

**Elements of Interest of the member countries of the Group of Río on the framework of the relative consultations of the chapters I “Mobilization of Internal Financial Resources for Development” and II “Mobilization of External Financial Resources for Development”, of the Monterrey Consensus**

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This document describes the particular point of view of the member countries of the *Group of Río*<sup>1</sup>, on the issues covered by Chapters I and II of the Monterrey Consensus, and constitutes their contribution to the substantive discussion on the process of preparation of the Doha Conference.

**Situation on the region**

During the last few years, the Latin American region has experienced high growth on several economic indicators, but in an unequal manner; therefore the benefits of growth have not had an impact in a general and homogeneous fashion.

The progress registered in the macroeconomic indicators of the region, are not enough to reflect reality, particularly on inequality and poverty levels. Considerably important is the fact that more than 40% of the world population living with less than two dollars a day is found in middle- income countries, such as the member countries of the *G-Río*.

**Main challenges**

The lack of sufficient financial resources to contribute to the full development of our societies, has forced our governments into working to obtain these resources. The support and cooperation of the international community, bilaterally as well as multilaterally, is fundamental in order to back up the efforts made by our countries.

On the ***national dimension***, we are required to continue the progress of those reforms that allow the optimization of the collection and distribution of internal financial resources; and to build a favorable environment for businesses that allow attracting private productive investment which permits the achievement of economic growth that encourages development and equity.

Considering that each country is the main responsible for its own development, the member countries of G-Río, reiterate our commitment to the incorporation of social development policies and economic growth that facilitate private

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<sup>1</sup> *Group of Río Member Countries: Argentina, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Guyana, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay, the Bolivarian Republic of Venezuela and the Dominican Republic.*

investment and dignified employment. We also commit to the development of mechanisms that prevent downward cycles which may decrease or contain the negative effects of the external shocks.

The meaningful reduction of poverty levels is a priority objective to the countries in the region in order to strengthen substantially the social cohesion, and also to eliminate any form of social discrimination, particularly on the most vulnerable sectors and groups of society, which include, among others: elderly and handicapped people, youngsters, women, indigenous people, migrants and rural communities.

On the other hand, we need to consolidate the incorporation of structural reforms (labor, education, fiscal, commercial, regulatory, etc) in order to increase the competitiveness of the countries in the region and reduce the existing gap between potential and real economic growth.

Likewise, we find important to maintain sound macroeconomic conditions to be able to continue being an attraction pole to transnational companies and direct foreign investment.

On the *international environment* it is necessary to consolidate the support and cooperation of the international community to back up the efforts of our countries, in order to accomplish a proportionate economic development in the region. The areas in which we must strengthen this cooperation are: i) international financial stability which favors mayor financial and investment inflows towards the region; ii) an increase in commercial openness, which provides a larger insertion of regional products into the world market; iii) improved international coordination to foresee, understand, and face better the challenges of the actual globalization process.

Today, the economies of the countries of G-Rio are better prepared to face a slowdown of the world economy. Nevertheless, it is necessary to work jointly with the international organisms in the search for initiatives to decrease our economic vulnerability upon a growing interdependence that our economies present to the rest of the world; particularly upon the least favorable, short and medium term, financial perspectives.

On this sense, the G-Rio considers necessary to advance in the following areas, considering the particular situations, priorities and national development strategies of each one of its members:

#### **a) Mobilizing domestic financial resources for development**

**Fiscal Policy.** On a medium term, the increase in the fiscal revenues is closely linked to growth and the efficiency of taxation systems. The increase in the fiscal base and the improvement on the expenditure efficiency are fundamental for all developing countries. The increase on

the collecting base will allow for sufficient resources to encourage strategic areas and “anti cyclic policies”.

**Savings and development of national financial systems.** The member countries of G-Rio highlight the importance of strengthening the national financial sector, in order to broaden the access of financial services to all layers of the population, and develop instruments to allow development of small and medium companies.

**Favorable business environment.** The following are useful mechanisms for investments necessary for growth and to avoid capital outflow: efficient and effective management; the incorporation of sound macroeconomic policies; the existence of a transparent, simplified, and appropriate regulatory frameworks which guarantees the security of investment, decrease unnecessary costs, eliminate the barriers to competitiveness, and act accordingly to the objectives of social development.

**Good government.** The countries of G-Rio are engaged with the transparency in the practice of public service, the fight against corruption and the enhancement of international judicial cooperation. Therefore, we reiterate our call to all countries that have not signed and ratified the United Nations Convention against Corruption yet, to do so.

**Employment, formation of human capital and investment in education.** We believe education and training are essential to achieve substantial improvements in the quality of life levels for our populations. This is why, we are conscious of the need to reinforce our educational systems in and encourage macroeconomic policies oriented to increase decent employment rates and promote formation of human resources.

Employment creation in the formal sector is a priority for the countries of the region. In this context, we recognize that in order to achieve this objective, it is necessary to consolidate solid democratic institutions, based upon citizen’s participation and social dialogue, advancing in economical and legal frameworks that strengthen social protection as a fundamental right and an instrument to enhance the living standard of all individuals.

On the other hand, we emphasize the positive results obtained in the incorporation of programs based on the “conditional transfers”, consisting on the direct allocation of resources to families in the most vulnerable social sectors, which commit themselves to make their children access to services such as education and health. These programs’ main objective is building human capital in children and young population, expecting to break the intergenerational cycle of poverty. This experience has proven to be very useful as a mechanism for the mobilization of domestic resources towards development, and we are willing to share it with other interested countries.

**Increase in the investment and productivity.** The member countries of G-Rio recognize that raising the investment and productivity levels are important challenges on the long run, in order to be able to sustain the region's economic growth.

On this sense, the small and medium size enterprises are strategically essential. Therefore, the countries of G-Rio continue engaged in the search of efficient channels for financing them.

**b) Mobilizing international resources for development: foreign direct investment and other private flows**

**Foreign Direct Investment.** It is important to create internal and international conditions to promote FDI, as an instrument to finance national long-term development. Besides the internal conditions, the countries of G-Rio reiterate the importance of the creation of international conditions that facilitate and motivate FDI. This is especially important in an international context characterized by signs of deceleration which may reduce investment towards our countries.

On the other hand, once the investment has taken place, it is important that foreign companies form productive chains with national suppliers, in order for the benefits of growth to actually be reflected in the regions where those investments happen. Likewise, it is necessary to promote technologic exchange and for the companies to become instrument in the creation of human capital on a local level.

**Decrease and volatility on financial flows.** It is important for the region to take measures in order to counterbalance the impact of the volatility of financial capitals, considering its collateral effects in our countries financial systems and economies, for which we consider useful the collaboration with regional and international financial institutions.

**Investment Development perspective.** The countries of G-Rio consider that the private sector, either national or foreign, may and must play a pivoting role in the development of our countries. This role must serve to incorporate the developmental, social, gender and environmental perspectives in its operations, besides the economic and financial objectives.

**Remittances.** The countries of G-Rio, consider remittance to be private-nature capital flows, and the product of a salary from a job undertaken by our nationals who have emigrated to foreign countries. On the most part, these remittances are used for the consumption of the families of these migrants and its use and final destination are exclusive prerogatives of their legitimate owners. Because of this, we reiterate that remittances

should not be, in any case, equaled or framed in analyses related to official aid for development or North – South cooperation.

Only under this framework, the governments of the countries of G-Rio may explore mechanisms to motivate important reductions in the transfer mechanisms of such capitals. Such resources of the migrants and their families, if they want it so, may be oriented to projects that have an impact on sustainable development recipient communities.

**Gender equality (transversal issue).** The countries of G-Rio recognize the importance in achieving gender equality as an end in itself, as well as a means to accomplish the full development of our societies. On this sense, we reiterate our commitment of maintaining as an internal priority the fight against gender inequality dimensions, such as labor discrimination, lack of access to productive resources, domestic inequality, and multiple forms of violence against women, lack of utilities, especially in sexual and reproductive health, and the low level of participation in decision taking.

It is important to keep in mind the facts that show that women in this region are overrepresented among the poor, and that the effects of the policies against poverty tend to be more efficient when the perspective of gender is considered on a multidimensional point of view. In the framework of the United Nations, we analyze the existing proposals on issues of reform of the architecture of gender.

## **Emerging issues**

### **Natural Disasters Prevention**

Considering that natural disasters are phenomena that have a direct effect on sustainable development, and that the countries of the region must reduce their vulnerability towards those, we consider that the mobilization of international financial resources should be supported, in order to enhance the capabilities of national platforms for Natural Disasters' Risk Reduction, which are implemented within the Hyogo Frame for Action.