America with the figures that applied years ago.

8. As the External Advisory Group indicated in its excellent report presented yesterday by Ángel Gurría, which we fully support, the region cannot manage without the multilateral agencies playing a role in support of anticyclical measures, since we run the risk of precipitating another crisis that would be much worse than the recent one.

9. Another strange contention in this same doctrine is the one that forced the IDB to place limits on the funds available to finance the so-called policy-based loans. It has never been shown that funds tied to projects bring higher social returns than those derived from loans related to policy reforms. Common sense, which is often absent from major decisions, suggests that, unless we put the fundamental variables in order, any social investment runs a high risk of not producing results.

10. It is not that we disagree with the crucial need to measure the social impact of the resources. On the contrary: to ensure that loans have high social returns, Colombia has been a pioneer in establishing procedures, indicators and measurements that will give us input to achieve this worthy goal. It would be much better, then, if the IDB were to help us and all the countries improve evaluation mechanisms to achieve a greater impact on development with the resources.

11. A third strange contention is that poverty can be eradicated by focussing the efforts of multilateral agencies exclusively on the lowest-income countries. Aren't there more poor people here in Brazil, in my country Colombia, or in any other Latin American country, than in many of the countries that would be favored by this discriminatory policy?

12. Don't misunderstand me, we are not against, and in fact we applaud and support, rich countries wanting to give money to poorer countries. But, for God's sake, not at the expense of countries that are making huge efforts to emerge from underdevelopment and reduce the extraordinary inequality that afflicts us. Before asking those of us who have no resources for money to assist the very poor, it would be better for those who do to meet the targets of aid to the poorest established by the United Nations.

13. And if the idea is to attack poverty, there are targeted efforts that institutions such as the IDB could make that would obtain excellent results. In the case of coffee, for example, which is facing the worst crisis in its history and has Central America, half of Colombia, and many other parts of our region virtually dying from hunger and threatening their economic stability. New Yorkers pay three dollars for a cup of coffee but growers in El Salvador and Colombia only get, listen closely now, one cent. With a minimum of effort to organize the

coffee market and to finance diversification of the most inefficient growers, we would be helping the poor in Africa and Latin America more, much more, than by implementing so many strange ideas.

14. Last, I would like to mention a problem that affects us all and Colombians in particular. I am referring to money laundering which, as we all know, is the lifeline for financing drug trafficking and terrorism. We have made great progress in Colombia towards developing instruments and legislation to combat this scourge. But we need to do much more and all efforts will fall short without coordinated and effective international action. You know that better than I do. I therefore believe that this is a good opportunity to ask the IDB to play a more proactive role in this effort since, if we are able to break the financial arm of international crime, we all stand to benefit.

15. Instead of weakening the IDB, we must strengthen it, give it more resources, and allow it to support the region with emergency lines such as the one we are approving, expand its sphere of action, and redouble its capacity for anticyclical assistance. In short, we must gird it to play a more powerful role in a globalized world where it is imperative to have institutions that compensate for market imperfections.

16. Circumstances in Latin America demand the best from all of us, our commitment, and our responsibility. We must not fail. History would not forgive us.

17. And to you, of course, President Iglesias, our everlasting thanks on behalf of all Colombians, for your commitment, leadership, and devotion to the defense of the interests of all Latin Americans.