



SPECIAL REPORT

# The role of multilateral organizations in the economic and social development of Latin America

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**d+i** developing ideas

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## I. INTRODUCTION

1. INTRODUCTION
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The aim of this report is to highlight the contributions made by international organizations through international economic cooperation in relation to development. In order to assess the contribution of these organizations, the report has analyzed the collaborations under a broad-based approach that takes several factors into account. On one hand, the concept of development adopted by the donors and, on the other, the context of the recipient countries, particularly in Latin America. Analyzing these factors will help us carry out an analysis on the contributions made by the international cooperation in the region, its flaws and limitations and how they have been or could be overcome. Given the importance of the international cooperation as a means of development, this analysis is crucial. Based on this importance, the fact that Latin America has been marginalized as regards the cooperation flows in recent decades is a serious concern. That being said, there are strong indications showing that a new stage is beginning, a time in which the region will have the support of these organizations. In this sense, the reshaping of the concept of development and, consequently, that of the cooperation agendas, have been the causes of this change.

The evolution of the concept of development, which also involved these organizations, will make it possible to understand their performance, the reasoning behind their efforts and, certainly, the efficiency of their actions. The initial failure entailed by the attempts to implement the European development model in other regions forced these organizations to reevaluate which factors ensured development. The existence of resources or its allocation does not automatically translate into development. Economic growth does not guarantee it either, as it does not necessarily entail the eradication of inequality or, in a broad sense, the quality of life of the population, both fundamental aspects of development. This is a reality that Latin America is well-aware of.

The lessons learned and the debate which has reshaped the concept of development, taking place since mid-20th Century, have increased its complexity, as well as the number and variety of quantitative and qualitative criteria related to it. The debates on this affair are not over, nor is the concept of development, which seeks evolving, as is currently taking place.

Latin America itself has called for a new development concept based on a broader and more complex approach. The main problem is the fact that restrictive definitions ignore serious structural problems affecting the Latin American region. Thus,

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2015 has been particularly critical for the region in the field of cooperation. The deadline set by the UN in relation to the Millennium Goals to fight poverty has elapsed. This period has translated into the opportunity of re-thinking the concept of development which is now based on the “multidimensional progress”, after seeing the limitations and exclusions that the adoption of a restrictive concept of development had entailed. This multidimensional approach provides the opportunity of identifying further structural gaps affecting middle-income countries, a group to which most Latin American nations belong, and not just low-income related ones.

As regards this evolution, it is interesting to see the changes and adaptability of these organizations faced with various economic situations. Since 2013, a period of economic slowdown has been directly and fully affecting Latin America. Unless the Latin America economies implement certain measures and strategies to change the development model of the region, the predictions

about a change of cycle seem to pose serious threats. As a result of this changing situation, the study aims to analyze the reactions of the international cooperation organizations as well as their proposals in order to understand their contributions to the development of the region.

## 2. THE CONCEPT OF COOPERATION: ORIGIN AND EVOLUTION

International Development Cooperation is understood as all the actions carried out by public and private players between countries with different levels of income in order to promote the economic and social development of the southern countries, in order to align it with the development levels recorded in the northern region, as well as making it sustainable<sup>1</sup>. This traditional definition of international cooperation has important ethical and solidarity connotations that legitimize this form of cooperation, although they have not always been the only motivations to carry it out. Political and geostrategic factors have also been reasons to develop international cooperation, both during the Cold War and after the fall of the Berlin Wall.

This geostrategic criterion shows that, after the fall of the Berlin Wall, once democracy had

<sup>1</sup> M. Gómez and J. A. Sanahuja, *El Sistema Internacional de Cooperación al Desarrollo* (“The International System for Development Cooperation”). Interation, Cideal, Madrid, 1999.

**“The main multilateral organizations operating in Latin America are characterized by their lack of relevance compared to bilateral aid”**

spread over the region and its political and economic stability was guaranteed, international development cooperation decreased and shifted towards other locations where donor countries considered that their interests and security could be jeopardized due to the economic, social or political context of other areas.

#### THE MAIN DEVELOPMENT COOPERATION ORGANIZATIONS IN LATIN AMERICA

This report will include the Official Development Assistance (ODA), which, according to the Development Assistance Committee (DAC)<sup>2</sup> of the Organization for Economic Cooperation and Development (OECD), is comprised of the flows provided by official agencies, including local and state governments or their executive agencies. This aid is intended for developing countries and multilateral institutions and has to meet the following conditions on each transaction: a) its main objective is to promote the economic development and welfare of the developing countries and b) it is concessional in character and conveys a grant element of at least 25 %.

In addition, this type of cooperation can be carried out bilaterally or multilaterally. The former refers to the one carried out between governments; grants or loans for the recipient state or for NGOs. The latter is implemented by international organizations through their own cooperation programs and projects. This analysis will focus on the second form of cooperation.

The main multilateral organizations operating in Latin America are characterized by their lack of relevance compared to bilateral aid, as it does not even account for 20 % of the total.

The main donors are the European Commission with about USD 500 million, followed at some distance by the aid provided by the World Bank (WB), which amounts to 271 million and the Inter-American Development Bank (IDB), with USD 258 million. Both the Caribbean Development Bank and the agencies of the UN system are not among the 10 largest donors. However, if we take into account the amounts allocated by the Official Development Funding (ODF), the loans provided by the WB

<sup>2</sup> The Development Assistance Committee is a multilateral organization, part of the Organization for Economic Cooperation and Development (OECD), which seeks to monitor and evaluate the development policies of the member states. The DAC members are, at the date of issue of this report: Austria, Belgium, Denmark, Spain (since 1991), France, Finland, Great Britain, Greece, Holland, Ireland, Italy, Luxembourg, Norway, Portugal, Sweden, Switzerland, Canada, the U.S., Japan, Australia, New Zealand and the Commission of the European Communities.

**“The Marshall Plan, in addition to being a tool for the U.S. to maintain its influence, also became the main cooperation program”**

and the regional banks, they accounted for 17 % and 72 % respectively of the multilateral resources donated to the Latin American and Caribbean countries between 1991 and 2002. In the Andean sub-region, the Andean Development Corporation (CAF) is ahead of the WB and the IDB. In relation to the latter, which exclusively seeks to provide financial aid to the region, between 1994 and 2001 loans aimed at reducing poverty and promoting equity accounted for 44% of its total loans<sup>3</sup>.

#### BRIEF HISTORICAL OVERVIEW

A historical overview can be quite useful to understand the reasons behind the cooperation, as well as its increasing complexity. The beginning of international cooperation took place during the Cold War. The implementation of a bipolar order, governed by the U.S. and the Soviet Union, is an essential element to understand the inception of cooperation, as it was seen as a means to strengthen their respective areas of influence.

In this context, the requests for financial and technical aid made by the new countries that emerged with the decolonization ultimately led to

the inception and development of international cooperation. In short, these demands, combined with the quarrel between both world powers to not only strengthen, but to expand their areas of influence, marked the foreign aid programs, which, since the beginning, were in fact the direct result of the geopolitical interests of the international order of that time. Thus, the ideological confrontation between the East and the West defined the actual destination of aid flows; they were allocated according to geostrategic criteria, ultimately seeking the establishment of “safe areas”<sup>4</sup>.

In this sense, the Marshall Plan, in addition to being a tool for the U.S. to maintain its influence, also became the main cooperation program , implemented in the known as Third World, after the decolonization process. This project was an American initiative to aid Europe, which was experiencing a severe economic crisis due to the devastating consequences of WWII. However, as has been repeatedly noted, this cooperation model was designed to address the economic, political, social and cultural circumstances of the postwar

<sup>3</sup> UN Department of Economic and Social Affairs: *World Economic and Social Survey 2005*, <http://www.un.org/esa/policy/wess>. Regarding the main organizations providing aid to the region, [http://ec.europa.eu/index\\_es.htm](http://ec.europa.eu/index_es.htm); WB, <http://www.bancomundial.org/>, IDB, <http://www.iadb.org/es/banco-interamericano-de-desarrollo,2837.html>, CAF, <http://www.caf.com/>, Caribbean Development Bank, <http://www.caribank.org/>.

<sup>4</sup> K. Griffin, K, *Foreign Aid and the Cold War*, Development and Change, Vol. 22, 1991, p. 645 – 85.

**“This period was key for the consolidation of cooperation, as crucial institutions and organizations for its future were created then”**

Europe; a very different region compared to the newly created countries after the decolonization process. Europe, although in ruins, was an industrialized continent which its own technology and skilled workforce and the Marshall Plan was in line with these conditions, but could not be implemented in other contexts. Be it as it may, it became the first development model and countries used this recipe in a repeated and persistent manner in radically different countries.

#### **EVOLUTION OF THE CONCEPT OF DEVELOPMENT**

The complex reality has proven impossible to use universal recipes in every possible context. This circumstance largely explains the evolution process that the very concept of development has experienced. The successive failures in the attempts to incorporate the Third World countries into the developed world have entailed the rethinking of this concept in order to achieve greater efficiency in international cooperation.

#### **DEVELOPMENTALISM PERIOD**

The developmental approach of the fifties assumed that the economic development was achieved through a single recipe, valid for all situations, and it was none other than that of developed countries. The main theorist of Developmentalism, Walter Whitman Rostow, established a periodization for development

that actually copied the patterns and processes experienced by Western industrialized countries.

During that time, international development cooperation sought to establish industrial societies whose basic priority should be the economic growth. This is the second assumption of the Developmentalist theories, the association between economic growth and development. Thus, the aim of this cooperation was to boost the economic growth, since, supposedly, this would ensure the development of the country.

This period was key for the consolidation of cooperation, as crucial institutions and organizations for its future were created then . The Bandung Conference of 1955 led to the Movement of Non-Aligned Countries, which in turn raised awareness on the need to reform the international economic system and whose results would be seen at the 1964 UN Conference for Trade and Development (UNCTAD) and the creation of the Group of 77. The creation of the UN Food and Agriculture Organization (FAO), the World Health Organization (WHO), the UN Education, Scientific and Cultural Organization (UNESCO) and the UN Program for Development (UNPD) was also instrumental for the field of multilateral cooperation. The establishment of the UN Economic Commission for Latin America and the

“The establishment of the UN Economic Commission for Latin America and the Caribbean (ECLAC) in 1948 was a particularly important milestone”

Caribbean (ECLAC) in 1948 was a particularly important milestone as regards the economic and social development studies of the aforementioned region<sup>5</sup>. In all these initiatives, the influence of Developmentalism is clear, hence development cooperation merely involved economic aspects and its objective was growth.

In the sixties, under the same circumstances and based on the same conception, the Alliance for Progress (ALPRO) was created, a reformist project led by Kennedy which directly led to the Inter-American Development Bank (IDB) in 1959. This funding program was seen as a Marshall Plan for Latin America, although there were differences as regards the allocated resources, unevenly distributed across the region.

#### THE FOCUS ON THE WELL-BEING OF INDIVIDUALS AS THE NEW OBJECTIVE OF DEVELOPMENT

In the seventies, after two decades of growth, it had been proven that development must not be exclusively achieved through growth, which meant that the development cooperation had not served as a driver of development, since the gap between developed and poor

countries had even increased. Therefore, without ignoring the economic development, the new models now started to pay attention to the redistributive issue, under the “basic needs approach”. Thanks to this all organizations understood that any development proposals that did not take poverty, inequality and unemployment into account would not be able to ensure development.

Based on this new approach, Chenery, under the auspices of the World Bank, published the work *Redistribution with Growth*<sup>6</sup> in 1974. This publication considered the redistribution of wealth in order to aid the most disadvantaged workers and attention to the poor through the development of social services as essential elements for the new approach. In fact, the World Bank started addressing new concerns in addition to infrastructure, energy or transport, as it now included education, health or the fight against poverty as the keys to achieve development. Despite the limitations that these new proposals had, their contribution towards cooperation and the changes they entailed cannot be denied.

Nevertheless, the projects were still carried out in a top-down fashion without considering the

<sup>5</sup> <http://www.cepal.org/es>. ECLAC, R. Bielchowski, *Cincuenta años del pensamiento de la CEPAL* (“Fifty years of ECLAC thinking”). Selected texts, Vol.1, Santiago de Chile, ECLAC, 1998.

<sup>6</sup> H. B. Chenery, et al, *Redistribution with Growth*, Oxford University Press, London, New York, 1974.

“In the nineties there is a paradigm shift in relation to human development, which in turn implies a significant change in the very concept of development”

views, nor listening to the needs expressed by the recipient countries.

#### THE EIGHTIES: THE LOST DECADE

The foreign debt crisis, which strongly affected Latin America, entailed the adoption of policies based on structural adjustments and economic reforms based on the *Washington Consensus*, whose main points were the reduction of public deficit, economic liberalization, opening up to international markets and the predominance of the market forces as the main regulatory element. This translated into a reduction of the State actions and its size and services, through privatizations, to a minimum. International organizations such as the International Monetary Fund or the World Bank promoted this type of policies, to the point of making the provision of ODA conditional on the countries implementing adjustment plans based on the aforementioned policies.

#### HUMAN DEVELOPMENT AND THE MILLENNIUM GOALS

In the nineties there is a paradigm shift in relation to human development, which in turn implies a significant change in the very concept of development and the way in which development cooperation needs to be carried out. The objective was not economic

growth, but human beings. Thus, the best way to promote development implies broadening and improving the opportunities for people. They are no longer the means to achieve other goals such as the economic growth, but become the development's object in itself.

This first step in the process of changing the concept of development promotes an evolution that is best illustrated by the Millennium Declaration. The proposals of this Declaration set our eight goals in the field of cooperation, known as the Millennium Development Goals (MDGs), agreed at the UN in 2000. The eight objectives<sup>7</sup> focused their efforts, mainly, in the eradication of poverty, necessarily leading to the adoption of a multidimensional concept of development, implemented not only by the UN, but also the remaining development cooperation organizations. All these organizations also promoted different forms of cooperation. Thus, organizations ended the quest to find a universal recipe for development.

According to the above, the transformation of cooperation is crucial in order to assess its efficiency; a problem that has also been subject of a long and thorough discussion. The concern over this issue was reflected in the Declaration of Paris of March 2005<sup>8</sup>. This document

<sup>7</sup> <http://www.un.org/es/millenniumgoals/>

<sup>8</sup> <http://www1.worldbank.org/harmonization/Paris/ParisDeclarationSpanish.pdf>.

“Since 2000, the ODA allocation has clearly favored low-income and least developed countries”

was signed by 90 northern and southern countries, in addition to the representatives of 27 aid organizations of all the donor countries. However, beyond the discussion and the problems hindering the effectiveness and impact of international cooperation, there is a general consensus in relation to the fact that, in this globalization era, the cooperation is the main instrument of international solidarity to contribute to promote development<sup>9</sup>.

### 3. THE ERRADICATION OF POVERTY AS A PRIORITY OF COOPERATION AND ITS IMPLICATIONS IN LATIN AMERICA

Having regard to the evolution of the concept of development which in turn has transformed international cooperation, the question is: What consequences has it had for the region? If we look at the Developmentalist recipe, as previously seen, the economic growth has not translated into a reduction of poverty and inequality and, in Latin America, the implementation of these development strategies did not entail remarkable results either, as inequality remained a problem, the largest challenge that the region still needs to face.

In this sense, the evolution of the concept of development

towards a people-based approach under a multidimensional perspective would certainly be positive for the region, as it would expose its structural problems. However, if we analyze the data on the contributions made by the international cooperation in recent years, the decline is clear.

As regards the regional Gross National Income (GNI), the ODA provided to Latin America and the Caribbean shifted from accounting for over 1 % during the sixties to 0.4% in the nineties and 0.22 % today (see Figure 3). This pattern of allocation of official development assistance, based on the income level and which favored the poorest country has been partly strengthened by the impetus provided by the system of international cooperation to achieve the Millennium Development Goals (MDGs), as the per capita income and the MDGs indicators are often closely related. Thus, since 2000, the ODA allocation has clearly favored low-income and least developed countries . This bias, as shown before, has been detrimental to the countries classified as middle-income, as they receive an increasingly smaller share of the aid.

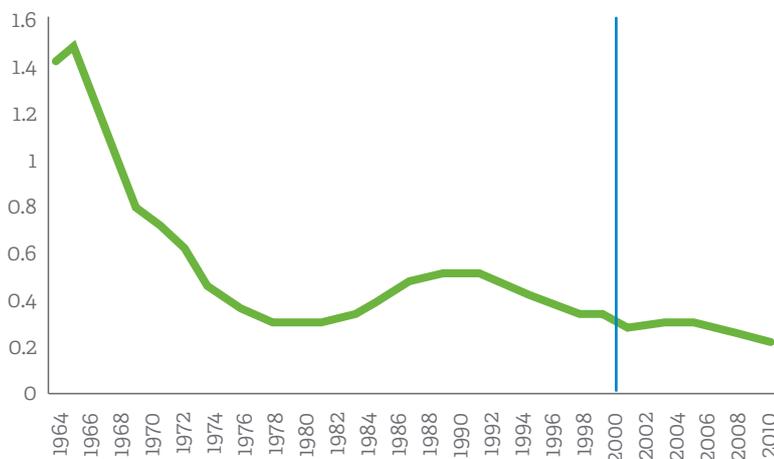
The decline as an ODA aid recipient is clear: during the sixties, the region received

<sup>9</sup> Debate on the limitations of international cooperation, Alejandra Boni Aristizabal, *El sistema de la cooperación internacional al desarrollo. Evolución histórica y retos actuales*, (“The international development cooperation system. Historic development and current challenges”), Cuadernos De Cooperación Para El Desarrollo, Issue 1, Centro De Cooperación al Desarrollo, Editorial Universitat Politècnica de València, 2010, p. 7-49.

on average about 14 % of the total ODA given to developing countries, while the figure now accounts for close to 8 %. Out

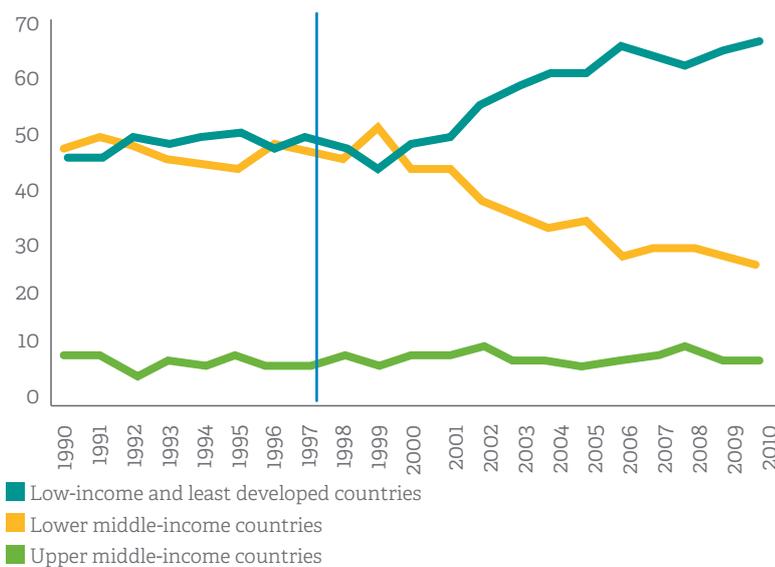
of the USD 131 billion disbursed to developing countries in 2010, the region merely received 10.8 billion.

**Net disbursements of Official Development Assistance (ODA) in Latin America and Caribbean in relation to their GNI (percentage), 1964-2010 (5-year Moving average in percentage points)**



Source: Economic Commission for Latin America and the Caribbean (ECLAC), based on the information provided by the Organization for Economic Cooperation and Development (OECD).

**Shares of the countries in the total Official Development Assistance flows (AOD), according to income category, 1990-2010 (Percentage)**



Source: Economic Commission for Latin America and the Caribbean (ECLAC), based on the information provided by the Organization for Economic Cooperation and Development (OECD).

Comparing Latin America with other regions clearly shows how the income level was adopted as a criterion for granting international assistance, which resulted in the loss of ODA the aforementioned region as it was considered a middle-income region. In 1990, middle-income countries received a larger share of ODA on average than lower-income countries (55 % vs 45 % of the total ODA flows). In 2010, the share of middle-income countries was greatly reduced, as they received half of the ODA given to low-income and least developed countries.

If we analyze the evolution of the official development assistance flows between 1990 and 2010, we can see that it has increased among the low-income countries. In 1990, almost half of the ODA flows were granted to low-income and least developed nations. This trend intensified in the 2010s, as the ODA flows towards these countries increased, accounting for over 65% of the total assistance.

This decline can be explained through the adoption of the income level as a criterion to allocate ODA. By adopting this criterion, most of the aid is granted to low-income countries. This criterion of discrimination to award resources has ultimately consolidated due to the ODA's quest to achieve

**Latin America and the Caribbean: ranking of countries according to the World Bank and the Development Assistance Committee (DAC) of the OECD**

		WORLD BANK	DAC	SUB-REGION
1	BAHAMAS	HIGH-INCOME	DEVELOPED COUNTRY	CARIBBEAN
2	BARBADOS	HIGH-INCOME	DEVELOPED COUNTRY	CARIBBEAN
3	TRINIDAD AND TOBAGO	HIGH-INCOME	DEVELOPED COUNTRY	CARIBBEAN
4	ANTIGUA AND BARBUDA	UPPER MEDIUM-INCOME	DEVELOPING COUNTRY, UPPER MEDIUM-INCOME	CARIBBEAN
5	ARGENTINA	UPPER MEDIUM-INCOME	DEVELOPING COUNTRY, UPPER MEDIUM-INCOME	LATIN AMERICA
6	BRAZIL	UPPER MEDIUM-INCOME	DEVELOPING COUNTRY, UPPER MEDIUM-INCOME	LATIN AMERICA
7	CHILE	UPPER MEDIUM-INCOME	DEVELOPING COUNTRY, UPPER MEDIUM-INCOME	LATIN AMERICA
8	COLOMBIA	UPPER MEDIUM-INCOME	DEVELOPING COUNTRY, UPPER MEDIUM-INCOME	LATIN AMERICA
9	COSTA RICA	UPPER MEDIUM-INCOME	DEVELOPING COUNTRY, UPPER MEDIUM-INCOME	LATIN AMERICA
10	CUBA	UPPER MEDIUM-INCOME	DEVELOPING COUNTRY, UPPER MEDIUM-INCOME	LATIN AMERICA
11	DOMINICA	UPPER MEDIUM-INCOME	DEVELOPING COUNTRY, UPPER MEDIUM-INCOME	CARIBBEAN
12	ECUADOR	UPPER MEDIUM-INCOME	DEVELOPING COUNTRY, UPPER MEDIUM-INCOME	LATIN AMERICA
13	GRANADA	UPPER MEDIUM-INCOME	DEVELOPING COUNTRY, UPPER MEDIUM-INCOME	CARIBBEAN
14	JAMAICA	UPPER MEDIUM-INCOME	DEVELOPING COUNTRY, UPPER MEDIUM-INCOME	CARIBBEAN
15	MEXICO	UPPER MEDIUM-INCOME	DEVELOPING COUNTRY, UPPER MEDIUM-INCOME	LATIN AMERICA
16	PANAMA	UPPER MEDIUM-INCOME	DEVELOPING COUNTRY, UPPER MEDIUM-INCOME	LATIN AMERICA
17	PERU	UPPER MEDIUM-INCOME	DEVELOPING COUNTRY, UPPER MEDIUM-INCOME	LATIN AMERICA
18	DOMINICAN REPUBLIC	UPPER MEDIUM-INCOME	DEVELOPING COUNTRY, UPPER MEDIUM-INCOME	LATIN AMERICA
19	SAINT VINCENT AND THE GRENADINES	UPPER MEDIUM-INCOME	DEVELOPING COUNTRY, UPPER MEDIUM-INCOME	CARIBBEAN
20	SAINT KITTS AND NEVIS	UPPER MEDIUM-INCOME	DEVELOPING COUNTRY, UPPER MEDIUM-INCOME	CARIBBEAN
21	ST. LUCIA	UPPER MEDIUM-INCOME	DEVELOPING COUNTRY, UPPER MEDIUM-INCOME	CARIBBEAN
22	SURINAME	UPPER MEDIUM-INCOME	DEVELOPING COUNTRY, UPPER MEDIUM-INCOME	CARIBBEAN
23	URUGUAY	UPPER MEDIUM-INCOME	DEVELOPING COUNTRY, UPPER MEDIUM-INCOME	LATIN AMERICA
24	VENEZUELA	UPPER MEDIUM-INCOME	DEVELOPING COUNTRY, UPPER MEDIUM-INCOME	LATIN AMERICA
25	BELIZE	LOWER MEDIUM-INCOME	DEVELOPING COUNTRY, LOWER MEDIUM-INCOME	CARIBBEAN
26	BOLIVIA	LOWER MEDIUM-INCOME	DEVELOPING COUNTRY, LOWER MEDIUM-INCOME	LATIN AMERICA
27	EL SALVADOR	LOWER MEDIUM-INCOME	DEVELOPING COUNTRY, LOWER MEDIUM-INCOME	LATIN AMERICA
28	GUATEMALA	LOWER MEDIUM-INCOME	DEVELOPING COUNTRY, LOWER MEDIUM-INCOME	LATIN AMERICA
29	GUYANA	LOWER MEDIUM-INCOME	DEVELOPING COUNTRY, LOWER MEDIUM-INCOME	CARIBBEAN
30	HONDURAS	LOWER MEDIUM-INCOME	DEVELOPING COUNTRY, LOWER MEDIUM-INCOME	LATIN AMERICA
31	NICARAGUA	LOWER MEDIUM-INCOME	DEVELOPING COUNTRY, LOWER MEDIUM-INCOME	LATIN AMERICA
32	PARAGUAY	LOWER MEDIUM-INCOME	DEVELOPING COUNTRY, LOWER MEDIUM-INCOME	LATIN AMERICA
33	HAITI	LOW-INCOME	LEAST DEVELOPED COUNTRY	LATIN AMERICA

Source: Economic Commission for Latin America and the Caribbean (ECLAC), based on the information provided by S. Tezanos Vázquez, *Una aplicación al análisis de la distribución de la ayuda oficial al desarrollo\** ("An application to the analysis of the distribution of official development assistance"), *Financiamiento del desarrollo* ("Development funding"), Santiago de Chile, 2012, press release; and the Development Assistance Committee (DAC), "DAC List of ODA Recipients", 2011 [online]: <http://www.oecd.org/dac/stats/daclist>

the Millennium Goals (MDGs). This explains the drop in the contributions of the official development assistance to promote cooperation in the region, as the latter is a middle-income zone. In accordance with this consideration, and taking the gross national income of the Latin American countries as a reference, the ODA that they received shifted from 1 % during the sixties to 0.4 % in the nineties and 0.22 % nowadays. The eradication of poverty as the main objective of the MDGs, in 2000, took place at the same time as the sharper decline in the assistance provided by the ODA throughout the region.

Thus, it could be argued that in general terms, the adoption of the structural gap of the per capita income has been detrimental to Latin America, since it is a middle-income region. If we carry out a more thorough analysis of the aid granted to each Latin American country, we will be able to detect great differences, as the income level is again used as a criterion to decide which country receives a larger share of the official assistance, an aspect that translates into huge inequalities in the distribution of the aid given to the region. For example, in terms of GNI, the ODA contributions have been quite significant in this period for Haiti and Nicaragua (over 15 % of the GNI), followed by Dominica and Bolivia (over 5 % in both cases). In contrast, the contributions were very modest for the

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remaining countries –in 16 of the 30 nations it did not even reach 1 % of the GDP–. These different ODA contributions are even clearer in terms of population: seven countries – most small populations– receive contributions amounting to over USD 150 per person (Dominica, Granada, Guyana, Nicaragua, Saint Kitts and Nevis, St. Vincent and the Grenadines and Suriname). However, the contributions received by the two most populated countries in the region –Brazil and Mexico– does not even reach one dollar and a half per capita<sup>10</sup>.

Regarding the areas of cooperation where the resources have been allocated, the concerns to achieve the Millennium Development Goals seem clear, since many resources were diverted towards areas of cooperation of social infrastructure when, previously, the largest investments involved the economic infrastructure and general development.

#### **THE “DISADVANTAGE” OF BEING A MIDDLE-INCOME REGION IN RELATION TO THE MDGS**

The modern world is incredibly complex; it started changing rapidly after the end of the Cold War and the current situation is marked by uncertainty and

change processes that have transformed the traditional references. The very concept of powers has changed as well to the extent that, in recent years, we have even begun to doubt about the hegemonic continuity of the Western world, which the U.S. has been leading. The strong growth of the known as emerging powers and their intentions to exert international influence largely justify these doubts. Even though it should be noted that these new players do not meet the traditional requirements to be considered as powers, they have experienced an impressive growth and acquired a notable international weight in the 21st Century, although they suffer from serious problems of regular poverty and inequality.

Latin America is no stranger to the changes in the new trends of power distribution among the international community and the power shift towards Asia-Pacific. In fact, the region has also been labeled as emerging, as its economic and political weight has increased thanks to countries like Brazil, seeking to become a regional leader and enhance its global influence. The Latin American aspiration is to become an autonomous regional player which aims to have a greater presence in emerging global governance structures.

<sup>10</sup> S. Tezanos Vázquez, *Conglomerados de desarrollo en América Latina y el Caribe: Una aplicación al análisis de la distribución de la ayuda oficial al desarrollo* (“Development conglomerates in Latin America and the Caribbean: An application to the analysis of the distribution of official development assistance”), *Financiamiento del desarrollo* (“Development funding”), Santiago de Chile, Economic Commission for Latin America and the Caribbean (ECLAC), 2012.

**“10 % of the population  
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The growth experienced from 2003 to 2013 has had a positive impact by reducing some of the historical development structural problems in Latin America, but pose new challenges, such as those of the middle-income countries (MICs)<sup>11</sup>. The main problem is the fact that growth has improved the circumstances of the region and has partially solved historical structural problems, but has also led to the marginalization of the region in relation to the international cooperation flows. However, despite the improvement, the region still suffers from a series of structural hurdles holding back its development.

Development cannot be limited to a single factor, especially for an area that is made up by rather heterogeneous contexts and in certain cases, even absolutely different. This enormous diversity includes very different social, economic and political contexts. However, classifying them according to their income level simplifies and unifies this diversity without taking into account that many middle-income countries have similar problems to those affecting low-income nations. Comparing the Latin American situation with that of other countries illustrates the unsolved

shortcomings and hurdles that the Latin American countries need to face, despite the growth in the income per capita. More specifically, inequality has been a historical problem, still unsolved, despite the growth experienced in recent years and the positive impact it has had on the region. As the European Commission itself pointed out, indicators have shown that the region has the worst inequality results in the world, with 10 % of the population accounting for 48 % of the total income, while the lower 10 % merely accounts for 1.5 %. As a comparison, in industrialized countries the 10 % richest people account for 29 % of the total income while the 10 % poorest persons account for 2.5 %. The problem of inequality and poverty is deteriorated by the worsening difficulties that several groups of the population need to face since they cannot access basic public services (health, education, etc.), the labor market, the financial system or political and legal institutions.

Therefore, the Economic Commission for Latin America and the Caribbean (ECLAC) has proposed a new approach which takes into account the vulnerabilities and needs that middle-income countries have, which had been marginalized from international official

<sup>11</sup> J. A. Sanahuja, *América Latina, más allá de 2015: escenarios del desarrollo global y las políticas de cooperación internacional* (“Latin America beyond 2015: global development scenarios and international cooperation policies”), quoted from S. Arriola, R. Garranzo and L. Ruiz Jiménez (coordinators), *La renovación de la Cooperación Iberoamericana. Transformaciones para una agenda post-2015* (“The renewal of the Ibero-American Cooperation. Transformations for a Post-2015 agenda”), SEGIB-AECID, Madrid, 2013.

**“It is mandatory to rethink the concept of security, with a focus on determining the vulnerabilities entailed by the various structural gaps”**

cooperation flows so far due to their status as middle-income nations. To this end, it is essential to analyze the challenges that each of the countries needs to meet. In this sense, a new cooperation agenda should be set. An agenda which promotes inclusive development<sup>12</sup>.

**THE CHALLENGES OF THE REGION IN A NEW CYCLE OF SLOWDOWN AND ITS OPPORTUNITIES CONSIDERING THE POST-2015 DEVELOPMENT AGENDA**

The year 2015 was set as the deadline to fulfill the MDGs. Hence, the UN has launched an extensive dialogue and round of consultations so that, by September of this year, when all Member States meet at the World Summit on Sustainable Development, it will be possible to draft a new development agenda. It seems like the agenda will adopt an inclusive approach which would certainly be a great opportunity for Latin America, as it would be included in the ODA flows.

This possibility comes at a particularly appropriate time as it will take place at the same time as the start of a new economic cycle in the region marked by an economic slowdown, after a decade of strong growth. This new circumstances might jeopardize the achievements

and worsen the situation of the new middle classes, as well as negatively affecting the most disadvantaged classes, despite being middle-income countries.

In the current context, the ODA can certainly be a major contribution to avoid taking a step backwards and overcoming the structural hurdles that the new agenda would take into account.

**THE ADOPTION OF THE NEW POST-2015 AGENDA, BASED ON AN INCLUSIVE APPROACH**

For Latin America to attract the attention of international cooperation, it is mandatory to rethink the concept of security, with a focus on determining the vulnerabilities entailed by the various structural gaps. In this way, it will be possible to detect the structural hurdles slowing down development, even though they are middle-income countries. On the contrary, as previously mentioned, addressing a single gap, such as income, is not enough to fully define the multifaceted nature of development, nor the real structural challenges that Latin America and the Caribbean need to face.

Following the proposal made by the ECLAC, *“achieving development requires overcoming endemic production lags through innovation and investment in physical and, especially,*

<sup>12</sup> *Middle-income countries*, ECLAC, <http://www10.iadb.org/intal/intalcdi/PE/2012/10649es.pdf>.

human capital in order to boost systemic productivity and competitiveness, as well as strengthening institutions and consolidating democracies. This means addressing a number of obstacles –or, more precisely, structural development gaps– that still persist and that not only impede vigorous and sustainable economic growth

in the countries of the region but also limit the potential for moving towards more inclusive economies and societies. These gaps include those of (i) per capita income, (ii) inequality, (iii) poverty, (iv) investment and savings, (v) productivity and innovation, (vi) infrastructure, (vii) education, (viii) health, (ix) taxation, (x) gender, and (xi) the environment<sup>13</sup>.

<sup>13</sup> ECLAC, *La hora de la igualdad: Brechas por cerrar, caminos por abrir* (“The time for equality: Closing gaps, opening pathways”) (LC/G.2432 (SES.33/3)), Santiago de Chile, 2010.

#### Latin America and the Caribbean (21 countries): Ranking of the middle-income countries according to the various gaps

	Gap in per capita income	Inequality gap	Poverty gap	Investment and savings gap		Productivity and innovation gap		Infrastructure gap	Education gap	Health gap	Fiscal gap	Gender gap	Environmental gap
				Investment	Savings	Productivity	Innovation						
Largest gap ↑	NIC	COL	HND	BOL	GUY	NIC	DOM	GUY	GTM	GTM	GTM	GTM	HND
	GUY	HND	NIC	GUY	BLZ	BOL	SLV	NIC	NIC	HND	CRI	GUY	NIC
	HND	BOL	COL	NIC	SLV	PRY	HND	JAM	VEN	BOL	DOM	HND	SLV
	BOL	BLZ	BOL	PRY	NIC	GUY	PRY	BOL	HND	NIC	SLV	NIC	GTM
	PRY	BRA	BLZ	GTM	PAN	HND	GTM	DOM	DOM	PRY	PER	BLZ	ECU
	GTM	GTM	GTM	HND	GTM	PER	NIC	COL	BRA	PER	MEX	PAN	PRY
	SLV	PAN	GUY	SLV	DOM	ECU	ECU	HND	SLV	PAN	PRY	SLV	ARG
	BLZ	CHL	SLV	ECU	JAM	SLV	BOL	URY	COL	GUY	ÂN	COL	PAN
	PER	NIC	PER	PER	URY	GTM	PER	GTM	PRY	MEX	HND	DOM	BLZ
	ECU	PRY	DOM	DOM	BRA	BRA	BLZ	BLZ	ECU	JAM	BLZ	BOL	VEN
	DOM	MEX	ECU	BLZ	CRI	COL	GUY	CRI	MEX	ARG	CHL	PRY	BRA
	JAM	CRI	PRY	JAM	COL	PAN	COL	PRY	CRI	BLZ	COL	ECU	BOL
	COL	ECU	VEN	COL	PER	URY	JAM	ECU	URY	VEN	ECU	JAM	MEX
	BRA	DOM	BRA	BRA	BOL	DOM	PAN	VEN	GUY	SLV	JAM	BRA	COL
	CRI	PER	PAN	URY	PRY	VEN	VEN	SLV	BOL	COL	GUY	MEX	PER
	PAN	SLC	MEX	PAN	HND	JAM	CRI	BRA	ARG	BRA	ARG	VEN	JAM
	URY	ARG	JAM	CRI	CHL	ARG	MEX	PER	BLZ	DOM	BOL	PER	DOM
	VEN	JAM	CRI	MEX	ARG	CRI	BRA	MEX	PAN	ECU	NIC	CHL	GUY
	ARG	GUY	ARG	VEN	MEX	BLZ	URY	PAN	JAM	CRI	URY	ARG	CRI
	CHL	VEN	URY	CHL	ECU	CHL	ARG	ARG	PER	URY	VEN	CRI	CHL
Smallest gap ↓	MEX	URY	CHL	ARG	VEN	MEZ	CHL	CHL	CHL	CHIL	BRA	URY	URY

Source: Economic Commission for Latin America and the Caribbean (ECLAC), based on the information provided by the World Bank, *World Development Indicators* (online database): <http://devdata.worldbank.org/dataonline/>

Note: ARG: Argentina, BOL: Bolivia (Plurinational State of), BRA: Brazil, CRI: Costa Rica, CH: Chile, DOM: Dominican Republic, ECU: Ecuador, GTM: Guatemala, GUY: Guyana, HND: Honduras, JAM: Jamaica, MEX: Mexico, NIC: Nicaragua, PAN: Panama, PER: Peru, PRY: Paraguay, SLV: El Salvador, URY: Uruguay, VEN: Venezuela (Bolivarian Republic of). The indicators of Table 4 were proxy variables of each of the gaps. As regards the fiscal gap, the ranking is merely based on the public income indicator.

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Adding these gaps into the approach enables it to address the main development hurdles of Latin America.

Once the needs of the countries had been clarified, the ECLAC carried out an analysis to measure the magnitude of these problems and organized it on a country basis. This showed that the income level is not directly related to the development level, since an increase in the income level and, therefore, a reduction in the income gap does not necessarily translate into improvements in the remaining gaps. Not only that, it is also possible to see that the importance of each gap varies from country to country. Thus, an individual analysis is required for each country; while certain gaps are the main hurdle in certain countries, they are secondary in other nations. All the aforementioned data lead to the conclusion that it is not possible to establish universal development “recipes”, since their implementation through the cooperation mechanisms would end up failing. On the opposite, it is essential to analyze the greatest weaknesses and challenges for each case.

It is therefore crucial to establish a dialogue with the recipient countries and enable them to play an active role in the process of setting the development goals. They are

responsible for identifying their key challenges. Without their participation, it will not be possible to establish a development agenda, one that does not seek to equalize the structural problems, but recognizes the singularities of each case.

#### **DRAFTING A NEW AGENDA WHICH BENEFITS LATIN AMERICA AND THE CARIBBEAN**

This new approach has been adopted by the Latin American region and was formalized during the Regional Consultation for Latin America and the Caribbean on Financing for Development held in August 2000 at the ECLAC headquarters in Santiago de Chile. At this meeting, the government representatives and experts demanded that the international cooperation system had to adopt a multidimensional agenda, faced with the development challenges, not only based on the needs of the low-income countries, but which also considers the various needs and weaknesses of the middle-income nations.

In accordance with the proposals made by the ECLAC at the same meeting, its Secretary, Alicia Barcena, reiterated that “The concept of development must not only focus on low-income countries. This is a wide concept which concerns the majority of the emerging economies and those known as medium-income

**“The lessons learned on the limitations that the MDGs agenda had also seem clearer”**

countries. The current levels of ODA are not sufficient”<sup>14</sup>, and added that, “the allocation criteria, both for ODA and public and private funding flows, which rank according to average income, are not appropriate as they do not grasp the natural complexity of development”<sup>15</sup>.

*“The economic growth is not enough to continue reducing the poverty and inequality in Latin America and the Caribbean”.* This was the message conveyed by the UN Development Program (UNDP), at the first Meeting of the Advisory Council of the 2016 Regional Human Development Report on Multidimensional Development, which brought together over 20 public authorities: ministers, senators, academics and the leaders of the main multilateral organizations in the region. *“Clearly, “more of the same” in terms of growth and public policies will no longer yield “more of the same” in poverty and inequality reduction”,* said the UN Deputy Secretary-General and UNDP Director for Latin America and the Caribbean, Jessica Faieta, at the forum. More specifically, she stated that *“Higher economic growth does*

*not necessarily generate greater social progress: different policies must be in place, particularly at a time when fiscal resources, crucial to expand social safety nets, have shrunk”*<sup>16</sup>.

In this sense, the lessons learned on the limitations that the MDGs agenda had also seem clearer. Thus, the UNDP emphasizes on the fact that the welfare of the people goes “beyond income”, calling upon the regional leaders to focus on the “multidimensional development”. This implies investing in skills for job placement, financial systems that do not lead to over-indebtedness among the poor population and reducing the gender gaps. In this sense, Gonzalo Robles, Secretary-General of International Development Cooperation of the Government of Spain, considers that *“The Millennium Development Goals have taught us that, beyond growth, development actions must address multidimensional welfare aspects... Despite the social achievements of the last decade, the social protection systems are not universal networks granting access to decent work, health, education*

<sup>14</sup> This approach is also covered in *Financiamiento para el desarrollo en América Latina y el Caribe. Un análisis estratégico desde la perspectiva de los países de renta media* (“Funding for the development of Latin America and the Caribbean. A strategic analysis from the point of view of middle-income countries”), 2015, [http://www.financiaciondesarrollo.org/S1500127\\_es.pdf](http://www.financiaciondesarrollo.org/S1500127_es.pdf)

<sup>15</sup> <http://www.cepal.org/es/comunicados/paises-de-america-latina-y-el-caribe-llaman-repensar-el-sistema-de-cooperacion>.

<sup>16</sup> [http://www.sv.undp.org/content/el\\_salvador/es/home/presscenter/pressreleases/2015/02/20/con-crecimiento-econ-mico-no-basta-dice-el-pnud-con-un-llamado-hacia-el-progreso-multidimensional.html](http://www.sv.undp.org/content/el_salvador/es/home/presscenter/pressreleases/2015/02/20/con-crecimiento-econ-mico-no-basta-dice-el-pnud-con-un-llamado-hacia-el-progreso-multidimensional.html), February, 2015.

**“The circumstances  
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*and protection throughout the whole life cycle”.*

Based on this new development agenda, the UNDP is preparing its *2016 Human Development Report for Latin America and the Caribbean on Multidimensional Progress* which shall also include policy recommendations reflecting the new global development agenda, in accordance with the Sustainable Development Goals to be launched in September 2015 at the UN General Assembly in New York. The new agenda will certainly include the middle-income countries, in accordance with the new approach. Therefore, an increase in the aid flows and a larger support for ODA development is expected in Latin America.

#### **THE TIMELY RE-ROUTING OF THE INTERNATIONAL COOPERATION FLOWS IN A PERIOD OF ECONOMIC SLOWDOWN IN LATIN AMERICA**

Despite developing South-South cooperation mechanisms, the region has never intended to forego the international ODA. The South-South<sup>17</sup> cooperation between Latin American countries was a necessary complement to international cooperation, but not a substitute for ODA<sup>18</sup>. This cooperation,

entailed by the new economic climate in the region, could arrive at a particularly appropriate time.

The reports drafted by the ECLAC and the World Bank suggest that Latin America could join the global recessionary trend, since it is slowly being affected by the European crisis and the decline in the Chinese demand for raw materials. Currently, the main concern is the deterioration of the main past achievements due to the weaknesses of the development model promoted by the recent positive economic cycle. In fact, this model has been mainly based on the export of raw materials and commodities, such as oil and copper. This model puts the region in an extremely vulnerable state when the market context changes, as is currently happening, since the demand for products is reduced and/or oil prices drop.

The circumstances of the international market had an immediate impact on the Latin American economies. The region completed in 2014 its fourth consecutive slowdown term and the forecasts for this year, both from the IMF and the ECLAC, expect a regional GDP growth of hardly 1 %. This situation contrasts with the recent data

<sup>17</sup> Definition of South-South cooperation, <http://sursur.sela.org/qu%C3%A9-es-la-css/conceptos-de-la-cooperaci%C3%B3n-sur-sur/>. See also, *Mapping Multilateral Support to South-South Cooperation in Latin America and the Caribbean: Towards collaborative approaches*, UNDP, 2012, <http://www10.iadb.org/intal/intalcdi/PE/2012/10661es.pdf>.

<sup>18</sup> <http://www.cepal.org/es/comunicados/paises-de-america-latina-y-el-caribe-llaman-repensar-el-sistema-de-cooperacion>, April 2012.

“Out of the 600 million  
citizens, 170 are poor”

highlighting the recent economic boom; since the beginning of the 21st century until 2012, the regional GDP grew by 80 % –supported by increasing demand for raw materials–. The middle-class grew by almost 50%, partially solving the inequality problem –Latin America remains the most unequal region in the world– and poverty dropped by 30 %. Even so, out of the 600 million citizens, 170 are poor.

The biggest concern is the sustainability of these achievements, given the existing structural gaps that Latin America needs to face. This has become a priority objective as regards the ODA, as stated by the main multilateral organizations engaged in the development of cooperation in the region based on their willingness to implement an “inclusive economic growth” approach.

#### THE ODA COMMITMENT TO LATIN AMERICA IN A PERIOD OF ECONOMIC DIFFICULTIES

The commitment of international cooperation to Latin America seems clear. This was ratified in the “Joint Declaration of the International Financial Institutions at the Seventh Summit of the Americas”, held in Panama City in April 2015<sup>19</sup>.

In this document, “*the main international financial*

*institutions in the region, The World Bank Group (WBG), the Inter-American Development Bank (IDB), and CAF, Development Bank of Latin America, have made a commitment to support the efforts of the governments in the region to preserve and expand the economic and social successes of the past decade... Aware of the fact that the external factors that contributed to these achievements have changed (...) the IDB, CAF, and the WBG place our financial resources, knowledge, and power to convene, at the disposal of the countries of the region. Only in financial terms, the three institutions expect to provide in our respective 2015 fiscal years more than USD 35 billion to Latin America and the Caribbean: USD 12.5 billion from the IDB, USD 12 billion from CAF, and USD 11 billion from the WBG”.*

These worries, expressed very clearly by the organizations, show concerns for a social regression due to the new economic context. Therefore, the proposal to contribute to the Latin American development at this critical moment is based on the concept of multidimensional and inclusive development. The organizations are well-aware of two key aspects for their contribution to be successful. First, they need to “close the wide competitiveness gaps”

<sup>19</sup> <http://www.iadb.org/es/noticias/anuncios/2015-04-10/declaracion-de-ifis-para-la-vii-cumbre-de-las-americas,11130.html>.

**“The region is facing  
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through this multidimensional approach, since they understand that, in order to ensure a “fairer society”, they need to invest in human capital, infrastructure, innovation and policies to improve the gender equality, provide low-income citizens with access to food, housing, drinking water, sanitation, as well as the health and education services and quality employment. In short, social policies need to develop the potential of individuals.

Second, they understand that solutions must be “customized”. In this sense, the declaration also takes the UN proposal into account in relation to the need to promote the active participation of the recipient countries, given the singularities that characterize each nation. Thus, the declaration insists on the fact that the solutions to be implemented “will be in the hand of each country, as they will have to design the best path to follow”.

Latin America is expected to return to the international cooperation flows: a crucial and necessary support, despite the fact that it is a middle-income region, particularly at a time of difficulties. International cooperation will certainly contribute to the development of the region.

#### 4. CONCLUSIONS

The evolution of the concept of development has been adopted by the international cooperation. In this sense, after leaving the Developmental theories behind, the human being became the cornerstone of the new approach in which the MDGs were promoted. However, the experience of recent years has shown that this step, although important, was not enough. The adoption of per capita income as an indicator to measure poverty has “hidden” structural gaps affecting Latin America.

Only through the implementation of a multidimensional and flexible concept of development, which takes into account the main structural gaps, will it be possible for the international cooperation to make meaningful contributions.

This new development concept is particularly important for Latin America for several reasons. First, because it enables the region to become once again recipient of international development cooperation and, secondly, since this new concept promotes a more efficient and successful cooperation. The region is facing a great challenge, it must avoid wasting the past achievements at a difficult time. In this context, the possibility of being aided by international cooperation will undoubtedly be a key support to achieve this objective.

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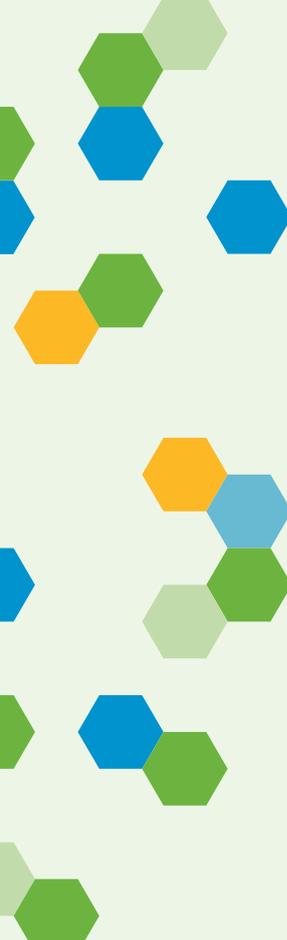
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