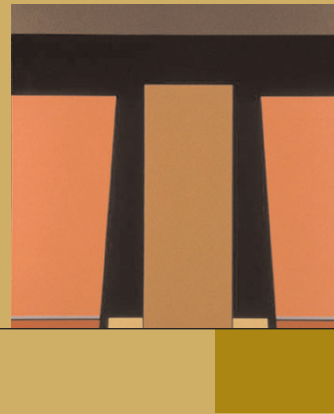


XI. Developing a Global Partnership for Development



XI. DEVELOPING A GLOBAL PARTNERSHIP FOR DEVELOPMENT¹

Stronger voices for the poor, economic stability and growth that favors the poor, basic social services for all, open markets for trade and technology and enough resources for development, used well. (Millennium Development Goals, 2000).

Stated as “developing a Global Partnership for Development,” the eighth Millennium Development Goal groups together a series of policies and areas for intervention in which the action of developed countries is crucial for reaching the other millennium targets. Notable aspects of this goal are: the establishment of an open world trade and financial system based on rules agreed upon by all countries; debt relief for the poorest countries, accompanied by higher levels of assistance for combating poverty; support for the development process of island nations; cooperation with the private sector in dealing with the problem of youth unemployment; expanded access to essential drugs for developing countries; and the spread of new information and communication technologies in those countries thus far lagging in technological progress.

The concept of the Global Partnership for Development highlights the need for orienting and coordinating specific policies of the developed countries toward the areas indicated. Thus, Chapter 8 of the 2003 Human Development Report is called “Policy, Not Charity,” a reference to the political imperative of the developed countries regarding issues of trade, debt relief, and access to technology and education. This chapter summarizes the most important challenges that Latin America faces in each of these aspects with special emphasis on the investment priorities that the IDB and other institutions are trying to promote through their work in the region.

1. LOWERING ENTRY BARRIERS TO INTERNATIONAL MARKETS, INCLUDING THE FINANCIAL SYSTEM

The opening of trade and financial markets has been one of the most important pillars of the structural reform process in Latin America during the 1990s. Average tariffs on trade in goods, which were around 40 percent during the 1980s, fell to about 12 percent around the mid-1990s. At the same time advances made in the multilateral trade system and the emergence of “second generation” free trade areas have given rise to new regulations in areas such as intellectual property, investment, government purchases, competition policy, and dispute resolution.

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Those advances, auspicious as pillars of the region's global integration, have nonetheless failed to produce substantial dividends in terms of economic growth and the fight against poverty. In a decade characterized by market liberalization and opening, overall rates of growth in the region were generally modest and somewhat volatile. Even so, they were higher than the growth rates of the previous decade. The slowdown of the world economy in recent years and the economic problems of various countries have further aggravated these shortcomings in the region's performance.

The Doha Development Agenda is a very important challenge to Latin America. A positive outcome for this new multilateral trade round, which is expected to be completed in January 2005, is essential for increasing growth and reducing poverty in the region. The greatest potential lies in the possibility of substantially improving access to markets in the industrialized economies. A successful Doha negotiation would also open opportunities for achieving greater South-South trade and investment.

In addition to Doha, and as a result of the North American Free Trade Agreement (NAFTA), there has been obvious interest in the region for establishing links with industrialized countries through second-generation free trade areas. These initiatives include: Costa Rica and its ambitious NAFTA-like free trade agreement with Canada; Chile and Mexico with the European Union; and Chile with the United States. Likewise, Central America and the Dominican Republic are negotiating free trade agreements with the United States; MERCOSUR is doing so with the European Union; Mexico with Japan; Chile, Peru and Mexico with APEC (Asia-Pacific Economic Cooperation), while the entire hemisphere is in the final stage of negotiating the Free Trade Area of the Americas (FTAA).

From the development perspective, the importance of these agreements goes beyond access to markets. In most cases, these initiatives are accompanied by a broader kind of cooperation in areas such as governance, poverty reduction, education, and infrastructure, among others. In that sense, the creation of a "link between trade and aid" can be very useful for augmenting the effects of agreements on development and poverty reduction.

The purpose of the third pillar of subregional integration is not just free trade between neighboring countries, but also establishing common markets that may serve as a support point for cooperation in matters of common interest (peace, security, democracy) and coordinating mechanisms to achieve greater negotiating power in international forums. Subregional agreements have proven to be an effective platform for exports of manufactured goods and of those goods that face high protectionist barriers in other markets. They have also offered incentives for negotiating jointly in initiatives like FTAA, and on several occasions they have helped mobilize their members against threats to democratic institutions.

IDB Action and Priorities for the Future

Within the framework of the Tripartite Committee, the Bank provides technical support for the FTAA negotiations and for its pioneering Hemispheric Cooperation Program. Significant assistance is also provided by the Institute for Latin America and the Caribbean Integration (INTAL) to the World Trade Organization (WTO) and the Regional Dialogues program, which supports the discussion of integration and trade issues among high-level policymakers in Latin America and the Caribbean.

The IDB has developed many initiatives for supporting trade liberalization and integration processes in the region. In 2001, the Bank introduced a facility for accelerated approval of loans of up to US\$5 million for institutional capacity creation in the area of trade negotiations and the implementation of agreements. Thus far, six loans totaling US\$30 million have been approved and four more are being prepared. Likewise, in mid-2003 the Bank approved a loan program that combines actions in trade and investment policy with technical assistance to support adjustments and social protection as a result of the transition to free trade. Other examples of the Bank's action in trade and aid include the assistance it has provided to development of the Puebla-Panama Plan, the Initiative for the Integration of Regional Infrastructure in South America, and the initiatives resulting from the Summits of the Americas.

**BOX 1.
DEVELOPMENT OF SMALL ISLAND COUNTRIES**

Small island countries have unique features that make them particularly vulnerable to the globalization process.* The combination of an export industry specialized in a few products and the relative openness of their economies makes an open, predictable, and nondiscriminatory system very important to these countries. In addition, due to their limited institutional capacity to participate in trade negotiations, sometimes these nations are absent from integration and trade negotiation processes. The international community has recognized this vulnerability through the United Nations Millennium Declaration, in which it agrees to aid the development of these nations.

The IDB is implementing many national and regional projects in support of small island countries. Regionally, the Bank has provided assistance for the Caribbean Single Market and Economy (CSME) initiative, and the Caribbean Court of Justice (CCJ). The Bank has also supported the Caribbean Regional Negotiating Machinery (RNM), which is extremely important because the region is simultaneously engaged in negotiations with the WTO, the European Union, and the FTAA. The importance to the IDB of the issue of small states is more evident by its close working relationship with the Caribbean Development Bank (CDB).

* For a more extensive discussion of this issue see the report of the Joint Task Force on Small States of the Commonwealth Secretariat and the World Bank: "Small States: Meeting Challenges in the Global Economy" (2000), which deals with several of the issues discussed in this report.

Trade and integration agreements are not the solution to all the region's development challenges. However, they can contribute to socially efficient transitions, and therefore, offer opportunities for boosting development and reducing poverty. Although these agreements are necessary for success in these areas, they are not sufficient. They must also be accompanied by much broader structural transformation and institutional modernization policies. Moreover, most developing countries face heavy foreign debt burdens. That challenge is analyzed below in the light of the financing needs required by the Millennium Development Goals.

2. FOREIGN AID AND DEBT RELIEF FOR DEVELOPING COUNTRIES

In order to secure the financing required for the attainment of the Millennium Development Goals (MDGs), the participants in the International Conference on Financing for Development (2002) urged that foreign aid for poor countries be substantially increased. Both the World Bank² and the United Nations³ estimated the additional aid required for meeting the millennium goals to be approximately US\$50 billion per year, almost double the official development aid currently provided by the 23 members of the Development Assistance Committee of the OECD.⁴

In line with this challenge, the initiative on behalf of the Highly Indebted Poor Countries (HIPC),⁵ launched by the International Monetary Fund (IMF) and the World Bank in 1996, has two aims: lowering the debt of the poorest and most indebted countries to sustainable levels, and implementing reforms and programs that promote economic growth, human development, and poverty reduction.

Four Latin American countries participate in the HIPC initiative: Bolivia, Guyana, Honduras, and Nicaragua. Total debt relief for these countries is approximately US\$5.7 billion in present net worth (PNW) terms and US\$8.5 billion in nominal terms. Thus, Latin America would receive approximately a fifth of total worldwide debt relief by current estimates.⁶ It should be noted that Haiti, which is the lowest-income country in Latin America and the Caribbean, does not qualify for the HIPC initiative because the PNW of its debt is not 150 percent of its exports or 250 percent of its government revenues.

2. Shantayanan Devarajan, Margaret Miller, and Eric V. Swanson, "Development Goals: History, Prospects and Costs", World Bank working paper.

3. United Nations, "Report of the High-Level Panel on Financing for Development" (Report of the Zedillo Commission), presented to the General Assembly in June 2001, cited in United Nations Development Program (UNDP), 2003 Human Development Report, New York.

4. Estimate in UNDP, 2003 *Human Development Report*, *op. cit.*

5. It should be noted that the original HIPC initiative was modified and extended at a second stage in 1999 known as Enhanced HIPC.

6. However, the total world amount of debt relief will rise when more countries reach the decision point. It is at the decision point that the IMF makes the debt sustainability analysis that determines relief under the HIPC initiative.

IDB Action and Priorities for the Future

The IDB has participated fully in debt relief under the HIPC initiative. Its contribution amounts to US\$1.1 billion, which is almost a fifth of the debt relief for Latin America and the Caribbean under this initiative. The World Bank, the Caribbean Bank for Economic Integration (CABEI), and the IMF are to contribute US\$550 million, US\$510 million and US\$270 million in debt relief, respectively, to those four countries. With the exception of Nicaragua,⁷ the IDB is the multilateral bank that would forgive the most debt to each of the countries. The following table gives a breakdown of the Bank's contribution to debt relief in the region.

TABLE 1.
IDB PARTICIPATION IN DEBT RELIEF UNDER THE HIPC INITIATIVE IN LATIN AMERICA AND THE CARIBBEAN (IN US\$ MILLION, PNW)

Country	Total Reduction	IDB Debt Reduction	IDB Percentage
Bolivia	1,302	462	35
Guyana	585	116	20
Honduras	556	133	24
Nicaragua	3,267	386	12
Total	5,710	1,097	19

Besides contributing to reducing the debt of the HIPC countries (the first objective of the HIPC initiative), the Bank's operating program has been aimed directly at meeting the second objective: implementing reforms and programs that promote economic growth, human development, and poverty reduction. In the four countries participating in the HIPC initiative, the Bank has provided support for the preparation of Poverty Reduction Strategies (PRSs) through loans, technical assistance, and specific consulting.

The HIPC initiative also entails a series of challenges on which the international community should focus its attention. The first of them is related to the size of the HIPC initiative compared to the needs of poor countries. The total amount of the debt relief under the HIPC initiative does not reach even the equivalent of one year of the additional foreign aid required for attaining the MDGs (estimated at the beginning of this section).

Second, there is a debate on the sustainability of the HIPC program on the grounds of the lack of resources for meeting the MDGs and the overestimation of the growth of the economies of the poor countries in this initiative. Furthermore, a recurring problem for this program is failure to meet the deadlines established for reaching the culmination point. The delays are due primarily to difficulties experienced by the countries in designing and implementing macroeconomic programs that have the support of the IMF.

7. In Nicaragua, the CABEI would grant US\$435 million in relief and the IDB US\$386 million.

Trade liberalization and debt reduction are undoubtedly essential components of a comprehensive strategy for the development of the poorest nations. However, taking full advantage of these vectors requires human and technological capacities that will allow the countries to enter international markets. In that sense, the following sections attempt to summarize the challenges that Latin American nations face in three key areas for development: improving the quality of technical education and thereby generating opportunities for young people, modernizing information and communications technology systems, and access to essential drugs as part of the human investment needed to participate in world markets.

3. DECENT AND PRODUCTIVE EMPLOYMENT FOR YOUTH

Young people are a significant portion of the economically active population (EAP) in Latin America. According to recent studies, in most countries in the region young people aged 15 to 24 represent between 20 and 24 percent of the economically active population. In developed as well as developing nations, youth unemployment commonly exceeds that of adults. In this sense, Latin America and the Caribbean are no exception: average youth unemployment is twice as high as the rate for the total population, a higher percentage than in developed countries (Fawcett, 2002). The unemployment rate for younger persons (aged 15 to 19) is four times higher than the overall rate (ILO/CINTERFOR, 2000).

The first challenge to be faced in generating decent and productive employment for youth is the low coverage and poor quality of education systems in the region. A very small fraction of young people between 15 and 18 years of age remains in school full-time after finishing the legally compulsory education. While this share reaches over 90 percent in Germany and 80 percent in the United States, less than 60 percent of young people remain in school in Uruguay, Colombia, Venezuela, and Brazil. In Bolivia, Ecuador, and Peru, the proportion is less than 50 percent.

A second challenge is providing young people with training in lines of work that respond to the needs of the market and that allow them to join the labor force in a timely manner. Many government training institutions are not responsive enough to change the curriculum they offer in response to a dynamic and changing labor market demand (IDB, 2000). Yet the training that takes place in companies is primarily aimed at skilled workers, supervisors, or technicians. Unskilled workers (which includes a high proportion of young people in developing countries) receive very little training from companies (Márquez, 2002).

With regard to this last point, most countries in the region have serious legislative shortcomings in that they lack a clear legislation to regulate youth training and employment. Among the issues that such legislation should cover are: legalization of special contracts for young people, specification of minimum and maximum ages for special contracts, and contract terms for internships, the design of a competency certification system for young people, the establishment of minimum pay (often below the minimum wage and with a maximum time period allowed), and legalization of contracts with minimum social protection (Henderson, 2000). Finally, it is important to note that while options continue to be explored for improving youth involvement in labor markets, the fight against child labor must not be neglected.

IDB Action and Priorities for the Future

Various IDB strategies offer important contributions for fostering decent and productive work for young people. The strategy for primary and secondary school reform stresses the need to improve the quality of education. The strategy for technical and vocational training calls for expanding the use of the new modality of state-financed training (which can be delivered by private entities), while recognizing the need to reform state training institutes.

In the realm of investment projects, the Bank has pioneered financing of new modalities of training for youth through *Proyecto Joven* in Argentina and *Chile Joven* in that country. The Bank has also financed a series of comprehensive projects in the labor area that include elements of training, intermediation, and labor policy. These loans are the appropriate vehicle for ensuring that the regulatory framework is the one indicated for fostering productive work for young people and for assuring that intermediation services fit the needs of low-income youth.

In the area of labor market reform, the Bank and other multilateral bodies should support the shaping of a regulatory structure that will regulate apprenticeship contracts for young people, provided that such legislation stipulates minimum and maximum ages and time periods for such contracts.

4. ACCESS TO INFORMATION AND COMMUNICATIONS TECHNOLOGY

The countries of Latin America and the Caribbean have been working together⁸ to reinforce their national efforts to integrate information and communications technology (ICT) into their development plans, and thereby situate the region in the global knowledge economy. Precisely by expanding the knowledge economy, the countries of the region are strengthening the link between sustainable economic growth, poverty reduction, and promoting equity.

The countries are aware that national policies encouraging the use of information and communications technology aimed at expanding the knowledge economy in Latin American and Caribbean policies are vitally important for creating the conditions that will make it possible to achieve the MDGs. In other words, there is a symbiotic relationship between the use of ICT and achieving the MDGs. Indeed, all efforts to reach the MDGs have information and communications technology components. The economic, social, and political reforms in recent years provide incentives that increase the demand for information and communications technology and its services. More recently, the countries of the region have recognized that greater use of these technologies and faster growth of the knowledge economy are critical for the implementation of “second generation” reforms. The challenge is not to produce more and more information, but to make the mechanisms evolve so that the supply and demand of information, access, and development of skills to make use of it go hand in hand so that people can use it to create and apply knowledge in all areas of their lives.

The Bank has been providing support to the countries of the region throughout this whole process in order to:

- Create the conditions that will make it possible to generate and distribute new wealth sustainably, efficiently and more equitably, thereby enhancing the ability of the economies to increase aggregate value (e.g., increasing the ability of citizens to build and apply knowledge and thereby increase the information content of other local resources).
- Strengthening the institutional adjustment mechanisms to ensure that all citizens benefit from the use of ICT, the expansion of the knowledge economy and development, so that the efforts reflect the values, needs, conditions, resources and aspirations of each country.

8. Among such examples may be noted the Summit of South American Presidents (Brasilia, Brazil, August-September 2001), the Declaration of Florianopolis (Florianopolis, Brazil, July 2000), Summit of the Americas (Quebec, Canada, April 2001) and the Summits (Rio of Janeiro, Brazil, June 1999) and Ministerial Meetings of the European Union and Latin America and the Caribbean, the Ibero-American Summits of Ministers on the Information Society (such as that in Seville, Spain, April 2002) plus their active participation in the UN /ECOSOC Conference on “Development and International Aid in the XXI Century: the Role of ICT in the context of a Knowledge-Based Global Economy” (New York, July 2000) and in the United Nations Working Group for Information and Communications Technology from its beginning in April 2000.

- The role of the Bank has evolved from one of providing strictly sector assistance toward a more comprehensive approach (ICT in sector projects and inter-sector ICT activities). Likewise, the Bank has been continually enhancing its ability to aid the countries of the region to introduce ICT use and expand their knowledge economies in order to achieve the Millennium Development Goals through:
 - institutional strengthening, including the formulation of national ICT strategies for development, organizing consultation meetings on ICT for development with borrowing member countries, and forming a high level strategic ICT group for development within the Bank;
 - development of new products, including manuals on electronic government, electronic trade, and connectivity, and the implementation of the “ICT4BUS” program together with the Multilateral Investment Fund (MIF); and
 - development of new financial instruments, including innovation loans and other flexible financing tools, and a Multiple Donor Fund for ICT for Development.

Likewise, the Bank’s role in supporting the countries of the region to achieve the MDGs is focused on expanding the role of the knowledge economy as a bridge between economic growth and reducing poverty and promoting equity. The active participation of the Bank in the process of the World Summit on the Information Society (WSIS) is tightening the connection between ICT and the MDGs, and in particular, it reflects its commitment to help the countries of Latin America and of the Caribbean set up a WSIS plan of action for reaching the MDGs. To that end, the Bank is now playing an active role in the United Nations Information and Communications Technology Task Force as an official member.

IDB Action and Priorities for the Future

Integrating the spread of information and communications technology (ICT) and the expansion of the knowledge economy is expected to be one of the highest priorities in the development plans of the countries of the region in the next few years. In the context of this strategic framework, the Bank recognizes the importance of maximizing development effectiveness in the orientation of its programs, project design, and in the use of financial instruments on behalf of the region. The Bank is committed to strengthening its internal mechanisms and to interacting with its member borrowing countries, in order to keep enhancing its outcomes, with corresponding indicators to tighten the connection between ICT and sustainable economic growth, development of human capital, and good governance.

5. ACCESS TO ESSENTIAL DRUGS

After vaccination strategies, access to essential drugs is considered to be the primary factor leading to increased effectiveness of health services (WHO, 1975). The few existing estimates for Latin America and the Caribbean⁹ show that the population still has too little access to essential drugs and that few countries have achieved satisfactory levels of coverage. In 1996, annual sales of drugs in pharmacies in the countries of the region represented a yearly per capita average of US\$35, compared with an average US\$203 in developed countries. Likewise, there are great regional differences in the volume of spending between countries as can be seen in table 2. In 1996, the pharmaceuticals market in Latin America and the Caribbean was estimated at US\$18.5 billion. While that represented only 7 percent of the world market at that moment, it (along with that of NAFTA) represented the fastest growing market in the world in the 1990s. The main problem in Latin American countries has been insufficient and unequal access to drugs, whether because of the lack of government policies for distributing drugs to lower-income groups or inadequate regulations based on essential medicine policies. The main challenges in this area include:

TABLE 2.
ANNUAL SALES OF ESSENTIAL DRUGS IN LATIN AMERICA AND THE CARIBBEAN,
1996 (US\$ MILLION)

Country	Annual sales (US\$ millions)	Per capita sales
Brazil	7,251	44
Argentina	3,643	102
Mexico	2,736	29
Colombia	1,177	32
Puerto Rico	613	163
Venezuela	503	22
Central America	467	14
Chile	445	30
Peru	437	18
Ecuador	262	22
Uruguay	258	80
Dominican Rep.	159	20
Paraguay	117	23
Bolivia	32	4
Other	400	21
TOTAL	18,500	35

9. Preliminary data available in UNDP, Human Development Report, 2003, Section on Millennium Development Indicators, which is based on official information from the countries.

Regulation, selection and rational use of drugs: Physicians, pharmacists, and consumers do not have sufficient training, information, and incentives to maximize the clinical effectiveness of drugs bought on the market or distributed by governments. The lack of drugs for the poor and overprescribing for higher-income groups show that spending is not only low, but is done inefficiently. Moreover, weak regulation of advertising for drugs, freedom to buy and acquire drugs at pharmacies without a prescription, and the lack of explicit policies to make the use of generic prescriptions obligatory further squander public and private resources in this sector.

Sustainable financing and accessible prices: The challenges to be faced in the countries of the region in terms of the financing and prices of drugs are: (i) increasing the equity of the public funds set aside for purchasing drugs; (ii) the efficiency and regulation of purchasing, acquiring, and distributing drugs; (iii) defining policies on patents and the use of intellectual property in the sector in keeping with international standards, and (iv) integration between national policies and international markets to increase the benefits of an adequate foreign trade policy in the sector.

Reliable health systems: In Latin America, deficiencies in access to health services have been a great obstacle to an adequate policy of access to essential drugs. The challenge here would be to increase the coverage of health service networks as a prior condition for implementing a policy for distribution and access to basic drugs in the region.

IDB Action and Future Priorities

During the 1990s, 18 of the 32 health projects approved by the Bank had explicit components associated with drugs, in activities such as: (i) acquisition of essential drugs and vaccines; (ii) improvement of bidding processes and distribution systems; (iii) modernization of the regulation process and institutional strengthening for their implementation; (iv) development of sustainable financing mechanisms; and (v) assuring the rational use of drugs. These 18 projects, which were carried out in 14 countries, represented a total of US\$71 million in loans, primarily aimed at the acquisition, bidding process, purchase, and distribution of drugs.

To guarantee access to essential drugs at accessible prices, the action of developed countries and of multilateral agencies should be oriented toward a set of specific policies. First, incentives should be created for integrating regional markets, so that they promote access to essential drugs based on the trade liberalization of their regional products, the study of comparative advantages, and transparency of information. Support should likewise be given for building local and regional capacity to define and carry out regulatory processes to ensure the rational use of drugs and equitable access to government resources. In this sense, it is important to support the implementation of competitive and transparent procedures for purchasing essential drugs.

The outcome of the foregoing actions should be price policies that guarantee the long-term financial sustainability of medicine policies, with adequate incentives and transparent information. Finally, all this should occur in a framework of respect for intellectual property, so as to ensure the best combination of patent policies and national needs, while observing existing international agreements.

6. CONCLUSIONS

This chapter highlighted some challenges that the region is facing with regard to sustainable development with equity. In most cases, however, the firm action of the region will require a commitment from the developed nations to provide concrete support to these processes. The eighth Millennium Development Goal specifically notes the nature of co-responsibility that sustainable development has for all nations. Among priority areas for an understanding between the developed world and the developing countries is the possibility of shaping an open and predictable rules-based world trade system, with a high degree of international consensus. In addition, high debt levels, especially in the poorest nations, have the effect of constraining growth even in those countries with a high potential for economic development. The necessary complement of trade and debt relief measures must be, as posed by the MDGs, improving access to information and communications technology, extending the infrastructure of technical education for young people, and aiding health systems that guarantee access to essential drugs.

The Summits of the Americas exist to serve people. We must develop effective, practical and compassionate solutions for the problems that confront our societies. We do not fear globalization, nor are we blinded by its allure. We are united in our determination to leave to future generations a Hemisphere that is democratic and prosperous, more just and generous, a Hemisphere where no one is left behind. (Declaration of Quebec, Canada, 2001)