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INTERNATIONAL COOPERATION IN THE NEW GLOBAL CONTEXT: REFLECTIONS FROM LATIN AMERICA AND THE CARIBBEAN

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INTRODUCTION

The recent financial crisis and its repercussions on future world economic trends will inevitably change the pattern of international cooperation for development over the coming years.

The contraction of economic activity in donor countries, together with the huge financial and monetary rescue packages put together to deal with the crisis, led to a significant deterioration in public finances.[1] Thus, the capacity of donor countries to scale up their levels of development assistance will be limited.

For the Latin American and Caribbean countries, the global economic and financial crisis caused internal as well as external sources of development financing to dry up. On the one hand, in 2010, the region will be facing a significantly tighter fiscal situation and will, therefore, find it more difficult to mobilize domestic resources.[2] On the other, on the external front, private financial flows and flows of remittances to the region were severely curtailed and still show no sign of rallying.[3] The region's share of total official development assistance (ODA) flows, already on the decline before the crisis, may now shrink further. This trend is due to the priority given by ODA donors to the low-income countries over the middle-income countries and to the relegation of many countries in the region to a secondary position, notwithstanding the substantial unmet needs and the acute vulnerability of many sectors in those countries. The classification of most Latin American and Caribbean countries as middle-income countries, and as such entitled to less ODA, accounts for the very small and dwindling share that was reserved for the region out of the total ODA flows to developing regions and, with resources now subject to even tighter constraints than previously, this criterion could lead to further percentage losses.

This situation elicits various key responses, which could strengthen the international cooperation system in the post-crisis context.

First, for Latin America and the Caribbean, it is vital that changes be introduced in the allocation policies and priorities currently applied by donors of development assistance. This assistance should be allocated on the basis of the specific needs of countries and their vulnerable populations, rather than on an allocation rationale based on the middle-income countries criterion, since this group of countries masks widely diverse situations and this should be taken into account when setting ODA priorities.

At the global level, for example, the per capita income of the group of countries ranked as lower-middle-income countries for the average of the years 2000 to 2008 ranged between a minimum of US$ 1,943 and a maximum of US$ 9,077. The poverty rate in this group of countries varied between a

1 According to estimates from the International Monetary Fund, the fiscal deficit of the Group of Twenty (G-20) developed countries was expected to stand at an average of 9.7% of GDP at the close of 2009 and is forecast to be 8.7% of GDP in 2010. The gross public debt of these same countries was estimated to be 98.9% at the close of 2009 and is expected to rise to 106.7% of GDP in 2010 (IMF, 2009).

2 The decline in economic activity —regional GDP is reported to have fallen by 1.8% in 2009—, together with the increase in public spending to fund countercyclical fiscal policies, resulted in a deterioration in the region's primary balance, which moved from a surplus of 1.4% of GDP in 2008 to a deficit of 1% in 2009 (ECLAC, 2009).

3 In 2010 and 2011, the flow of remittances to the region is expected to pick up very slightly, by 0.5% and 3.5%, respectively (World Bank, 2009).

minimum of 2% and a maximum of 81%.[4] A similar disparity may be observed in the group of upper-middle-income countries, where per capita income ranged between a minimum of US$ 4,100 and a maximum of US$ 19,547 and the poverty rate varied between a minimum of 2% and a maximum of 43%. In view of this diversity and of the disparities existing within individual countries, the priorities for the allocation of assistance should be determined on the basis of a broader set of indicators which reflect the specific features of individual countries and reveal where the main needs lie in each particular case. To this end, the recipient countries should have sufficiently detailed information in order to determine the priority areas and identify the unmet financing requirements in each of these areas. In this way, the principal requirements of each country could be accurately assessed and the lack of coordination which sometimes arises between recipients and donors could be resolved, for example cases where areas with small financing gaps receive more assistance in relative terms than others within the same country where the financing gaps are greater.

Second, for the countries of the region, the post-crisis situation is an opportunity to intensify the mechanisms for South-South cooperation and triangular cooperation. At least in the medium term, the world scene will be dominated by a more dynamic performance by the emerging economies compared with that of the developed countries. In this framework, efforts should be made to strengthen both forms of cooperation. In this regard, the relatively more developed and more dynamic emerging countries will be called upon, among other things, to strengthen their leadership in the international cooperation system by providing regional and global public goods, generating technological and productive externalities, boosting financial and trade integration and promoting environmental sustainability.

Third, in the current context, donor countries must strive to scale up ODA flows and renew their commitment to raise the amount of ODA to 0.7% of their gross national income (GNI). Forms of South-South and triangular cooperation must be conceived as complements to, and not as substitutes for, traditional forms of development assistance. The donor countries should be mindful that not only is the deterioration of social indicators a problem for those who have unmet needs at present but also that this deterioration can have much longer-term consequences and lasting damage, which may spill over onto subsequent generations.[5] Donor countries should bear this in mind when deciding whether to prioritize their own public finances or the growing needs of developing countries.

Lastly, and again with the aim of increasing the volume of resources at the disposal of development financing, the international community must continue to study additional and innovative modes of financing to supplement those currently in use and to provide fresh funding in times, such as now, when financing is scarce.

This document examines South-South and triangular cooperation mechanisms as complementary forms of cooperation to the traditional ones which should be strengthened in the aftermath of the crisis. Second, it considers the general trend of development assistance flows in recent decades and places emphasis on the need —intensified by the post-crisis context- for donor countries to make a serious effort to increase their assistance flows for development and renew their commitment to meet the ODA target of 0.7% of their GNI. Section C explains the rationale used in allocating assistance in recent decades and

4 The figures refer to the level of per capita GDP measured in purchasing power parity (PPP) and the poverty rate is measured using the poverty line of two dollars a day. The data are taken from the World Bank's World Development Indicators (WDI).

5 For example, deficiencies in nutrition, health and education can result in a deterioration in human capital with long-term repercussions on the development capacity of countries even long after specific indicators have started to pick up.

assesses the particular situation of Latin America and the Caribbean as recipients of development assistance. Emphasis is placed on the fundamental need, from the perspective of the region, for changes to the policies and priorities on which this rationale has been based. Section D examines new development financing alternatives and states that the international community needs to continue to seek innovative mechanisms for providing fresh resources in the current situation. Lastly, in section E, brief reflections are presented from the perspective of Latin America and the Caribbean.

A. SOUTH-SOUTH COOPERATION AND TRIANGULAR COOPERATION: FUNDAMENTAL COMPLEMENTS OF TRADITIONAL COOPERATION IN THE AFTERMATH OF THE CRISIS

South-South cooperation, understood, generally speaking, as the exchange of technical, political and economic collaboration between developing countries, has, for several decades, been gaining ground as an alternative modality for international cooperation and one which operates in parallel to traditional ODA mechanisms.[6]

South-South cooperation actions started to gain momentum in 2000, at a time when the middle-income countries' share of ODA was declining (see section C.1): they have now become part of a strategy adopted by many countries for advancing the development process (SEGIB, 2008). More and more developing countries are providing mutual support in the areas of knowledge, technical assistance or investments, and this has added a new and important dimension to the international cooperation landscape. Triangular cooperation, or cooperation actions among developing countries with financial support from donors in the North or international organizations, has become prevalent in cases where the lack of available financing for developing countries makes it difficult to carry out certain South-South cooperation activities.

Thus, South-South cooperation and triangular cooperation were recognized as valuable and essential inputs for enhancing the effectiveness of international cooperation in the Accra Agenda for Action, the agreement signed in September 2008, which endorses the principles enshrined in the Paris Declaration on Aid Effectiveness: Ownership, Harmonisation, Alignment, and Results and Mutual Accountability (www.southsouth.info).[7] The inclusion of both cooperation mechanisms in the Accra Agenda for Action has given them fresh impetus by integrating them into this dynamic agenda for boosting aid effectiveness. Thus, in the framework of the Development Assistance Committee (DAC), the mandates of the Agenda for Action are expected to be carried out by a working group on South-South cooperation, launched under the leadership of Colombia. This forum will be a valuable opportunity for mutual learning and for liaising with traditional donors (Sanín Betancourt and Schulz, 2009).

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[6] United Nations General Assembly resolution 64/222 (21 December 2009) provides an agreed definition of South-South cooperation. Operative paragraph 18 reads as follows: "We reaffirm that South-South cooperation is a common endeavour of peoples and countries of the South, born out of shared experiences and sympathies, based on their common objectives and solidarity, and guided by, inter alia, the principles of respect for national sovereignty and ownership, free from any conditionalities. South-South cooperation should not be seen as official development assistance. It is a partnership among equals based on solidarity".

[7] In particular, article 19 of the Accra Agenda for Action establishes the following mandates for South-South cooperation: to use the principles of effectiveness as a point of reference, to learn from the experience of other developing countries and to recognize that South-South cooperation is a valuable complement to North-South cooperation. Article 19 also encourages further development of triangular cooperation (see Accra Agenda for Action, 2008).

A few months later, at the end of 2008, the signatories of the Doha Declaration on Financing for Development expressed their support for South-South cooperation and triangular cooperation and recognized them as complementary to, but not substitutes for, traditional North-South cooperation.[8]

The situation expected to emerge in the aftermath of the global crisis will be an opportunity to give fresh and vibrant impetus to both forms of cooperation.

The post-crisis world is characterized, at least in the medium term, by lower global growth rates than those observed before the crisis and by slower growth in the developed economies. This sluggish performance of the developed economies at the helm of the world economy will be offset in part by a stronger, indispensable role by the emerging economies as engines of economic recovery.

Within the group of the developing economies, the middle-income countries that show greater buoyancy and have access to better-endowed financing mechanisms are called upon to step up their leadership in the international cooperation system and to strengthen South-South and triangular cooperation mechanisms that are complementary to the traditional development assistance mechanisms and North-South cooperation. These economies have theoretical and practical knowledge that could be of use to other relatively less developed countries. They can also help substantially to provide regional and global public goods, such as peacekeeping efforts and measures for maintaining financial stability, the generation of technological externalities and fostering trade integration and environmental sustainability (ECLAC, 2008).

The Second Report on South-South Cooperation in Ibero-America, produced by the Ibero-American Secretariat (SEGIB) establishes that various countries in the Ibero-American region are important stakeholders in terms of South-South cooperation. For 2007, this report accounts for a total of 1,480 bilateral horizontal cooperation actions —one of the modalities under which South-South cooperation is executed- by 19 Ibero-American countries classified as middle-income countries (SEGIB, 2008). All countries have at some time acted as recipient-partner; those that have been most active as supplier-partner are Cuba (with almost 45% of actions recorded), Mexico (15%), Argentina, Chile and the Bolivarian Republic of Venezuela (these three accounting jointly for one third of the total) and Brazil and Colombia (which together account for more than 10% of final actions). Other countries, such as Costa Rica, Ecuador, Honduras, Panamá, Peru and Uruguay, offered cooperation actions at least on one occasion (SEGIB, 2008). Beyond the survey of the number of actions, the report indicates that the Ibero-American countries, with just a few exceptions, still do not have systems that enable them to measure the amount of financial resources mobilized to support these actions.[9] According to the report, activities were concentrated in the following sectors: education and health, agriculture, electricity generation and distribution, institution-building and environmental preservation.

The direction in which these exchanges were established corresponded to different patterns depending on the case. For example, most of the cooperation provided by Mexico was directed towards its Central American neighbours, while Chile gave priority to Central American and Andean countries of lower relative income levels and the Bolivarian Republic of Venezuela gave the preference to countries that are co-members of the Bolivarian Alliance for the Peoples of Our America (ALBA) (SEGIB, 2008).

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[8] See the Doha Declaration on Financing for Development (2008).

[9] In particular, three countries in the region —Chile, Colombia and Mexico— are known to have contributed US$ 2 million to cooperation actions in which they participated in 2007. The report also states that in 2006, Brazil mobilized US$ 4 million to finance bilateral horizontal cooperation actions in Ibero-America.

Lastly, the profile of needs covered by the main recipient members through South-South cooperation has differed according to their relative income level. In particular, lower-middle-income recipients (such as Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Nicaragua, Paraguay, Peru and Plurinational State of Bolivia) have covered requirements in almost all sectors of activity, from education and health to environmental preservation. For their part, upper-middle-income recipients (Costa Rica, Panama and Uruguay) covered a profile of requirements more linked to the application of scientific and technological advances to the economy, as well as to building their institutions, both public and non-governmental.

In the case of the Caribbean countries, the most outstanding example of South-South cooperation is the PETROCARIBE Energy Cooperation Agreement, signed by these countries and the Bolivarian Republic of Venezuela. This initiative provides for the stable supply of oil on concessionary terms by the latter to 14 Caribbean States as well as the Ibero-American countries Cuba, Dominican Republic and Guatemala. The Government of the Bolivarian Republic of Venezuela estimates that this agreement enabled the Caribbean countries to save 40% of their oil bill between 2005 and 2007 (SEGIB, 2008).

The Ibero-American region and the Caribbean countries have also been active in triangular cooperation. The SEGIB report (SEGIB, 2008) states that Ibero-America benefited from triangular cooperation actions with financial support from Germany and Japan and, to a lesser extent, from Belgium, France, Spain and Sweden. All middle-income Ibero-American countries have benefited at least once from this triangular cooperation, while Argentina, Chile and Mexico and above all Brazil, Costa Rica, Cuba and El Salvador have been responsible for project execution.

The fact that these triangular cooperation actions were funded by countries outside the region accounts for their relatively greater scientific and technological complexity. This, together with the particular economic structures of the executive members, explains why a substantial number of cooperation actions have been projects relating to phytosanitary measures, fishing, combating climate change and disaster prevention (SEGIB, 2008).

In the countries of the Caribbean, the most notable example of triangular cooperation has been the Pan-Caribbean Partnership against HIV/AIDS (PANCAP), established in February 2001 to combat this disease in a coordinated manner.[10] As a major tourist destination and for work-related and family reasons, the Caribbean region is characterized by high demographic mobility between countries. All of these factors have fuelled the HIV/AIDS epidemic and, together with the small size of some of the countries and the limited material and human resources for combating the disease, have prompted the implementation of a coordinated regional response. Currently, the partners in the PANCAP initiative are the member countries of the Caribbean Community (CARICOM), some United Nations agencies, bilateral donor organizations and donor Governments of third countries. The basic idea of PANCAP is to improve the allocation of resources and set up economies of scale to enhance efficiency in combating the disease.

So far the countries of the region have been fairly active in their South-South and triangular cooperation actions; the challenge now, however, is for them to take advantage of the post-crisis situation to strengthen these cooperation mechanisms.

[10] The Caribbean is second only to Subsaharan Africa in terms of the prevalence of HIV/AIDS.

1. More and better information

Very little statistical evidence is available on South-South cooperation, especially as regards the financial resources involved. Hence the need to systematize the collection of information and to ensure that such information covers the practices employed, measurement of the results and impact, and an evaluation of the lessons learned in each case.

On the one hand, the systematization of best practices will provide support for strengthening the technical capabilities of countries and will improve visibility, predictability and transparency. While best practices in traditional international assistance are identified and systematized by the group of DAC countries, in the case of South-South practices, it would appear to be more appropriate that such practices arise from the exchange between countries of the South and from a systematization on their part (Sanín Betancourt and Schulz, 2009).

In addition to the systematization of information on best practices, more and better systems for the follow-up and evaluation of the quality and impact of cooperation actions are also necessary. The results of South-South cooperation actions are not systematically evaluated in Latin America, partly because of budgetary constraints. Nevertheless, there is no doubt that such evaluations would strengthen the legitimacy of South-South cooperation on the basis of the measurement of its benefits (Sanín Betancourt and Schulz, 2009).

2. Coordination of the debate and tasks

The inclusion of South-South cooperation in the Accra Agenda for Action has given fresh impetus to this form of cooperation by integrating it into this dynamic agenda for boosting aid efficiency. The Working Group on South-South Cooperation, created within the framework of DAC for carrying out the mandates of the Agenda, coexists, however, with other global and regional entities that are also linked to these cooperation mechanisms.

For example, the Development Cooperation Forum of the United Nations Economic and Social Council is the multilateral body preferred by many countries of the South for discussing and promoting South-South cooperation. At the regional level, there are various platforms, such as SEGIB, the Latin American and Caribbean Economic System (SELA), the United Nations Development Programme (UNDP), the Inter-American Development Bank (IDB) and the Economic Commission for Latin America and the Caribbean (ECLAC) (Sanín Betancourt and Schulz, 2009). While the Latin American and Caribbean region appears to have sufficient discussion forums, further efforts could be made to coordinate the work of these institutions in order to strengthen the activities carried out by each one. In this way, there will be a better chance of reaching more definitive conclusions and agreements on specific measures to be adopted in key areas.

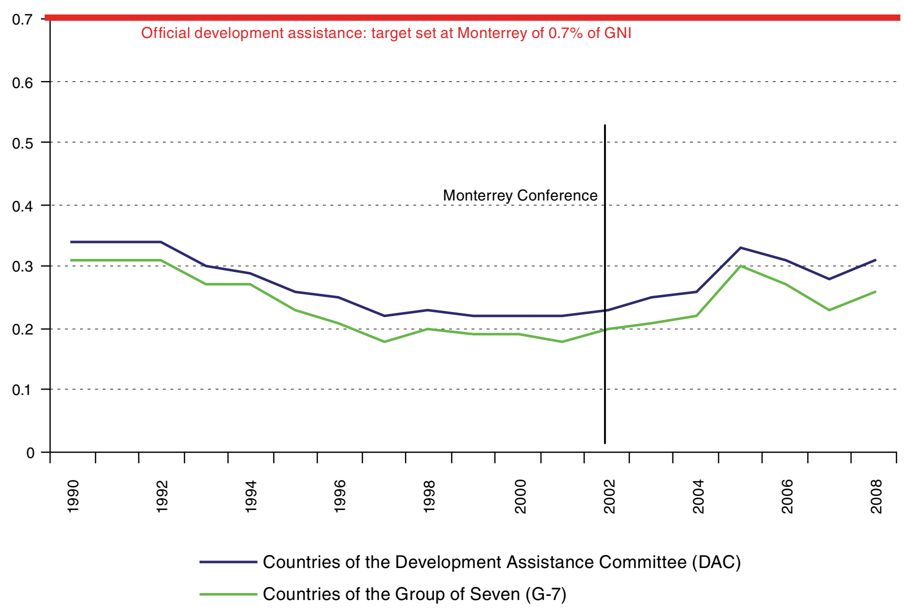
B. TRADITIONAL FLOWS OF OFFICIAL DEVELOPMENT ASSISTANCE: GENERAL TRENDS

Apart from the importance of strengthening the modalities of South-South and triangular cooperation, traditional flows of official development assistance by donor countries and multilateral agencies are vital in the post-crisis context to make up for the shortage of resources in developing countries and thus avoid substantive setbacks in their social situation. Donor countries must therefore make every effort to augment their flows of development assistance well beyond the amounts observed in recent decades.

As far back as 1970, a United Nations General Assembly resolution proposed that donor countries devote 0.7% of GNI to official development assistance.[11] This commitment was endorsed on several occasions, notably at the International Conference on Financing for Development, held in Monterrey, Mexico, in March 2002.

However, despite a slight improvement following that conference, the necessary financial resources have not been mobilized and official development assistance remains well below the agreed target. In 2008, the level of net ODA by DAC countries amounted, on average, to just 0.31% of GNI.[12] This level is not just below the target of 0.7%, it is actually lower than the net ODA figure for 1990, which stood at 0.34% of the GNI of the donor countries (see figure 1).[13]

Figure 1
OFFICIAL DEVELOPMENT ASSISTANCE BY COUNTRIES OF THE DEVELOPMENT ASSISTANCE COMMITTEE (DAC)
(Percentages of GNI)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from the Organisation for Economic Co-operation and Development (OECD).

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11 Resolution 2626 (XXV) of 24 October 1970.

12 Of the 22 countries that make up the DAC, only five —Denmark, Luxembourg, Netherlands, Norway and Sweden— exceeded the target of 0.7% of GNI in 2008.

13 The total amount of ODA by DAC countries includes not only their bilateral aid but also their contributions to multilateral agencies.

In absolute terms, the volumes of development assistance have not shown an encouraging trend in the past two decades, with the exception of some years in which significant increases were recorded for specific reasons.[14]

Despite the record level attained in 2008 (US$ 128.6 billion) and the 14% increase in real terms attained in the same year, average growth for the period 1991-2008 was just 2.2% (see table 1).

Table 1
NET OFFICIAL DEVELOPMENT ASSISTANCE: AVERAGE ANNUAL GROWTH OF DISBURSEMENTS TO DEVELOPING COUNTRIES IN REAL TERMS
(Percentages)

	1991-2008	2008
Total developing countries	2	14
Europe	7	46
Africa	1	7
Latin America and the Caribbean	1	26
Asia	3	18
Oceania	-2	13
Unspecified	5	10

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from the Organisation for Economic Co-operation and Development (OECD).

The outlook for 2010 is scarcely encouraging either. The simulations of an OECD study indicate that the fulfilment of commitments made by various donor countries at the summit of the Group of Eight (G-8) at Gleneagles and at the 2005 World Summit of the United Nations would suggest that ODA in 2010 will stand at 0.39% of GNI, which implies a 10% real annual increase in total ODA between 2008 and 2010.

However, an OECD survey on plans for future spending on development assistance by donor countries (OECD, 2009) states that the extent of the increase in this assistance will be considerably lower than necessary. According to this survey, the programmes for increasing ODA for 2010, and even for 2011, are still very conservative, no doubt because of the economic and financial crisis and the deterioration in the fiscal situation in several donor countries.

Notwithstanding the above considerations, the donor countries and multilateral agencies should bear in mind that for any developing economy, not only is the deterioration of social indicators a problem for those who have unmet needs at present but also it can have much longer-term consequences and its damage can be prolonged over time and have an impact on several generations. For example, the erosion of human capital, due to deficiencies in nutrition, health care and education, will undermine countries' capacity for development, with an impact well beyond the point at which specific indicators start to recover. Donor countries should take this into account when deciding whether to prioritize their own public finances or the pressing needs of developing countries.

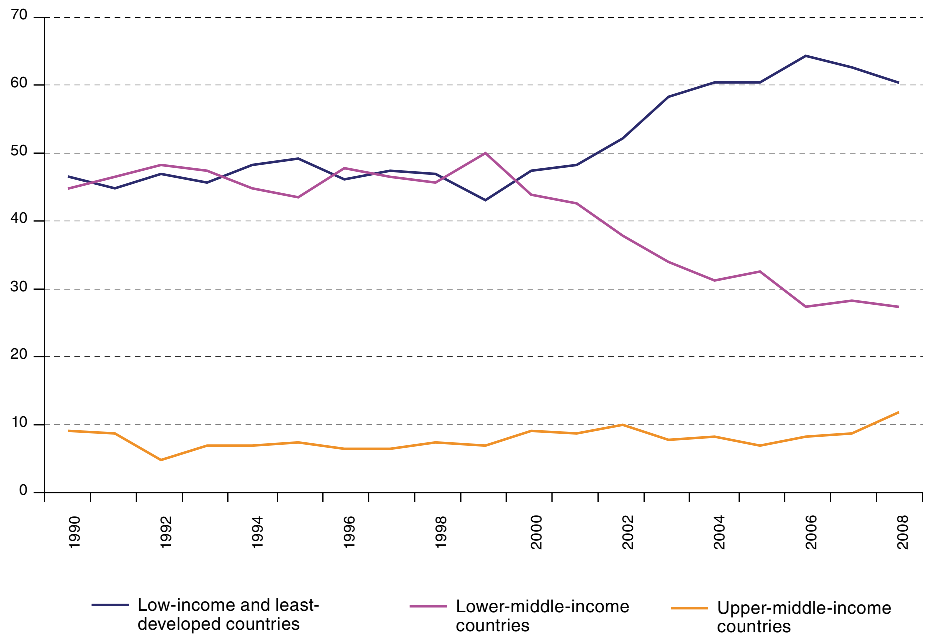
[14] For example, the increase in 2005 was a one-off occurrence and was due to the ODA paid out for reconstruction following the 2004 tsunami as well as assistance to Iraq, Nigeria and other countries.

C. RATIONALE FOR ALLOCATION OF OFFICIAL DEVELOPMENT ASSISTANCE AND CONSEQUENCES FOR LATIN AMERICA AND THE CARIBBEAN

1. Channelling official development assistance towards low-income economies

In terms of the rationale for ODA allocation by donor countries and multilateral institutions in the past two decades, the trend has been to channel the greater part of ODA towards the low-income economies (including those considered to be least developed countries) to the detriment of middle-income countries. This trend has intensified since the end of the 1990s (see figure 2). During the period 2000-2008, the low-income countries (including the least developed countries) received almost 60% of total ODA flows, while middle-income countries received the remaining 40%. Within this group, the lower-middle-income countries accounted for three quarters of these flows.

Figure 2
SHARE OF TOTAL NET OFFICIAL DEVELOPMENT ASSISTANCE DISBURSEMENTS, BY INCOME CATEGORY
(*Percentages*)

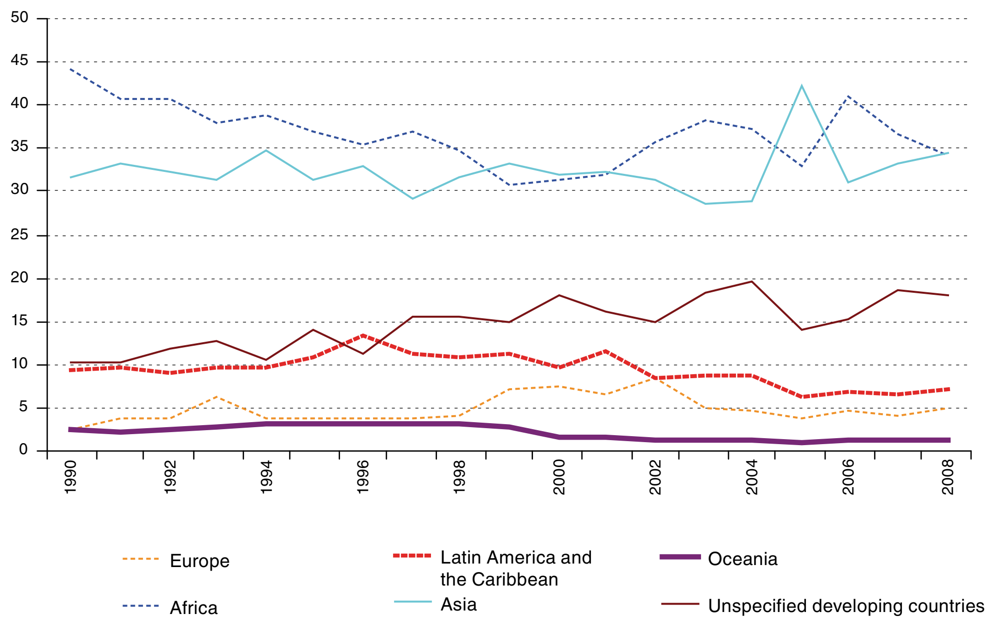


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from the Organisation for Economic Co-operation and Development (OECD).

Note: Total ODA was calculated as the sum of the three categories shown in the figure.
Between 1990 and 2008, several countries changed their income group according to the OECD classification. For the complete period, the classification in figure 2 was made using the most recent classification available (2008).
Iraq was excluded from the lower-middle-income group because in 2005, it accounted for a substantial portion of the ODA disbursed to that group.

ODA channelling towards low-income countries resulted in a concentration in assistance flows to the regions where most of these countries are located. Thus, Asia and Africa historically have received the largest proportions of ODA flows and currently have the most substantial share, with 34% each. By contrast, the relative share of ODA received by Latin America and the Caribbean fell from 9% in 1990 to 7% in 2008 (see figure 3).

Figure 3
SHARE OF THE REGIONS IN TOTAL NET OFFICIAL DEVELOPMENT ASSISTANCE
(*Percentages*)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from the Organisation for Economic Co-operation and Development (OECD).

This low and dwindling share of Latin America and the Caribbean in total ODA flows to the developing world is due precisely to the fact that most of the countries in the region are classified as being upper-middle-income countries. Another reason is that, with respect to the international comparison, even the relatively low-income countries of the region do not appear among the main ODA recipients at the global level (on average between 2000 and 2008, no Latin American or Caribbean country figured among the first 10 ODA recipients as a percentage of GNI).[15]

While it is logical to use ODA to narrow the gap between what the lowest income countries can do and what they need to do, at the same time, the wide disparities that exist in the groups of countries classified by income level should not be ignored. For example, at the global level, the average per capita income of the group of countries ranked as lower-middle-income countries for the years 2000 to 2008 ranged between a minimum of US$ 1,943 and a maximum of US$ 9,077. The poverty rate for this group of countries varied between a minimum of 2% and a maximum of 81%.[16] A similar disparity may be observed in the group of upper-middle-income countries, where per capita income ranged between a minimum of US$ 4,100 and a maximum of US$ 19,547 and the poverty rate varied between a minimum of 2% and a maximum of 43% (see table 2(a)).

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[15] On the contrary, of the 10 countries which received the least ODA globally, seven belong to Latin America and the Caribbean.

[16] The figures refer to per capita GDP measured in PPP (in constant 2005 international dollars) and the poverty rate using the line of two dollars per day. The data come from the the World Bank's World Development Indicators (WDI) database.

In Latin America and the Caribbean, average per capita income of the group of countries ranked as lower-middle-income countries ranged between a minimum of US$ 2,264 and a maximum of US$ 7,140. The poverty rate of this group of countries varied between a minimum of 15% and a maximum of 35%. In the group of upper-middle-income countries, per capita income ranged between a minimum of US$ 5,854 and a maximum of US$ 19,547 and the poverty rate varied between a minimum of 3% and a maximum of 21% (see table 2(b).

Table 2
DESCRIPTIVE STATISTICS OF PER CAPITA INCOME IN THE WORLD AND IN LATIN AMERICA AND THE CARIBBEAN
(Dollars and percentages)

Variable	Number of observations	Average	Standard deviation	Minimum	Maximum
World					
Lower-middle-income countries					
Per capita GDP	41	4 395	1 712	1 943	9 077
Poverty rate	33	29.6	20.7	2	81
Upper-middle-income countries					
Per capita GDP	35	10 579	3 838	4 100	19 547
Poverty rate	16	13	10	2	43
Latin America and the Caribbean					
Lower-middle-income countries					
Per capita GDP	11	4 661	1 748	2 264	7 140
Poverty rate	10	25.1	6.8	15	35
Upper-middle-income countries					
Per capita GDP	19	10 301	3 946	5 854	19 547
Poverty rate	9	12.2	6.6	3	21

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data from the World Bank, "World Development Indicators" [online database].

Note: The figures refer to the level of per capita GDP measured in PPP (in constant 2005 international dollars) and the poverty rate using the line of two dollars per day.

In this regard, it would be normal for development assistance to be allocated on the basis of the specific requirements of countries and, within these, of the sectors most seriously affected. The basis for allocation should be reassessed according to the concept of middle-income countries at the time of channelling the development assistance flows, since this group presents significant disparities and has highly vulnerable sectors.

The priorities for the allocation of assistance should be determined on the basis of a broader set of indicators that reflect the specific features of individual countries and reveal where the main requirements lie in each particular case. To this end, the recipient countries should have sufficiently detailed information in order to determine the priority areas and identify the unmet financing requirements in each of these areas. This would serve not only to identify precisely the main demands of each country but also to solve certain coordination failings that arise between recipients and donors and which result in a situation where some areas with small financing shortfalls often end up receiving the greatest volumes of assistance in relative terms than others within the same country where the financing shortfalls are greater.

2. Implications for Latin America and the Caribbean as recipients of official development assistance

Of the US$ 128.6 billion in official development assistance channelled towards the developing countries in 2008, only US$ 9.3 billion went to Latin America and the Caribbean. Of this amount, US$ 6.9 billion (almost three quarters) was bilateral ODA supplied by DAC countries and US$ 2.3 billion (almost a quarter) was ODA provided by multilateral agencies (see table 3).

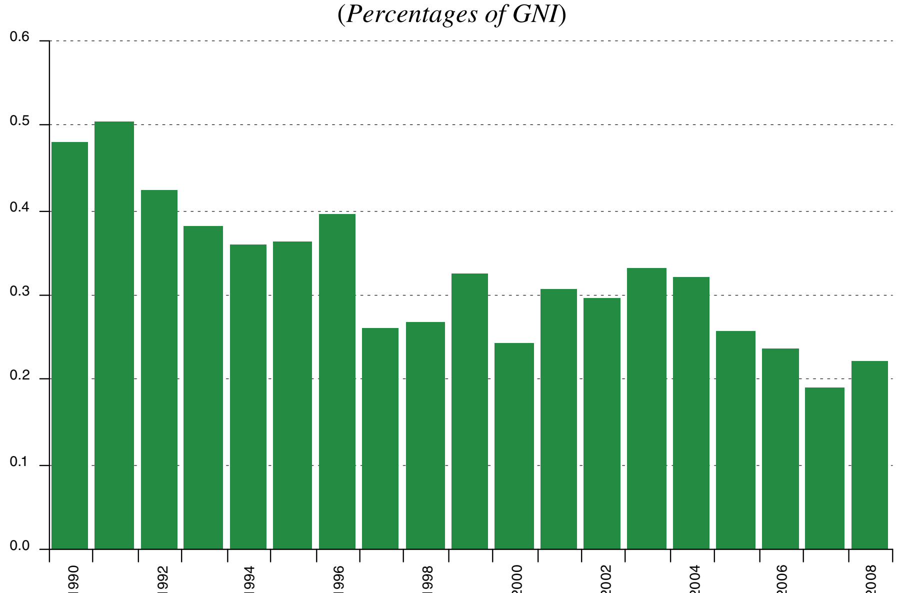
Table 3
LATIN AMERICA AND THE CARIBBEAN: NET OFFICIAL DEVELOPMENT ASSISTANCE DISBURSEMENTS RECEIVED
(Millions of dollars)

	1990	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008
Total net ODA	5 233	6 384	4 838	5 990	5 076	6 129	6 803	6 706	7 308	6 954	9 262
Bilateral funds from DAC countries	4 188	4 807	3 846	4 456	3 892	4 569	5 122	4 819	5 236	4 744	6 907
Multilateral	1 032	1 543	941	1 489	1 119	1 520	1 646	1 841	2 032	2 109	2 264

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from the Organisation for Economic Co-operation and Development (OECD).

As indicated in table 1, annual average growth of ODA to Latin America and the Caribbean from 1990 to 2008 was only 1% in real terms and, therefore, was insufficient for there to be an increase, or at least for there to be no decrease, in the amount of ODA received as a percentage of regional GNI. Thus, Latin America and the Caribbean saw the volume of ODA received as a percentage of regional GNI fall from 0.5% in 1990 to 0.22% in 2008 (see figure 4).

Figure 4
LATIN AMERICA AND THE CARIBBEAN: OFFICIAL DEVELOPMENT ASSISTANCE RECEIVED
(*Percentages of GNI*)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data from the World Bank, World Development Indicators (WDI) [online database].

Note: For 2008, the ODA figure comes from the OECD database.

The basis for allocation of ODA in the region matches that observed at the global level, where countries classified as low-income and lower-middle-income have received more significant volumes of ODA as a percentage of their income than those classified as upper-middle-income (see table 4). There is a clear link between per capita income level of countries and the ODA they have received overall in the recent past (see figure 5).

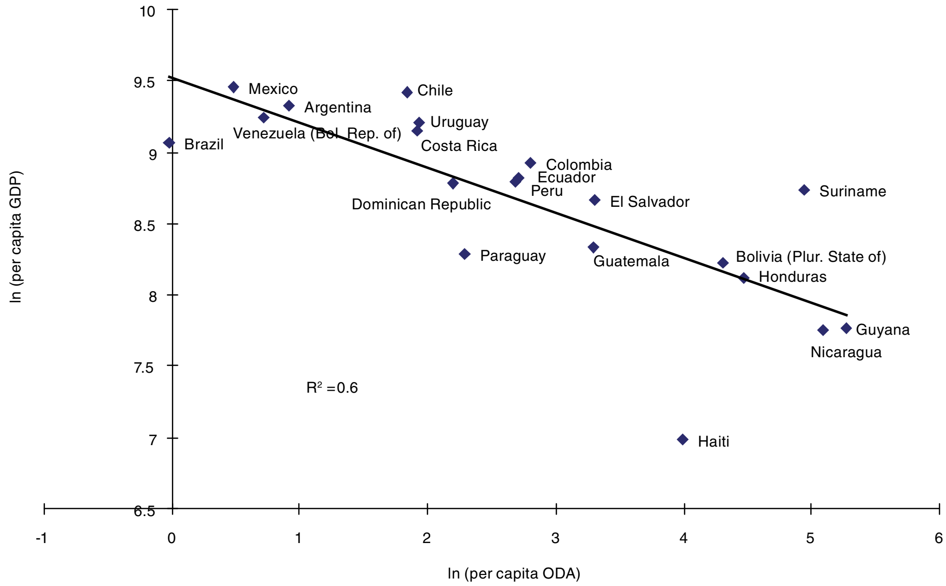
Table 4
LATIN AMERICA AND THE CARIBBEAN: NET OFFICIAL DEVELOPMENT ASSISTANCE DISBURSEMENTS RECEIVED
(*Percentages of GNI*)

		1990	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008
PMD	Haiti	5.9	24.7	5.4	4.7	4.5	7.1	6.6	10.1	11.7	11.5	13.1
Lower-middle-income countries	Bolivia (Plurinational State of)	11.8	11.0	5.9	9.4	9.0	12.1	9.4	5.9	6.8	3.7	3.9
	Colombia	0.2	0.2	0.2	0.4	0.5	0.9	0.5	0.4	0.6	0.4	0.4
	Ecuador	1.7	1.2	1.0	0.9	0.9	0.6	0.5	0.6	0.5	0.5	0.5
	El Salvador	7.4	3.1	1.4	1.8	1.7	1.3	1.4	1.2	0.9	0.4	1.1
	Guatemala	2.7	1.4	1.4	1.3	1.2	1.1	0.9	1.0	1.6	1.3	1.4
	Guyana	61.0	15.1	17.5	17.6	10.8	13.9	21.5	20.1	19.6	12.3	14.5
	Honduras	16.0	11.0	6.4	9.4	6.4	5.1	7.9	7.5	5.8	4.0	4.1
	Nicaragua	33.4	23.0	15.0	24.1	13.5	21.5	29.1	16.1	14.2	15.0	11.5
	Paraguay	1.1	1.7	1.1	0.9	1.1	0.9	0.3	0.7	0.6	0.9	0.8
	Peru	1.6	0.7	0.8	0.9	0.9	0.9	0.7	0.6	0.5	0.3	0.4
	Dominican Republic	1.5	0.8	0.2	0.4	0.6	0.3	0.4	0.3	0.2	0.3	0.3
Upper-middle-income countries	Anguilla	...	...	...	...	...	...	...	...	...	...	...
	Antigua and Barbuda	1.3	0.5	...	1.3	2.0	...	...	0.9	0.4	0.7	0.7
	Argentina	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0
	Barbados	0.2	-0.1	0.0	0.0	0.1	0.8	1.1	-0.1	...	...	...
	Belize	7.4	3.0	1.9	2.8	2.6	1.3	0.8	1.2	0.8	1.9	2.1
	Brazil	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Chile	0.3	0.2	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
	Costa Rica	3.2	0.3	0.1	0.0	0.0	0.2	0.1	0.1	0.1	0.2	0.2
	Cuba	...	...	...	...	...	...	...	...	...	...	...
	Dominica	12.1	11.8	6.5	8.1	12.9	4.7	11.6	7.7	6.9	6.0	6.3
	Grenada	6.6	4.1	4.4	3.1	2.8	2.7	4.1	11.6	6.0	4.0	5.5
	Jamaica	6.5	1.9	0.1	0.6	0.3	0.1	0.9	0.4	0.3	0.2	0.6
	Mexico	0.06	0.14	-0.01	0.02	0.02	0.02	0.01	0.02	0.03	0.01	0.01
	Montserrat	...	...	...	...	...	...	...	...	...	...	...
	Panama	1.97	0.53	0.14	0.23	0.17	0.22	0.17	0.19	0.20	-0.74	0.13
	Saint Kitts and Nevis	5.24	1.77	1.30	3.28	8.95	0.05	0.02	0.64	1.12	0.72	9.12
	Saint Lucia	3.33	9.24	1.78	2.89	5.01	2.25	-2.95	1.30	2.21	2.19	2.04
	Saint Vincent and the Grenadines	8.18	18.68	1.95	2.47	1.31	1.82	2.74	1.07	1.00	12.35	4.71
	Suriname	15.63	11.09	3.85	3.39	1.12	0.89	1.67	2.53	3.08	6.20	3.71
	Trinidad and Tobago	0.38	0.51	-0.02	-0.02	-0.10	-0.03	-0.01	-0.01	0.08	0.10	0.05
	Uruguay	0.59	0.35	0.08	0.07	0.10	0.20	0.22	0.09	0.11	0.15	0.11
	Venezuela (Bolivarian Republic of)	0.17	0.06	0.07	0.04	0.06	0.10	0.04	0.04	0.03	0.03	0.02
	Upper-middle-income countries	3.9	3.4	1.2	1.5	2.0	0.9	1.1	1.5	1.2	1.9	2.0
	Low-income and lower-middle-income countries	12.0	7.8	4.7	6.0	4.2	5.5	6.6	5.4	5.3	4.2	4.3

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from the Organisation for Economic Co-operation and Development (OECD).

Note: For classification of countries according to income, the most recent (2008) OECD classification has been used. LDC means “least developed countries”; in the case of Latin America and the Caribbean, only Haiti belongs to this category.

Figure 5
LATIN AMERICA: PER CAPITA OFFICIAL DEVELOPMENT ASSISTANCE IN RELATION TO PER CAPITA INCOME, AVERAGE 2004-2007



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from the Organisation for Economic Co-operation and Development (OECD).

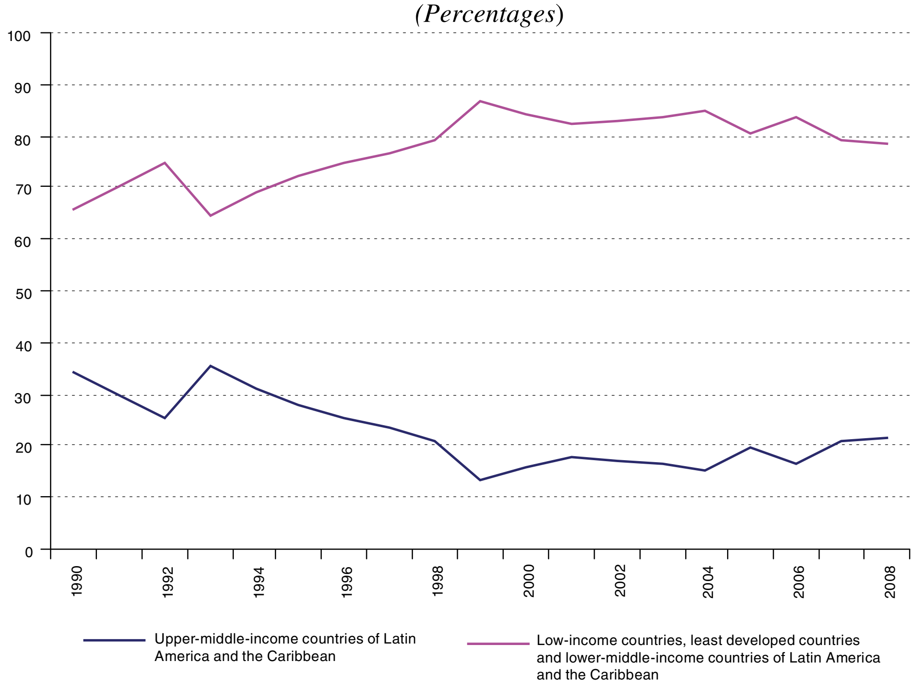
Note: Ln means natural logarithm.

The outcome of this trend in the allocation of assistance flows to the region is that since 1990, low-income and lower-middle-income countries have received on average almost 80% of total ODA channelled towards Latin America and the Caribbean (see figure 6).

It should be noted, however, that some Latin American and Caribbean countries that are classified as upper-middle-income countries and which, as such, receive an insignificant proportion of official assistance (see table 4) are facing major challenges in terms of the persistent inequality and poverty that affects certain strata of the population. Furthermore, several small-island developing States, which are very diverse and are highly vulnerable to external disruptions (such as natural disasters which cyclically destabilize their development path) and to pressures arising from the small size of their economies.[17] As already mentioned, it would be more appropriate to allocate ODA on the basis of the specific needs of countries and not just the income group to which they belong.

[17] The United Nations (2005) has provided the following list of small-island developing States for the region: Antigua and Barbuda, Aruba, Bahamas, Barbados, Belize, Cuba, Dominica, Dominican Republic, Grenada, Guyana, Haiti, Jamaica, Netherlands Antilles, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname, Trinidad and Tobago and United States Virgin Islands.

Figure 6
SHARE OF OFFICIAL DEVELOPMENT ASSISTANCE OF LATIN AMERICA AND THE CARIBBEAN, BY COUNTRY INCOME
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from the Organisation for Economic Co-operation and Development (OECD).

Note: For classification of countries according to income, the most recent OECD classification available (2008) has been used. LDC means least developed countries and, in the case of Latin America and the Caribbean, includes only Haiti.

Even in the case of lower-middle-income countries, specific requirements should be taken into account in order to channel ODA as effectively as possible. While in some cases these countries can receive large volumes of ODA in relative terms, it is also essential to consider the form it takes. For example, in Latin America and the Caribbean, the group of lower-middle-income countries which have received the most ODA in relative terms includes the heavily indebted poor countries (Guyana, Honduras, Nicaragua, the Plurinational State of Bolivia, and more recently, Haiti). This means that, in some cases, a substantial proportion of ODA has been received in the form of actions relating to external debt (debt forgiveness and so forth) and not in the form of fresh resources made available to other sectors.[18] In particular, if external debt actions are considered as a percentage of total ODA funds committed between 2002 and 2007, the figure was 25% for the Plurinational State of Bolivia, 27% for Nicaragua and almost 30% for Honduras. The other side of the coin in this regard is the smaller percentage of ODA in the form of social services and social infrastructure. In these three countries, the share of this type of assistance varied between 32% and 39% from 2002 to 2007, significantly lower than the share for Latin America and the Caribbean as a whole. While ODA in the form of debt-related actions reflects the concern and willingness of donor countries, and the international community as a whole, to relieve the debt burden of the low-income countries, the specific requirements that these countries have in terms of new flows of assistance should also be borne in mind.

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[18] The purpose of the Heavily Indebted Poor Countries (HIPC) Initiative, adopted in 1996, is basically to reduce debt servicing through debt forgiveness and debt rescheduling. For the current list of countries eligible for assistance under this initiative of the International Monetary Fund/World Bank, see [online] http://www.imf.org/external/np/exr/facts/hipc.htm.

D. NEW FINANCING ALTERNATIVES: INNOVATIVE MECHANISMS

Current ODA levels of financing for development do not provide sufficient resources to meet the development objectives adopted internationally and a greater effort is needed on the part of donor countries to boost their aid flows.

Both developed and developing countries should continue to consider implementing additional and innovative financing mechanisms to supplement those already in use and contribute fresh resources at a time, such as now, when overall financing is scarce. The purpose of these mechanisms is to provide developing countries with stable and predictable flows of official assistance. Experience shows that these mechanisms are technically feasible and should be considered as a complement to official development assistance.

To date, various proposals on innovative financing mechanisms have been put forward (see table 5). Irrespective of the sector to which the resources are allocated, three types of mechanisms may be identified: global taxes, global funds and innovative market-related financial instruments. These mechanisms, for example, have been conceived as sources of financing in the framework of the fund for combating hunger and the Actions against Hunger and Poverty proposed by the Technical Group on Innovative Financing Mechanisms under the sponsorship of Brazil, Chile, France and Spain and with support from the Secretary General of the United Nations.

Global taxes include, among other things, taxes on international financial transactions and carbon taxes.

In general, it is accepted that a tax on international financial transactions will raise substantial amounts without causing any distorsion in the market. This is because the revenue base will be very broad —including all financial transactions- and the rate will be very low (the range being proposed is between 0.01% and 0.1%). It is estimated that if this tax were applied in Europe and North America, its potential for raising funds would be between 0.5% and 2.4% of world GDP.[19]

One of the proposals for distributing income that has been collected by means of this tax is that the developed countries should earmark the bulk of the income collected to the fulfilment of the Millennium Development Goals (in particular, for eradicating hunger and poverty) and to the provision of global public goods. Given the current distribution of the official development assistance, ECLAC estimates for 2007 suggest that this tax should yield the Latin American and Caribbean countries between US$ 2 billion and US$ 5 billion per year, which, at between 0.1% and 0.2% of the combined GDP of the countries of the region, would be roughly equivalent to the level of ODA they now receive (ECLAC, 2007).

While the application of a tax of this nature is once again under discussion, this time, in the context of the crisis, the motives for the tax will be different.[20] An attempt will be made, on the one hand, to reduce speculative international transactions and, on the other, to lower the fiscal deficits of the developed countries. In principle, development assistance has not been considered as an option for the use of these funds.

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[19] See, for example, estimates of the International Cooperation for Development and Solidarity (CIDSE, 2009b).

[20] The initiative has received support from the European Parliament and some European countries, including Austria, Belgium, France and Germany.

The proposed tax on carbon dioxide (CO_2) emissions is designed to collect funds to promote development and regulation of emissions from all sources of fossil carbons at a very low cost. Modification of the relative prices of fuels through this tax should enhance the efficient use of energy sources and foster the development of alternative sources. It is estimated that a tax on carbon emissions of just US 5 cents per gallon could generate income of between US$ 60 billion and US$ 130 billion per year.[21] In order to avoid the regressive character that this tax can have on lower-income countries, the proposal is that these should apply lower taxes than the more developed countries. Some countries, including the European economies, have already started to apply some type of tax on carbon emissions.

At the World Summit on Climate Change, held in Copenhagen in December 2009, the European Union suggested that the international community needed to explore new financing mechanisms such as debt-for-nature swaps as an alternative means of increasing financial support for climate change mitigation.

The proposal for a tax on air transport is part of the same effort to mitigate the adverse environmental impacts of emissions and has the dual purpose of reducing the carbon footprint of the aviation industry and generating significant tax revenue. Initiatives of this kind are already being applied in some countries: in France, since July 2006 and currently also in Brazil, Chile, Gabon, Ivory Coast and Mauritius.[22] Furthermore, in 12 other countries, parliamentary meetings have been held to set up initiatives of this type and 19 countries have pledged to introduce voluntary contributions. It is estimated that this tax could raise 300 million euros per year in France and that with the participation of other countries, the figure could reach 400 million euros or 500 million euros per year in the next few years.

In terms of global funds, reference should be made to the International Finance Facility, which was proposed by the United Kingdom in 2003. This Facility is a mechanism whereby future streams (that is, future commitments) of development assistance from donor countries are issued on international bond markets.[23] The money received from the sale of these bonds in international markets will be disbursed in the recipient countries.

The International Finance Facility was conceived as an initiative with a 30-year time horizon. Donors' commitments in terms of flows of assistance increase annually in the initial years and gradually start to wane towards the end of the period. The objective was to mobilize a further amount of US$ 500 billion for development financing over the period.[24]

A concrete example of the application of this type of initiative is the International Finance Facility for Immunization (IFFIm), which was established by France and the United Kingdom in 2006 and received support from Italy, Netherlands, Norway, South Africa, Spain, Sweden and the Bill & Melinda Gates Foundation.[25] All of these donors have pledged assistance for the IFFIm to the tune of

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21 See, for example, estimates quoted in CIDSE, 2009a.

22 The purpose of the French initiative is to finance a global health fund (the International Drug Purchase Facility).

23 The creditworthiness of donor countries and the binding nature of the commitments with respect to the flows of future assistance should make it possible to fund the international finance facility with very high quality bonds and, thus, at low cost.

24 Given the time schedule of the programme, the maximum disbursements (US$ 50 million per year) would be made just before 2015, the deadline for fulfilment of the Millennium Development Goals.

25 See [online] http://www.iff-immunisation.org/.

approximately US$ 4 billion euros up to 2020 and, on the basis of these commitments, bonds have been issued in international markets with a view to financing comprehensive immunization programmes.

An alternative to the International Finance Facility would be to obtain funds through the issue of new special drawing rights (SDRs). The proposal for implementing these instruments for development is based on their use for supplying global public goods, including improvement of the environment, disease prevention, spreading literacy and providing humanitarian aid. If these SDRs are issued with the requisite frequency, they could make a significant contribution to the fulfilment of the Millennium Development Goals (Ffrench-Davis, 2009).

At the United Nations Climate Change Conference, held in Copenhagen in December 2009, the investor George Soros presented a concrete proposal for SDR issues for financing for development. His proposal was that over a period of 25 years, the developed countries should set aside a portion (the equivalent of US$ 100 billion) of their last SDR allocation, which was made in September 2009, and use it to create a fund for sustainable development for plans for mitigation of, and adaptation to, climate change in the developing countries (Soros, 2009).[26] The calculations cited in the proposal indicate that with a US$ 100 billion fund, US$ 7 billion in grants, loan and equity financing could be provided annually to the developing countries over the next 30 to 40 years.

One variant of this proposal favours restoring special drawing rights as a financial instrument for development. An effort will be made to grant and allocate these rights more permanently in order to improve distribution. This would involve allocating them according to countries' needs, the preference being given to developing countries, for which the cost of holding these funds would be insignificant. Lastly, the supply of SDRs would enable the developing countries to avoid applying contractionary policies without this impacting on economic policies with opportunity costs.

The alternative market financing mechanisms include, for example, securitization of future inflows and bonds indexed to the future performance of GDP and are designed to obtain liquidity at low cost. The GDP-indexed bonds allow for the issue of bonds by a country whose interest coupon varies according to its growth, that is, with its capacity to pay.

E. CHALLENGES FOR THE FUTURE

Middle-income countries, which include most of the economies of Latin America and the Caribbean, have traditionally faced significant constraints in their efforts to develop a self-financing capacity for fostering economic growth and reducing poverty. In general, countries in the region have been exposed to external financial shocks, which have led to high volatility in the real economy with inevitable impacts on the social sector.

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[26] In September 2009, IMF distributed to its members US$ 283 billion worth of SDRs. Of this total, more than US$ 150 billion went to the 15 largest developed economies. According to Soros (2009), these SDRs will sit largely untouched in the reserve accounts of these countries, which have no real need for additional reserves.

Table 5
SELECTED PROPOSALS ON INNOVATIVE FINANCING INSTRUMENTS FOR DEVELOPMENT

Instrument	**Principal characteristics**	**Potential for financing for development**
Tax on international financial transactions	A globally applied tax on international financial transactions would have a very broad tax base. Moreover, the applicable rate would be very low (the values mentioned are between 0.01% and 0.1%).	According to some estimates (see CIDSE, 2009b), if this tax were applied in Europe and North America, it could raise funds equivalent to between 0.5% and 2.4% of world GDP.
Carbon (CO_2) tax	This tax bridges the gap between the private level and the socially optimum level of activity. It internalizes economic externalities and allows prices to reflect the integral range of social and environmental costs.	It is estimated (see CIDSE 2009a) that a tax on carbon emissions of just US 5 cents per gallon could generate income of between US$ 60 billion and US$ 130 billion per year.
Tax on air transport	This tax has the dual purpose of reducing the adverse environmental impact of the aviation industry and generating substantial revenues. It came into effect in France in July 2006 and is also being applied in Brazil, Chile, Gabon, Ivory Coast and Mauritius. In addition, 12 other countries have started to hold parliamentary meetings for implementing it and 19 have pledged to introduce voluntary contributions.	It is estimated that this tax could raise 300 million euros per year in France and that, with the participation of other countries, the figure could reach 400 million or 500 million euros per year in the next few years (see France Diplomatie website).
Issue of special drawing rights for development	The proposal for implementing these instruments for development is based on their use for supplying global public goods, which include improvement of the environment, disease prevention, spreading literacy and humanitarian aid. One example of a concrete initiative along these lines is the proposal by Soros (2009) to use special drawing rights in the developed countries to set up a fund for sustainable development which would be used to finance plans for climate change mitigation and adaptation in the developing countries.	A fund made up of the equivalent of US$ 100 billion in special drawing rights (loaned by the developed countries over 25 years) could provide US$ 7 billion per year in grants, and loan and equity capital to the developing countries over the next 30-40 years.
International Finance Facility	The initiative proposed by the United Kingdom in 2003 and conceived of as an initiative for mobilizing, between 2003 and 2015, an additional US$ 50 billion per year for financing for development. This Facility is a mechanism whereby future streams (that is, future commitments) of development assistance from donor countries are issued on international bond markets. The money received from the sale of these bonds in international markets will be used to finance programmes in recipient countries.	In the United Kingdom's original 2003 proposal, it was estimated that the International Finance Facility could mobilize up to an additional US$ 500 billion in assistance for development over the 30 years during which the mechanism would last (see Government of the United Kingdom, 2003).
Debt swaps	Debt-for-health swaps. Under this initiative launched in 2007, the creditors of some selected beneficiary countries are invited to forgive portions of debt on condition that the beneficiary Governments invest an agreed portion in health programmes linked to combating HIV/AIDS, tuberculosis and malaria. Debt-for-nature swaps. At the United Nations Climate Change Conference, held in Copenhagen in 2009, the European Union underscored the need to implement initiatives of this kind.	

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of cited documents and ECLAC, "Emerging trends in official development assistance and its impact on financing poverty and hunger eradication in Latin America and the Caribbean", Santiago, Chile, 2007.

Flows of development assistance should, to some extent, mitigate the effects of the fluctuations in private capital flows and supply a stable source of financing to countries. In the post-crisis context, ODA flows should, moreover, play an important role by compensating for internal and external shortages of resources in Latin America and the Caribbean, thereby preventing substantive setbacks in the social situation in the region and, in particular, in the degree of advancement towards the Millennium Development Goals.

Nevertheless, since ODA allocations to the Latin American and Caribbean countries were based on their classification as middle-income countries, they traditionally have received only a very small and shrinking share of total assistance flows to the developing regions and, now that the shortage of resources is even more acute, an even sharper percentage loss could be in the offing.

In the post-crisis context, a number of key responses emerge, which, from the point of view of Latin America and the Caribbean, could strengthen the international cooperation system in the region .

First, it is vital for the region that changes be introduced in allocation policies and priorities on which assistance for development is currently based and that this assistance be granted on the basis of the specific needs of countries rather than on the middle-income country criterion. The greater importance currently granted to channelling assistance towards the poorest economies should not eclipse the middle-income countries' need for ODA, given that this group encompasses widely diverse situations. For example, at the global level, the average per capita income for the years 2000 to 2008 of the group of countries ranked as lower-middle-income countries ranged between a minimum of US$ 1,943 and a maximum of US$ 9,077. The poverty rate of the same group of countries varied from a minimum of 2% to a maximum of 81%. A similar disparity may be observed in the group of upper-middle income countries, where per capita income ranged between a minimum of US$ 4,100 and a maximum of US$ 19,547 and the poverty rate varied between a minimum of 2% and a maximum of 43%.

In view of this diversity and of the disparities existing in each country, the priorities for the allocation of assistance should be determined on the basis of a broader set of indicators that reflect the specific features of individual countries and reveal where the main requirements lie in each particular case. To facilitate this, the recipient countries should have sufficiently detailed information in order to determine the priority areas and identify the unmet financing requirements in each of these areas. This would make it possible to identify accurately the main requirements of each country and, moreover, would solve certain coordination failings that arise between recipients and donors, which often result in some areas with small financing shortfalls receiving greater volumes of assistance in relative terms than others within the same country where the financing shortfalls are actually greater.

Second, in the current context, there is now a pressing need for donor countries to strive to augment assistance flows well beyond past levels and to renew their commitment to raise the amount of ODA in order to meet the target of 0.7% of their GNI. Total ODA volumes should be scaled up substantially so that increases in assistance to some regions do not occur at the expense of others. The donor countries should be mindful that not only is the deterioration of social indicators a problem for those who have unmet needs at present but also that this deterioration can have much longer-term consequences and lasting damage which can spill over onto subsequent generations. Donor countries should bear this in mind when deciding whether to prioritize their own public finance requirements or the growing needs of developing countries. Meanwhile, both developed and developing countries must continue to consider implementing other innovative financing mechanisms, in addition to those already in use, and which can contribute fresh resources at a time, such as now, when overall financing is scarce.

Lastly, for the countries of the region, the post-crisis situation is an opportunity to intensify the mechanisms for South-South cooperation and triangular cooperation. While the region has already proved to be fairly active in these two forms of cooperation, the new post-crisis context —in which the emerging countries are out-performing the developed economies— requires new impetus in this regard. Within the group of the developing economies, the middle-income countries that show greater buoyancy and have access to more generous financing mechanisms are called upon to step up their leadership in the international cooperation system and to strengthen South-South and triangular cooperation mechanisms that are complementary to the traditional development assistance mechanisms and North-South cooperation. These economies have theoretical and practical knowledge that could be of use to other relatively less developed countries. They can also help substantially to provide regional and global public goods, such as peacekeeping efforts, measures for maintaining financial stability, the generation of technological externalities and fostering trade integration and environmental sustainability.

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