

CELAC 2020 Planning Agenda Proposal

1. Presentation

The historic building process of our Latin American and Caribbean States has been characterized by disadvantageous and unfair processes within an international system monopolized by economic interests diverging from regional needs.

Over the past decade, political and economic transformations in the Region have decisively impacted social construction processes, a clear example of this is the creation of Community of Latin American and Caribbean States (CELAC), which is born as the first forum for political dialogue in the region conducive to deepen the political, economic, social and cultural integration of our region (CELAC, Riviera Maya, 2010).

For these reasons, the Pro Tempore Presidency of CELAC, this year being conducted by the Republic of Ecuador, convinced of the important need to construct a tool to contribute to the deepening of political, economic and social integration on the basis of common planning objectives of CELAC countries, submits to the consideration of the thirty three states of the Community of Latin American and Caribbean States, a Planning Agenda proposal for the next five years (2020). This proposal seeks to promote specific policies to specifically contribute to the reduction of inequalities in the region.

With an analysis of the presidential declarations and in compliance with the discussions held between Foreign Ministers and planning and statistics authorities of the thirty-three countries, the Agenda will consist of four main thematic areas:

1. Reducing Extreme Poverty and inequalities
2. Education, Science, Technology and Innovation
3. Sustainable Development and Climate Change
4. Infrastructure and Connectivity

For an effective implementation of our regional objectives, the Agenda proposes a set of indicators and targets to assess and monitor efforts in the region, that have been observed and reviewed by planning and statistics institutions of CELAC member countries, and seeks to articulate a regional planning vision, thus achieving the consolidation of a unique view on development from CELAC's perspective, for Latin American and Caribbean States.

Regards and fraternal greetings,

Pro Tempore Presidency CELAC 2015.

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3. Collective vision of development planning

The need to consolidate a development Planning Agenda among regional and subregional integration mechanisms, to deepen political, economic and social integration, as well as establishing effective commitments for joint action to promote sustainable development, led the presidents of Latin America and the Caribbean join forces between the Rio Group and the Summit of Latin America and the Caribbean on Integration and Development (CALC).

The original idea, formulated by former president 'Lula' Da Silva, who laid the first steps of the Community of Latin American and Caribbean States (CELAC), was to establish in the region "a collective vision of countries of the South". Having this aspiration in mind, the current Pro Tempore Presidency has the desire to consolidate, build and jointly propose a vision of development based on agreed minimum principles stemming from national planning models (ILPES-CRP, 2014).

The spaces of technical-political dialogue generated by CELAC, offer its members the possibility possibilities to agree on common work, establishing concrete formulations of policies and efforts towards the joint resolution of structural problems and crosscutting phenomena in the region, such as: reducing extreme poverty and inequalities, access to science and technology, achieving sustainable development in harmony with nature and improving infrastructure and connectivity.

The planning vision for development is found in the Political Declarations of CELAC, which is similar to the Sustainable Development ¹ vision of the United Nations that has been described as a "development that meets the needs of the present generation without compromising the ability of future generations to meet their own needs" (UN, 1987).

CELAC's 2020 Agenda seeks to be a vehicle to articulate proposals, recognize collective opportunities and benefits that are compatible t with Latin American and Caribbean reality, a toll that will strategically address common problems and phenomena from a solidarity-based, comprehensive and integrated approach that overcomes, but does not replace, integration efforts of other spaces.

3.1. Conceptual and political convergence:

The thematic areas outlined in the 2020 Agenda proposal, respond to the presidential declarations and the work that has been carried out by CELAC's discussion groups since its inception; it is fully based in the main objective of this community which is its "... *Calling for coordination and convergence in order to carry out joint actions in defense of the permanent interests of our states*" (ECLAC, 2013).

¹Sustainable development refers to the many processes and means to achieve it (UNESCO, 2015).

In order to address each thematic area in a comprehensive manner, below we present their conceptualization and anchorage in presidential Mandates.

- **Reduce extreme poverty and inequalities**

The basic principle to identify poverty is the lack of income; however, there is no single -universal- concept to conceptualize it. Several academics and international organizations have defined poverty as the welfare level that has not been reached by a particular individual according to the "ideals of each society". It is for this reason that the United Nations refers to the inability to live a tolerable life (UNDP, 1997).

These concepts have been determined in the different instruments of CELAC, such as the first Political Declaration of Caracas (2011), in which specific guidelines were established for implementing social policies to reduce internal social inequalities. The Declaration expresses a common position regarding the "adoption of a set of economic and social indicators to help periodically assess the state of the region", with support from ECLAC.

In addition, the Declaration of Belen in 2015 expresses the firm decision to "promote, in order to eradicate hunger, poverty and inequality, the development and effective implementation of regional and national development programs, with a medium and long-term vision, transparency and accountability mechanisms and for the proper use of public resources available at the national and international level".

Therefore, the objectives proposed to reduce extreme poverty to the minimum, reduce inequality, create quality employment and increase budgets in areas of education and health, stem from the presidential decisions made by heads of state of CELAC, besides being articulated to the work of ECLAC and the objectives for the Post 2015 Agenda.

- **Education, Science, technology and Innovation**

Education is a fundamental human right, essential to be able to exercise other rights, because it promotes freedom and generates important benefits for development (UNESCO).

Following the initial argument, the Declaration of Incheon² recognizes education as a public good which should inspire a humanist vision based on the rights and dignity of people, social justice, inclusion, protection, linguistic and ethnic diversity, shared responsibility and accountability; key elements to achieve full employment and the eradication of poverty (World Education Forum 2015).

The development process cannot be completed without investments on science, technology and innovation. According to ECLAC, the development process is based on innovations that quantitatively and qualitatively transform production structures and support product expansion under conditions compatible with social inclusion and environmental preservation. It is possible to

²Represented by ministers, heads and members of delegations, heads of bodies and officials of multilateral and bilateral organizations and representatives of civil society, the teaching profession, youth and the private sector in the UNESCO framework.

combine growth, sustainability and improvement in income distribution in CELAC countries through a vigorous and socially oriented process in which science, technology and innovation (STI) are fundamental elements in the planning agendas of the States (ECLAC Draft Document 2020, 2015).

For this reason, the objectives of the Agenda gather what was established by the Heads of State, in terms of promoting cooperation projects involving technical assistance and promoting exchange programs for experts, professionals and qualified personnel of the region in the field of science, promoting the transfer of knowledge, creation of scientific, intellectual and innovation cooperation communities among countries.

- **Sustainable development and Climate change**

Climate change is an alteration which is attributed directly or indirectly to human activity that alters the composition of the global atmosphere and which is in addition to natural climate variability observed over comparable time periods (UN Framework Convention on Climate Change). In line with the discussions in the UN system, CELAC, must aim its policies towards a sustainable development that seeks to preserve social, economic and natural resources for future generations.

Since the Declaration of Caracas, there is a clear will to preserve nature and, in fact, its Action Plan proposes the generation and implementation of "*common regional plans, policies, and programs in priority areas for sustainable development*". As a matter of fact, the initiative proposed by the 2020 Agenda aims at presenting a regional position on the path to the COP-21, and also at promoting alternative power sources, using the huge amount of water resources of the region.

- **Infrastructure and Connectivity**

Infrastructure is essential for economic growth, productivity and balanced land development, and its expansion helps to reduce regional and local inequalities (ECLAC, 2012).

On the other hand, investing in infrastructure is a necessary condition for development, but is not a sufficient condition per se. The impact on growth of investments on infrastructure will depend on their coordination with other factors, such as the degree of development of human capital, the availability of natural resources, and access to financing and technology, among others. (Rosas y Sánchez, 2005)

Since the Declaration of Cancun up to the Declaration of Belen, the generation of efforts has been emphasized to coordinate regional initiatives related to physical, transportation, and telecommunications, and especially energy integration. Specifically, the Declaration of Santiago de Chile (2013) stresses the need to complement -through CELAC- regional and subregional projects and programs. The objective is to achieve effective geographical integration, through the convergence of various subregional integration processes (Declaration of Cancun, 2010).

4. Proposed targets and indicators

Once the conceptual and declarative anchorage of the regional planning thematic areas has been established, it is necessary propose concrete objectives to implement them. We reiterate that this approach based on targets and indicators is a regional effort that expresses common interests, analyzed, discussed and agreed upon by technical and political spaces of this body.

Thematic Area 1: Reduce extreme poverty and inequalities

The fight against poverty is a moral imperative and a region cannot be considered to be developed if it hasn't eradicated extreme poverty. In this regard, in recent years Latin America and the Caribbean shows progress and to achieve this, the region has addressed this problem from a comprehensive and multidimensional perspective.

Under this comprehensive treatment of poverty, we can highlight various achievements and challenges facing the region:

The 2000s have been highly encouraging in terms of economic development and poverty reduction. According to ECLAC, poverty in Latin America in 2013 stood at 28.1%, while extreme poverty or indigence reached 11.7%. These percentages correspond, to 165 million people in poverty and 69 million people living in extreme poverty, respectively. The countries with the largest number of poor people are: Brazil and Mexico.

Extreme poverty in the region dropped 6.4 points between 2002 and 2008, and 1.2 points from that year to 2013. Currently, the percentage of people living in extreme poverty has remained between 11% and 12%. However, those who came out of it reached a situation of "vulnerability"; that is, they run the risk of returning to be poor. Based on extreme poverty by income of the 17 countries for which data is available, three categories can be distinguished:

- The first group consists of: Uruguay, Argentina, Chile, Peru, Brazil and Costa Rica, these countries maintain a moderate level of extreme poverty by income of between 0.9% and 7.2%.
- In the second group we find: Dominican Republic, Guatemala and Honduras with high levels of extreme poverty ranging from 20.2% to 45.6%.
- In the third group: Colombia, Venezuela, Ecuador, Panama, El Salvador, Mexico, Bolivia and Paraguay, with poverty levels between 9.1% and 19.2

Reducing inequality remains a challenge for the region, because it still lacks a full democratization of the access to production factors, including water, land and technology; nevertheless, although there is no aggressive intervention in these critical variables to achieve greater redistribution of wealth, social transfers contribute significantly to close income and opportunity gaps in the population.

In recent years, these measures have contributed to substantially reduce disparities in Latin America and the Caribbean, although the region still shows the highest inequality in the world. In this context, the regional Gini coefficient constructed on income per capita had an unprecedented

decline. According to ECLAC (2014), between 2002 and 2013 the average Gini index fell about 10% from 0.542 to 0.486 with one condition, the reduction has not been equal and significant disparities still exist between countries in the region.

- In a first group we find: Uruguay, Venezuela, El Salvador and Peru. In this group, on average, the average per capita income of households in first decile relative to each of the first four deciles is recorded at 9.1 times.
- The second group consists of: Ecuador, Bolivia, México, Costa Rica, Chile and Panamá; in this group, on average, the average per capita income of households in first decile relative to each of the first four deciles is recorded at 13.9 times.
- In the third group: Paraguay, Colombia, Brazil, Dominican Republic and Honduras; in this group, on average, the average per capita income of households in first decile relative to each of the first four deciles is recorded at 18.7 times.

Outside the monetary dimension of poverty, the most important challenges the region faces are:

Food Safety: Currently, the percentage of the population that does not meet a minimum level of energy consumption is between 5% and 23% in the countries of the region (ECLAC, 2013). Likewise, the lack of decent work is a key determinant of poverty. For 2012, the unemployment rate in the region was between 14.3% and 4.8% (ECLAC, 2013). However, while employment has increased at the regional level, underemployment still determines the (re)production of poverty. In large part this is because social security systems cover less than 66% in all countries of the region. This increases the economic vulnerability of the population and therefore the risk of falling into poverty depending on the employment opportunities available (ECLAC, 2013).

In this regard, the following targets and indicators are proposed:

Cuadro 1. Chart 1 Reducing extreme poverty and inequalities

Goal	Target Indicator	Support Indicator
Reduce extreme poverty in the Region	Incidence of extreme income poverty	Incidence of extreme poverty (% of population) - international comparison
Reducing inequality in the region	Gini coefficient	Ratio of average per capita household income: 10 richest / poorest 40
Reduce informal employment in CELAC.	Informal employment rate	Female unemployment rate
		Youth employment rate
		Percentage of social security registration

Thematic Area 2: Education, Science, Technology and Innovation

In 2012, Latin America and the Caribbean increased preschool enrollment by 64% compared to 1999 (UNESCO, 2015), highlighting gaps in favor of urban areas and wealthier groups.

Regarding primary education, the percentage of young people aged 15 to 19 who completed this cycle went from 60% in 1990 to 94% in 2012 (ECLAC, 2014); while secondary education of young people aged 20 to 24 doubled their percentage from 26% to 59% for the same period (1990-2012). Despite the increase in access to primary and secondary education, challenges remain in terms of retention and completion; the dropout rate for 2012 in the countries of the Region reached 17% in primary and 18% in secondary, the latter increasing by almost three percentage points compared to the desertion registered in 1999. Children and young people who are more likely to not go to school/college or abandon it, are those who belong to poor families living in rural or marginal urban areas, many of which coincide in the fact that their mothers were not educated and their income is not enough to cover the basic needs of their families.

As for higher education, the gross enrollment ratio to 2012 of the countries of the region rose from 21.71% in 1990 to 43.41% in 2012. Significant disparities exist; according to ECLAC estimates, in 2010 the enrollment in higher education of people 18 to 24 years old accounted for half of the figure recorded in developed countries³. In the same vein, completion of higher education of young people 25 to 29 years of age for Latin America in 2010, reached only 0.7% of the poorest quintile, while in the richest quintile, it reached 18.3% (OREALC, 2013).

Moreover, in science and technology by 2011, investment in research in Latin America reached only 3.2% of the world total. Of this investment, Brazil accounted for 63%, Mexico 18% and Argentina 11%. Those three countries reach 92% of the total investment of the bloc (RICYT, 2013). On the other hand, the number of researchers increased by 71% from 2002 to 2011, year in which more than 271,000 researchers were recorded, also concentrated in Brazil, Mexico, Argentina and Colombia, representing 90% of the total number of researchers in the Region (RYCIT, 2013). Finally, from the total patent applications registered in these countries, most belong to non-

³While the relationship between the level of development of countries and the expansion of higher education is neither linear nor mechanical, it is important to consider it to assume that there is still much progress in this respect.

residents: in Mexico that value reaches 92% in Argentina 86% and in Brazil 76% (RICYT, 2013). The data related to the granting of patents confirms that Brazil is the leader in the region.

Given this situation, CELAC's 2020 Agenda within the education, science, technology and innovation thematic areas raises the following goals:

Cuadro 2. Chart 2. Science, Technology and Innovation.⁴

Goal	Target Indicator	Support Indicator
Increase the percentage of people that have completed secondary education.	Percentage of people* with complete secondary education. *Age range shall be approved by the member countries of CELAC (Summary of deliberations Quito June, 29 -30 2015)	Percentage of PUBLIC expenditure on education relative to GDP.
		Net enrollment/attendance in preschool rate
		Percentage of people that have completed primary school
Increase gross enrollment rate in higher education	Gross enrollment rate in higher education	Percentage of PUBLIC expenditure on higher education relative to GDP.
		Graduation rate in higher education
		Scholarship rate in higher and graduate education at the regional level per 100,000 inhabitants
Increasing investment in research and development as a percentage of GDP in the region	Percentage of public expenditure on R&D* relative to GDP *The countries of the region should standardize the concepts and methodology for calculating the indicator (summary of Deliberations, Quito June 29 -30 2015)	Rate of technology patents of national origin granted by national offices per 1,000,000 inhabitants

Thematic Area 3: Sustainable Development and Climate Change

The environmental situation on the planet shows the consequences we face as a civilization to the effects of climate change, ranging from the accelerated loss of biodiversity, melting of glaciers, the high recurrence of increasingly intense weather events, migration processes due to extreme weather conditions, impact on agriculture and the organization itself of societies to the possible disappearance of small islands and archipelagos. These effects, which are the historical result of a production model that is based on the indiscriminate exploitation of nature as a provider of resources and in turn, recipient of waste, have an impact on ecosystems and societies, endangering future generations.

⁴ Member countries of CELAC have expressed the need to incorporate in the measurement of this thematic area, quality of education issues as well as increasing and improving the measurements of preschool and elementary education.

Faced with this reality, it is worrying to note the low level of compliance with international agreements to fight climate change, reflected in the limited political will to bring about changes in the forms of production and consumption, as well as the minimum allocation of economic resources needed for the implementation of mitigation and adaptation measures on the effects of climate change (UNCSD, 2012).

Regionally, Latin America and the Caribbean is the most biodiverse area on the planet . According to the Global Biodiversity Outlook report, 10 of the 12 countries in South America have a rate of Biological Diversity higher than 0.600, representing 83% of the countries in the region. When we analyze this world index, it shows that only 47 of 190 countries in the world meet or exceed this level (0.600), that is, 25% of countries worldwide ⁵(CBD, 2010).

The Millennium Development Goals, ⁶ show considerable progress in the region in some environmental areas. Joint action is important, such as reducing deforestation rates. Between 1990 and 2005, close to 69 million hectares of forests were lost, equivalent to 7% of the forest cover in the region. Finally, we can point out in the last few years events related to climate, which has become one of the most important global problems. More and more, the scientific community generates evidence on the direct or indirect impact negative human interventions have had on the environment, altering the composition of the global atmosphere, in addition to natural climate variability observed during comparable time periods (UN Framework Convention on Climate Change). The climate crisis is not only a technological or economic problem, but a political and cultural issue that requires a fundamental change, with an ethical, political, and cultural horizon of equity and social justice to balance consumption and redistribution in terms of finite planetary resources (Correa, 2015). These strategies of political positioning of actions aimed at adaptation and mitigation of climate change must transcend national borders and help strengthen regional principles of environmental sustainability.

Defining a regional position, within the framework of the Community of Latin American and Caribbean States is part of a strategy, not only to strengthen the voice of the region in the negotiations and discussions on climate change, but also to consolidate positions and consensus in wider negotiation spaces such as the Group of 77 and China and the Group of Developing Countries with similar thinking, among others.

A goal and an indicator are proposed for this thematic area in the information in the chart below:

⁵ The value of this index is measured from 0 (zero), minimum presence of biodiversity to one (1), maximum concentration (CBD, 2010).

⁶ Advances in Environmentally Sustainable Development in Latin America and the Caribbean "(United Nations, 2010).

Cuadro 3. Chart 3. Environment and Climate Change⁷

Goal	Target Indicator	Support Indicator
Increase the current terrestrial and coastal marine area under conservation or sustainable management	Proportion of terrestrial and marine-coastal territory under conservation or sustainable management.	Proportion of forests at the regional level under conservation or sustainable management
		Joint regional position towards the COP-21 in December 2015, Paris.

Thematic Area 4: Infrastructure and Connectivity

The economic infrastructure of a country is understood as the stock of productive facilities: roads, airports, bridges and dams for power generation, water and sanitation. (ECLAC, 2014). Moreover, connectivity -related to infrastructure- is a structure that consists of a network of corridors used to move goods, services, information and people (ECLAC). These infrastructures, have positive effects on the economic and social spheres, thus they are vital for the promotion of economic and productive activities ⁸ (Rozas, ECLAC, 2005).

In this regard, Carciofi and Gaya (2011) demonstrate the existence of an unmet demand for services to be generated by infrastructure in the Region and point out that reducing the gap between demand and stock of infrastructure would require an increase in regional investment, that if sustained, it could be closed by 2020. However, Fay and Morrison (2007), show that the percentage of regional GDP spent on infrastructure investment has decreased compared to previous periods since for 2007-2008 it reached 2.3% that is 1.7 percentage points lower than that recorded between 1980-1985.

For this reason, there is a need to increase the levels of investment that must be within a range of 4 to 6 percent of the regional GDP, (Fay and Morrison, 2007). Investment in areas such as water and sanitation, energy, telecommunications and transportation are fundamental pillars in terms of promoting investment in infrastructure for the region, especially because these are sectors that help reducing the cost structure required by investments and to ensure an efficient movement of goods and flow of information.

On energy, Sanchez (2010), has made evident that there are significant gaps in coverage between Latin America and the Caribbean, noting especially that **no country in the region supplies its population by 100%**. Bolivia, Peru and Ecuador are the countries facing the biggest challenges in the energy field, and the analyzed data shows that until 2010, 68, 76 and 86% of the population was supplied, respectively. This contrasts with the cases of Chile, Brazil and Uruguay, where there is a higher percentage of coverage.

⁷ Member countries have expressed the need for a larger number of indicators that account for: water availability, biodiversity, risk management and emissions linked to climate change.

⁸Calderon and Servén (2004) show the positive impact on the Gini coefficient of the provision of infrastructure. While Ferro and Lentini (2008) analyze the "social impact of the infrastructure for health and transportation of people", FAL Bulletin No. 268, Santiago, Chile.

Telecommunications represent another challenge of the infrastructure and connectivity component when we recognize that the current levels of coverage are quite deficient. In some cases such as internet access, countries like Paraguay and Bolivia have connections per 100 inhabitants lower than one. Generally, persistent inequalities of access, investment and maintenance of telecommunications among countries, represent a major challenge for the region, especially considering that telecommunications are increasingly necessary elements to foster the growth of a country.

Finally in transportation, the World Economic Forum, in its Global Competitiveness Report 2013-2014 ⁹ shows that the regional average for transport infrastructure quality is 0.4 points below the world average that reached a score of 4.3. This is a source of concern, since what is optimal is not reach the average, but to reach high levels in the quality of regional infrastructure. Overall, the largest gaps observed in the region are railways infrastructure and, to a lesser extent, paved roads.

The definition of objectives for regional development and the satisfaction of basic and productive needs, help ensure not only the sustainability of the services provided to the population, but also foster endogenous development in the region. For the infrastructure and connectivity thematic area the following goals are proposed:

Cuadro 4. Chart 4. Infrastructure and Connectivity¹⁰

Goal	Target Indicator	Support Indicator
Increasing investment in transportation infrastructure, energy, telecommunications, water and sanitation in the region	Percentage of investment in transportation infrastructure in relation to GDP, within the countries of CELAC	Percentage of regional and national electricity coverage
	Percentage of investment in energy infrastructure in relation to GDP, within the countries of CELAC	Proportion of households with broadband internet over total households
	Percentage of investment in telecommunications infrastructure in relation to GDP, within the countries of CELAC	Percentage of households without access to sanitation
	Percentage of investment in water infrastructure in relation to GDP, within the countries of CELAC	Percentage of households without constant access to piped water within the household
	Percentage of investment in sanitation infrastructure in relation to GDP, within the countries of CELAC	

⁹Notably, the Report of the World Economic Forum considered 148 countries worldwide, but does not include Belize.

{ut1 } Member countries have expressed the need to include in the measurement of this thematic area, topics on internet use and investment in infrastructure at the regional level. (Meeting of planning and statistics authorities held in Quito (2015))

5. Regional conditions for development: financing

- **International Reserves**

International reserves are essential to achieving sustainable development, they help countries to respond adequately to emerging situations beyond the control of the authorities, be they environmental or economic crisis situations which require immediate intervention. In this context, developing countries in Latin America have \$ 760 billion in accounts in the United States, these funds represent most of the reserves of the region and could be mobilized for its own development.

Latin American countries have embarked on an initiative called "*Latin American Reserves Fund-FLAR*" with the purpose of having monetary reserves as a bloc of countries. The investments of the countries contributing to this fund are concentrated mainly in the United States, from which, 55% of the investments are concentrated in North America, while 5.2% of the total was invested in Latin America, 27.41% in Europe and 6.8% in Asia and Australia ¹¹.

- **Development banks**

A generic concept of financing of development is defined as "*the existence of credit banks engaged in financing long-term investment projects considered as priorities by the national, regional or global government policies*" ¹².

In the case of achieving Sustainable Development Goals (ODS) in middle-income countries, financing for development is part of the challenge of transforming the more traditional forms of financing for development, such as "*Official Development Assistance (ODA), with the emergence of new actors, mechanisms and funding sources. The latter category contains the new donors who are not members of the Committee for Development Assistance, innovative financing mechanisms and climate funds, among others. These now play a more powerful and visible role in financing for development*" (ECLAC, 2015).

The economic outlook for Latin America and the Caribbean has changed radically in recent years. In 2014, the region recorded its lowest growth rate in four years ¹³. In this new scenario, if our countries want to boost growth they will have to rely on their own engines.

- **Financial support from Development Banks**

Financial institutions for development cover a wide range of organizations operating at the global, regional, subregional and national levels. While each of these institutions has its own specialty and operating mode, they contribute, to greater or lesser extent, to economic and social

¹¹ Central Bank of Ecuador, Proposal for strengthening the Latin American Reserve Fund FLAR, in December 2014.

¹² ROUGIER, Marcelo. La banca de desarrollo en América Latina: Luces y sombras de la industrialización de la región. Fondo de cultura económica de Argentina, S.A. Primera edición, 2011. Pp. 14,15.

¹³ INTER-AMERICAN DEVELOPMENT BANK IDB Annual Report, Panorama for Development Effectiveness, March 2015.

development by mobilizing financial resources, the creation of technical, institutional and knowledge capacity, and the provision of global, national or regional public goods, as appropriate.

Bank lending in Latin America and the Caribbean is the most important source of financing for companies and households in the region. Unfortunately, credit is scarce, costly and volatile. Latin American reality shows a significant deficit in access to credit not only for the mentioned variables, but because the size of the financial sector is small and therefore the indicators of inequality in financing increase either on the low access side or the high intermediation costs side of banks in Latin America. Beyond the relationship between average GDP per capita and access, other factors, such as inequality in income distribution, macroeconomic and institutional aspects, are also key in determining the level of access to financial services ¹⁴.

With these characteristics and under the idea that there is a failure in the credit market given the absence of financing for regional, productive development projects and SMEs, is very important to consolidate regional strengthening towards this sector. Those countries with excessive external indebtedness or that are non-middle income, have failed to maintain credit sustainability. Additionally, to this issue we can add the fact that possibilities of access to credit to finance projects that create or strengthen SMEs is virtually zero.

The Andean Development Corporation (CAF) and the Inter-American Development Bank (IDB) are the most important development banks in the region. They are the entities with the higher level of credits granted to finance regional projects.

The role of development banks in Latin America has had a new change of perspective in recent years (ALIDE, 2010; ECLAC, 2012): between 2000 and 2009 their credit portfolio grew at a rate of 15% per year, thus it tripled its value, reaching nearly \$ 600 billion in 2009. These data reflect a change of perspective regarding the role of development banks, which associated first tier lending institutions to a notion of inefficiency. One reason for this change is the recognition of the role of development banks in financing economic and social demands, but other factors may also help to explain the return of development banking as a major player in the productive sector: the lack of interest of first tier private banking to channel funds from second-tier banking, the specialization of development banking in sectors or types of companies where the private banks lack experience or the evidence that the selection of clients from private entities differs from the target population of development banking ¹⁵.

The evolution of public and development banking also raises questions regarding a better regulation. On the one hand, public banking is usually guaranteed by the Treasury, and does not need the usual prudential regulation (including capitalization levels), since it practically has the State as guarantor, on the other hand, in the case of development banking, this problem is remedied in part by the nature of their mission. Today it has finally been acknowledged that development banking should not compete but complement private banking, and we cannot demand from it a similar financial return: the evaluation of its performance cannot be restricted

¹⁴ Unlocking Credit: The Quest for Deep and Stable Bank, Inter-American Development Bank, Buenos Aires, AR c2004 Inter-American Development Bank.

¹⁵ LEVY YEYATI Eduardo, MICCO Alejandro, PANIZZA Ugo, A reappraisal of State-Owned Banks, Febrero 2007, recovered from http://www.researchgate.net/publication/227351089_A_reappraisal_of_State-Owned_Banks. (Levy-Yeyati et al., 2004).

by parameters similar to those used by private banks, particularly when it comes to the promotion of strategic, innovative sectors or with high growth potential¹⁶.

Share of investments in Latin America and the Caribbean

*"The current 'non financial system' of the world is characterized by instability. In the absence of global solutions, a series of regional monetary cooperation agreements to address this instability has emerged"*¹⁷. One of the alternative ways of access to financing sources is the diversification of investments made in Latin America and the Caribbean. Efforts should be made for an upward trend, progressively until it becomes possible for the currency in which the portfolio is invested to be changed.

Latin America and the Caribbean have suffered a negative shock in terms of inflows of foreign investment, so that by the year 2014, the investment amount was US\$ 146.48 present million dollars, representing a 13.21% drop compared to the same period in 2013. On the other hand the reserves of the countries of the Region are stable with respect to 2013, showing a slight increase of 3.28%.

Under this situation, and given the serious financing problems of middle-income countries and developing countries belonging to CELAC, it should be a priority of this Agenda to build and expanded stabilization fund (that could use the proposed Latin American Reserve Fund- FLAR concept) to resolve the problem of access to credit for their members and provide adequate safeguards to neutralize the economic effects.

Keeping reserves of a country as the main source of monetary backing, and additionally generate new levels of income to support levels of future indebtedness and provide fiscal sustainability, is one of the most important measures of economic policy in the agenda of the countries of the region, with a view to maintaining economic growth in times of crisis.

- **Payment systems and Intra-regional Trade**

A payment system is an alternative to make transactions, a set of instruments, banking procedures and, generally, interbank fund transfer systems that ensure the circulation of money. Regional payment systems are international mechanisms designed to facilitate the execution of payments between residents of the countries that signed it. An alternative to be considered is to build a regional electronic payment system, through which customers of banks could make and receive wire transfers from regional funds in dollars or in the particular currency determined among members of CELAC, for example.

Regional payment systems involve beneficial effects to the extent that they reduce transaction costs of interregional trade and create incentives for greater macroeconomic cooperation.

¹⁶ Latin American Economic Outlook, recovered from <http://www.latameconomy.org/es/outlook/2013/financing-smes-in-latin-america/the-role-of-public-financial-institutions-in-financing-smes/>.

¹⁷ Barbara Fritz, Andre Biancarelli and Laurissa Mühlich, REGIONAL PAYMENT SYSTEMS, A comparative perspective on Europe and the developing world.

However, their contribution to macroeconomic stabilization depends on the specific design of each regional agreement ¹⁸ .

Currently, there is no interconnection between payment systems in the region. International transfers made by countries go through an extra-regional, usually US, correspondent bank. For 2012, transfers accounted for USD 1.757 billion, which went through the US Federal Reserve ¹⁹. The ideal situation for cooperation and financial integration would be to create a regional paying and clearing body, interconnected payment systems, a regional unit of account and an alternative messaging system. With this we can expect a reduction of administrative, financial and transactional costs; mitigation of foreign exchange, credit and liquidity risks; encourage the use of local currencies in payment systems to achieve financial sovereignty and freedom to make decisions according to our needs, and savings in the use of foreign exchange.

In Latin America, through the Regional Unitary System of Clearing of Payments (SUCRE), in 2013, processed 44% of interregional trade of goods of ALBA, while ALADI processed 3.6% of trade (SUCRE Regional Monetary Council). We suggest increasing the use of these Payments Systems in order to reduce transaction costs, have foreign exchange savings and boosting intra-regional trade.

¹⁸ Barbara Fritz, André Biancarelli y Laurissa Mühlich, SISTEMAS REGIONALES DE PAGO, Una perspectiva comparativa sobre Europa y el mundo en vías de desarrollo.

¹⁹-WTO International Trade Statistics, 2012.

Cuadro 5.

6. Bibliography

Country	Link
Antigua y Barbuda	https://www.cbd.int/doc/world/ag/ag-nbsap-01-en.pdf
Argentina	http://scripts.minplan.gob.ar/mwg-internal/de5fs23hu73ds/progress?id=fVBGzuF1j7&dl
Bahamas	http://www.bnt.bs/mwg-internal/de5fs23hu73ds/progress?id=MHhMTFMkCj
Barbados	http://www.sice.oas.org/ctyindex/BRB/Plan2005-2025.pdf
Belize	http://www.belize.gov.bz/index.php/government-initiatives/horizon-2030
Bolivia	http://faolex.fao.org/docs/pdf/bol141864.pdf
Brazil	http://planes.cepal.org/rdip.htm
Chile	http://planes.cepal.org/rdip.htm
Colombia	http://planes.cepal.org/rdip.htm
Costa Rica	http://documentos.mideplan.go.cr/mwg-internal/de5fs23hu73ds/progress?id=yfnq2jACJE
Cuba	http://www.patrimoniociudad.cult.cu/legislaciones/13PNMAD.pdf
Dominica	http://dominica.gov.dm/resources#jnwvpv_9
Ecuador	http://www.planificacion.gob.ec/biblioteca/
El Salvador	http://planes.cepal.org/rdip.htm
Granada	http://www.gov.gd/index.html
Guatemala	http://planes.cepal.org/rdip.htm
Guyana	https://www.chpa.gov.gy/about-chpa
Haiti	http://planes.cepal.org/rdip.htm;jsessionid=E34247233ED9113686BA0FE5E56689C9
Honduras	http://www.sefin.gob.hn/?p=284
Jamaica	http://planes.cepal.org/rdip.htm;jsessionid=E34247233ED9113686BA0FE5E56689C9
México	http://planes.cepal.org/rdip.htm;jsessionid=E34247233ED9113686BA0FE5E56689C9
Nicaragua	http://www.pndh.gob.ni/documentos/pndhActualizado/pndh.pdf
Panamá	http://www.mef.gob.pa/mwg-internal/de5fs23hu73ds/progress?id=FMeijfwJ+h
Paraguay	http://planes.cepal.org/rdip.htm;jsessionid=E34247233ED9113686BA0FE5E56689C9
Peru	http://www.ceplan.gob.pe/sites/default/files/plan_bicentenario/PLAN_BICENTENARIO_CEPLAN.pdf
Dominican Republic	http://economia.gob.do/mwg-internal/de5fs23hu73ds/progress?id=mTOW0TWkFk
Saint Kitts and Nevis	http://www.unicef.org/easterncaribbean/ECAO_National_Social_Protection_Strategy_SKN.pdf
Saint Vicent and the Grenadines	http://www.oas.org/juridico/PDFs/mesicic4_svg_natl_econ_soc_dvlp_plan.pdf
Saint Lucia	https://www.finance.gov.lc/programmes/view/39
Surinam	https://www.cbd.int/doc/world/sr/sr-nbsap-01-en.pdf
Trinidad y Tobago	http://planes.cepal.org/rdip.htm;jsessionid=E34247233ED9113686BA0FE5E56689C9
Uruguay	http://www.frenteamplo.org.uy/index.php?Q=articulo&ID=1013
Venezuela	http://www.mppp.gob.ve/publicaciones-2/documentos-oficiales/ http://www.mppp.gob.ve/wp-content/uploads/2013/09/Programa-Patria-2013-2019.pdf

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7. Annexes (attached in a separate document).

Annex 1: Regional Efforts

Annex 2: Diagnosis of the thematic areas of CELAC's 2020 Agenda