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**“A NEW AGENDA FOR LATIN AMERICA?
INNOVATIVE THINKING FOR A CHANGING REGION”**

**A Report on “FOCAL IV Forum of Hemispheric Experts”
August 28, 2003**

OVERVIEW

This report¹ sets out to capture the key ideas and conclusions generated at the Canadian Foundation for the Americas' (FOCAL) Fourth Annual Forum of Hemispheric Experts, an annual conference that gathers leading thinkers and policy-makers from across the Americas to discuss current hemispheric issues. This year's Forum was entitled “A New Agenda for Latin America? Innovative Thinking for a Changing Region” and took place on June 19, 2003 in Ottawa. Financial support for the Forum of Hemispheric Experts was provided by the Canadian International Development Agency whose continuing support is gladly acknowledged and deeply appreciated.

The intellectual foundation for the meeting is found in the soaring levels of poverty and inequality that still persist in Latin America despite economic growth and, in some cases, higher social expenditures. Increasingly, research by academics, policy institutes and multilateral development banks is showing that a more equitable society is a pre-requisite for growth, and that policies targeted on poverty alleviation are simply not enough. Central to this idea is growing evidence of distrust and failing faith in the willingness and abilities of current institutions and structures to address the prevailing problems that exists among the population in many Latin American countries. A central objective was to address the factors underlying high levels of inequality in the region and to point to new directions in social and economic policy-making. The agenda centered upon three thematic axes: integrated policies to address inequality and growth; political reform and governance; and future directions for inter-American cooperation.

Presentations and discussion at the first session dealt with recent trends related to inequality in Latin America, recommendations to “reform the reforms” of the 1990's in order to better address social deficits, the specific case of educational reforms, and the links between inequality, institutions, and democratic development. The priorities and challenges of institutional reform, also known as second-generation reform, was the focus of debate of the second session of FOCAL's Forum. Special attention was given to the case of political parties and the issue of political campaign financing. The final session centred on the potential for Canadian and inter-American cooperation for achieving regional goals of democracy, growth and social development. Participants discussed the implementation and refinement of the Democracy Charter, the main instrument directed to the preservation and consolidation of democracy in the

¹ This report was prepared by Florencia Jubany and Judy Meltzer, senior analysts at FOCAL. Special thanks to Lesley Burns from the University of British Columbia, whose rapporteur notes made a major contribution to the drafting of this report.

Hemisphere, and considered prospects for the upcoming Special Summit in Mexico (January 2004). The report looks at each of these themes in turn and offers some forward looking ideas for Canada to further support Latin America's priorities for equity and growth.

I. NEW DIRECTIONS IN SOCIAL POLICY: INTEGRATING POLICIES TO ADDRESS INEQUALITY, POVERTY AND GROWTH

Recent Trends in Inequality:

According to Inés Bustillo, Director of the Washington DC Office of the United Nations Commission for Latin America and the Caribbean (ECLAC), recent trends in inequality are marked by:

1. **Deterioration in income distribution.** Between 1990 and 1999, income distribution worsened in most countries of the region. While income distribution remained unchanged in a few countries, improvement was recorded only in Uruguay, Colombia and Honduras.
2. **Weak employment generation,** particularly in South America, with variable mixes of unemployment and labour informality.
3. **Weak growth-poverty reduction links.** In the period 1997-2001, the reduction of poverty slowed down, as seen by the relationship between poverty and GDP per capita, and the number of poor people in the region grew by more than 10 million.
4. **An increase in social spending as a percentage of the GDP, albeit with large regional divergence.** The rise in social spending coincided with more selective criteria and targeting, and with the decentralization in the provision of social services. Countries that devoted 5% to 10% of GDP to social spending: Honduras, Guatemala, Paraguay, Dominican Republic, Peru, Venezuela, and Mexico. Countries that devoted between 10% and 22%: Uruguay, Brazil, Argentina, Chile, Costa Rica, and Colombia.



Inés Bustillo, Director, Washington Office, UN - ECLAC

Such worrisome trends can largely be explained by slow and unstable growth, and adverse structural patterns. In turn, deficient growth was a result of high capital account instability, pro-cyclical macroeconomic policies, high frequency of domestic financial crisis, and the resulting low investment and social “ratchet effects”. Conversely, adverse structural patterns were related to concentration in non-dynamic world markets, weak growth returns (reduced linkages and increased dualism), and high financial requirements at slow rates of growth.

Proposal for an integrated inequality – poverty – growth strategy

To deal with the drivers of persistently high levels of inequality – poor growth and negative structural patterns – ECLAC proposes a three-pronged approach involving a broad view of macroeconomic stability based on counter-cyclical policies; high quality productive infrastructures; and a long-term and integrated social policy (education-employment-social protection). See Box 1.

Box 1

BROAD VIEW OF MACROECONOMIC STABILITY: THE ROLE OF COUNTER-CYCLICAL POLICIES

- Avoid unsustainable public and private deficits
- Avert financial disequilibria in both flows and balance sheets
- Multiple macroeconomic policy targets, within a framework encompassing the entire business cycle
- Prudent management of macroeconomic flexibility
- Counter-cyclical macroeconomic management should become the framework of IFIs

MACROECONOMIC POLICIES ARE NOT ENOUGH: THE ROLE OF PRODUCTIVE DEVELOPMENT STRATEGIES

- High quality infrastructure
- Innovation systems that accelerate the accumulation of technological capacities
- Support for structural transformation
 - Diversification of the export base
 - Production linkages of exports and FDI with other domestic economic activities
 - Formation of production clusters
 - Restructuring of noncompetitive sectors
- A new role for domestic and regional markets?

IMPROVED SOCIAL LINKAGES

- **Three essential components**
 - A long term social policy aimed at improving equity and guaranteeing inclusion
 - Economic growth that guarantees the growth of quality employment
 - Reduction of the productivity gaps (dualism) between different sectors and economic agents
- **Integrated policy**
 - Education
 - Employment
 - Social protection
- **Disparities in income distribution are an essential constraint to economic growth in Latin America**

Based on presentation and slides by panelist Inés Bustillo, ECLAC

Education and Inequality

A recurrent topic throughout the conference was the need for a more integrated approach to social policy, one that would encompass education, employment, and social protection as key, inter-related aspects of human development. The need for renewed efforts in education, possibly the single most important factor affecting inequality in Latin America, was emphasized.

Education remains a challenge for most countries due to the practical impediments to effective reform, as well as the failure to align reforms with broader national development agendas.

Ongoing funding shortages, an overly centralized educational model, high drop out rates and a lack of opportunities for graduates of higher education have resulted in low student achievement. The low returns on education in its current state are particularly striking, as one participant pointed out, it takes an estimated minimum of twelve years of schooling to create the opportunity to raise an individual's living standard above the poverty line. This minimum is higher than the average number of school years completed in most countries in the region, as demonstrated by in Box 2.

Box 2

Average Years of Schooling Completed by Population Between 15 and 24 Years of Age by Urban and Rural Areas in 2000

Country	Average Years of Schooling (Avg. of both sexes)	
	Urban	Rural
Argentina	10.1	...
Bolivia	10.1	6.3
Brazil (1999)	7.5	4.9
Chile	10.6	8.9
Colombia	9.2	6.5
Costa Rica	8.6	7.0
Ecuador	9.9	7.1
El Salvador	9.7	5.7
Guatemala (1998)	7.5	3.6
Honduras (1999)	7.6	4.9
Mexico	9.7	7.5
Nicaragua (1998)	7.5	4.2
Panama (1999)	10.0	8.0
Peru (1999)	10.2	7.2
Dominican Republic	9.4	6.7
Uruguay	9.4	...
Venezuela* <i>*(reflects national total i.e. no rural / urban disaggregation)</i>	8.8	

Source: Data taken from the Economic Commission for Latin America and the Caribbean, Social Panorama of Latin America, 2001-2002 Table 30.

Inequitable access to education and a disjuncture between education systems and labour market demands also persist. Panelist Daniel Morales-Gómez also highlighted the need to implement a system for monitoring and evaluation of education systems and reforms. The absence of assessment mechanisms contributes to a lack of accountability and persistent poor quality at all levels. At a macro-level, education reform needs to be a part of a more integrated

approach to broader government reforms that take a comprehensive versus single sector approach based on a national development plan. The current emphasis on short-term goals should shift towards building long-term capacity, improved financial sustainability and education planning that extends beyond the term of any single regime.



Daniel Morales-Gómez, Senior Partner,
Social Development & Policy Group

Box 3

Problems in current reform approaches...

- Imbalance in attention and resources allocated to higher levels of education;
- Insufficient attention to management of education systems, monitoring and evaluation of current practices and reform processes;
- Insufficient taking into account broader contexts of national development, globalization and competitiveness;
- Slow rate of integrating cutting edge technologies into educational reforms.

What is required...

- An integrated reform approach to education;
- A multidisciplinary approach to reforms – inter-sectoral links;
- Better articulation of policy, programming and delivery;
- Realistic objectives and time-frames for reforms;
- Mechanisms to measure progress;

Sources of opportunity...

- Signs of political and financial commitment;
- Increasingly integrated approaches to human development;
- A greater focus on quality, relevance and equity in education;
- Public –private partnerships and donor collaboration;
- A focus on decentralization and accountability;
- Introduction of new technologies (ICTs).

Based on presentation by Daniel Morales Gómez, Social Development and Policy Group Ltd.

Linking Inequality and Democracy

Implementing sustainable sectoral reforms are also contingent upon the ability of citizens to articulate demands through effective participation in political processes. As panelist Roberto Patricio Korzeniewicz pointed out, poverty and inequality are detriments to state-society linkages, and contribute to the growing divisions between citizens and states and the overall weakening of democracy. The “empty box” syndrome, used to describe the failure of economic growth in the region to reduce poverty and inequality, was also used to illustrate the weakness of political and policy processes in addressing these challenges.



Roberto Patricio Korzeniewicz, Professor
of Sociology, University of Maryland

Effective participation requires responsible government policy, but also a bottom up approach driven by an active civil society. Consequently, more effective avenues for interactions between government and civil society are required. Obstacles to achieving this are often a result of divisions within the civil sphere itself. Korzeniewicz pointed out that ‘outsider groups’ cultivate broad grass-roots support, but tend to have limited political influence. ‘Insider groups’ have vast networks of state

influence that provide them with a privileged position vis-à-vis state contacts but tend to represent a more narrow set of interests. The development of a more integrated approach that balances political clout and inclusion could strengthen civil society's voice in Latin America's democratic institutions. A renewed focus on these issues among policy-makers and civil society organizations is a positive indicator in this regard.

II. GOVERNANCE AND POLITICAL REFORM

A series of crises in the region in 2001-2003 laid bare the close relationship between governance and economic development. Effective institutions remain a key challenge for countries seeking to maximize the beneficial effects of market reforms and advance democratic and social development. The priorities and challenges of institutional reform, also known as second-generation reform, was the focus of presentations and debate of the second session of FOCAL's Forum. Special attention was given to the case of political parties and the issue of political campaign financing.

Second Generation Reforms:

"The state of institutional development furnishes the only variable that reliably predicts how developed a country is", concludes a recent paper by Levine and Easterly (2002). The need for a higher state of institutional development to effectively provide public goods, correct gross divergences in income distribution, and support a market economy, has become widely accepted in Latin America by individuals across the political spectrum. Such a task involving legal (i.e. property rights), regulatory (i.e. labour market and financial system), and political institutions (i.e. judiciary, civil service and political parties) has been dubbed "second generation reform" (SGR). Political complexity is probably the most salient feature of SGR, largely due to its technical intricacy, long-term impact, and adverse effect on powerful groups of society. Therefore, how to do it becomes the crux of second-generation reforms.

According to presenter Patricio Navia, from New York University, there are key political conditions that can improve the chances of success of second-generation reforms.

- *Electoral rules*: the combination of presidential systems with proportional representation (PR) for the legislature, common in Latin America, frequently result in presidents lacking the majorities in parliament necessary to pass reforms. Countries should consider majoritarian or less permissive PR systems to combine with presidentialism.
- *Timing of elections*: concurrent presidential, parliamentary and provincial/state moderates the risk of each election becoming a test of presidential popularity. Reducing the number of and synchronizing elections is likely to increase the overall support for federal government, as it prevents governors and legislators from campaigning against the central government.
- *Federal vs. provincial and local governments*: concurrent elections of local and provincial authorities with national elections may facilitate political alliances, might make ticket splitting easier and might strengthen responsible parties.
- *"Historical opportunism"*: it is important to know and understand the countries past history and previous reform experiences. There will be more support for some type of



Patricio Navia, Coordinator, Center for Latin America and Caribbean Studies, New York University

reforms in some countries; judicial in Chile after dictatorship; banking reform in Argentina; military reform in Peru after Fujimori, etc.

Patricio Navia offered two words of caution on second-generation reforms. First, “one size fits all” solutions are inadequate as reforms should incorporate the unique histories and political cultures of individual countries. Second, for SGR to work countries need to combine good institutions with good leadership. While institutions are necessary but not sufficient, good leadership without good institutions risks ending up in populism.

Box 4

First Vs. Second Generation Reforms

	First Generation Reforms (FGR)	Second Generation Reforms (SGR)
Nature of Reforms	<p>FGR are statements about the instruments to be used and inputs needed to achieve certain outputs.</p> <p><u>FGR</u>: macro-stabilization, inflation, tariffs and budget cuts, privatization, etc</p>	<p>SGR are statements about desired outcomes (outputs) without adequate information about the inputs needed.</p> <p><u>SGR</u>: delivery of public services, institutions that create and maintain human capital (and social capital), regulatory institutions, etc.</p>
Role of the State	<p>FGR were all about reducing and limiting the discretionary power of the state and giving more power to the private sector.</p>	<p>SGR are about reinventing the state, with different powers and attributions. Not the old ISI, all-powerful state, but a ‘small but muscular state.’</p>
Losers	<p>In general, FGR victims were often atomistic or too poor to matter politically.</p>	<p>SFR victims are the who’s who of highly organized and vocal groups (teachers, local unions, government unions, medical establishment, etc.)</p>

Based on presentation prepared by Patricio Navia, New York University, from Navia and Velasco (2003)

In the context of institutional reform, Shelley McConnell from the Carter Center prioritized accountability as paramount to effective democratic institutions and highlighted key reforms in this area. With regard to **horizontal accountability**:

- Ensuring independence and improved capacity of the judiciary towards better balance of powers;
- Systematic (versus ad hoc) support for ‘special’ state agencies such as ombudsmen and anticorruption commissions;
- Cooperation between legislature and executive (in presidential systems) in appointment of heads of ‘oversight’ institutions e.g. Attorney General, Comptroller General, with removal only with third party involvement and substantial evidence;
- Effectiveness of delivery of government services as a measure of accountability/corruption levels within state departments.



Shelley McConnell, Associate Director, Americas Program, The Carter Center

Reforms to strengthen **vertical accountability** included:

- Implementation of meaningful access to information laws to empower citizens to demand accountability from government, with limited exclusions for privacy and national security, and a mechanism for appeal;
- Continued focus on fair elections, including increased attention to ‘2nd generation’ election observation in areas of human rights, inclusion, campaign financing and technical applications (registration, tallies etc.);
- Strengthening and democratizing political parties.

Democratizing the democrats:

Political instability in the region can also be partially characterized as a crisis of political parties. Without strong party organizations, political leaders have one less mechanism for socialization into the democratic system; new talent is more difficult to recruit; and accountability is undermined. As panelist Max Cameron pointed out, viable parties moderate the parochial self-interest of politicians by setting priorities, structuring uncertainty and providing long term goals



Max Cameron, Professor of Political Science, University of British Columbia

and tools for effective governance. Consequently, weak party systems are vulnerable to the emergence of populist leaders who bypass parliamentary institutions and tend to govern autocratically, in a manner reminiscent of some Latin American leaders in the mid-twentieth century such as Juan Domingo Perón, Getúlio Vargas, and Lázaro Cárdenas. The case of Alberto Fujimori in Peru demonstrates the indispensability of parties as mechanisms of representation; without parties, voters have no coherent range of choices and few mechanisms to hold leaders accountable.

Weak political parties are also a symptom of a broader crisis of representation. The Latinobarómetro public opinion surveys show that public confidence in political parties and legislatures is lower than confidence in most other public institutions, such as the military and church. This can be partially attributed to the perception that political representatives are unresponsive, more interested in advancing personal political careers and catering to financial donor interests than to voters.

Falling public confidence in democratic institutions and political parties in particular has refocused attention on political financing, a key factor affecting the credibility of political parties. A recent Carter Center conference on “Financing Democracy: Political Parties, Campaigns, and Elections” (March, 2003), generated several conclusions in this area. Recognizing that individual countries’ rules for financing will differ, it was advocated that they be based on a common set of basic principles regarding accountability, transparency, participation, and specific to the financing process, ensuring effective electoral competition whereby adequate resources and access to the media are available for candidates without selective use of state resources or unfair incumbency advantages.

A set of objectives and tools with which to achieve these goals were defined in the Statement of the Council of Presidents and Prime Ministers of the Americas at the Carter Center Conference. These include:

- **Limit long or negative campaigns** through restrictions on campaign spending, shortening length of campaigns, ensuring equitable access to media, banning or capping of paid political advertising, promoting public financing, and enforcing prohibitions against vote-buying.

- **Improvement in transparency and reduction of the influence of money by requiring disclosure of donations and expenditures** including: regular, public, audited reports of itemized expenditures including in-kind expenses; required media reports on advertising rates and any discounts given as political donations and maintain similar rates to those used between campaigns; prohibition of foreign contributions (with the exception of citizens abroad); and refusal of donations from organized crime or trafficking.
- **Promoting equity, participation and competition** through mixed funding systems with a substantial public component based on allocation by both proportional rules and flat rates to all; limited individual donations and encouragement for small individual donations perhaps through tax credits.
- **Institutions responsible for enforcement should provide both incentives and sanctions**; they should be independent, non-partisan and equipped with sufficient human and financial resources and authority to enforce laws.



**H.E. Mr. Jorge Quiroga, Former President of Bolivia.
Summary of keynote address “Challenges for Latin America”**

Drawing upon his political experience and recent research on political engineering in post-neoliberal democracies in Latin America at the Woodrow Wilson Center, Mr. Quiroga offered his reflections on new directions in economic and social policy making in the region.

Mr. Quiroga underlined the problem of corruption as a prevailing challenge in the region, emphasizing that it is not just an effort of governments that is required, but societies’ tolerance of corrupt practices also needs to be overcome. Priority for reform should accordingly focus on area of justice, fundamental in guaranteeing the rule of law and instrumental in ensuring accountability. Those agencies that deal directly with money such as tax collection and customs are highly vulnerable to corrupt practices and should therefore also be prioritized. While domestic action is essential, collective efforts at the international level are also necessary. According to Mr. Quiroga, the challenge for the upcoming Special Summit of the Americas in Mexico City (January 2004) is to address the unfulfilled agenda of institutional reform as a vehicle to tackling poverty.

Changes required in current trade rules in order to ensure growth and development in the region were highlighted. Mr. Quiroga paid special attention to the need for leveling the playing field, for example with the inclusion of compensatory funds in a future free trade agreement in the Americas. Moreover, current international trade rules must be modified to correct asymmetries in protectionist practices that prevent countries from reaping the benefits of liberalized trade. In Mr. Quiroga’s view, Latin American countries were short-changed in the GATT / WTO Uruguay Round by being subjected to “XIX century rules for agricultural products and XXI century rules for planes and ships.”

“Mr. Quiroga was president of the Republic of Bolivia from 2001 to 2002, and was Vice President (1997-2001) during which time Bolivia’s new national framework for development was implemented. The framework aims to accelerate poverty reduction through more effective use of resources and stronger coordination among development partners. Viewed as a positive example for development in the region, the Canadian International Development Agency is re-orienting its programming based on this model to increase aid effectiveness.”

III. FUTURE DIRECTIONS FOR INTER-AMERICAN COOPERATION

New instruments such as the Inter-American Democracy Charter attest to the ongoing evolution of hemispheric collective action. At the same time, nearly a decade after the First Summit of the Americas and on the eve of the Special Summit in Mexico (January 2004), much remains to be done. Canada has a vested interest in seeing these processes come to fruition, as evidenced by its active role in the Inter-American system. Discussions in this session focused on the potential offered by Canadian and inter-American cooperation for achieving regional goals of democracy, growth and social development. Particularly, the session dealt with the Summit of the Americas process and with the implementation and follow up of the Democracy Charter, main instrument directed to the preservation and consolidation of democracy in the Hemisphere.

Canadian Foreign Policy towards Latin America:

Canada can and does have an impact in this hemisphere, which is not the case in many other regions of the world where it has become a marginal actor at best. Given Canadian foreign, trade and development policy objectives, Canada should continue to make the Americas a priority region. Canada's image in the eyes of the region was highest when it hosted the Summit of the Americas in Quebec City in April of 2001. There is post-summit concern, however, that the momentum that was established in the Summit process would be lost if Canada were to simply turn its attention elsewhere. This would be a strategic mistake as a decade or more of Canadian supported efforts are starting to show results. This concern being voiced, however, there does not seem to be any conscious turning away from the Americas.

Although Canadian-Latin American bilateral development programs have possibly the greatest 'felt impact' locally in the region, and in some cases represent progressive responsiveness (e.g. CIDA's new country program framework for Bolivia), it is through support and action at the inter-American level that Canada can contribute most effectively to the regional goals of democracy, growth and social development. Canada's full engagement in the group of inter-American institutions (OAS, IDB, PAHO) has helped to transform a number of institutions into entities with more clearly defined purposes. This is particularly evident at the Organization of American States (OAS) where our presence and encouragement of reform contributed to lift that organization out of a period of pronounced decline. After ten years of full participation, a number of Canadian initiatives have produced concrete results in a several important areas, such as the strengthening of democratic governance in the region. It has been widely argued, however, that to maintain an influential role in the hemisphere Canada needs to devote more resources to the region.

Canada's inter-American policy over the next five years would be most effective if concentrated in the areas of organizational reform. Priority should be accorded to issues of institutional reform with an emphasis on the ability of individual people to gain access to the instruments and programs of government. Within the inter-American system, Canada can be influential in the goal of refocusing of resources within the OAS and the IDB, especially in the areas relating to implementation of commitments made in the Summit of the Americas process. Another area of urgent attention is that of institutional symmetry so as to break down the compartmentalization that exists between the different entities and agencies of the inter-American system. Canada was urged to maintain its strong support for enhancing the operation of the Democracy Charter of the OAS.

Role of the Organization of American States

The OAS has experienced significant accomplishments, and holds great promise as a regional institution capable of promoting, fostering and sustaining democratic governance throughout the

hemisphere. Canada should capitalize on its previous support and substantive contributions to the OAS to rally other Member States in expanding existing capacity in centers of excellence such as the UPD. As the lead Inter American institution, the OAS requires more support to fulfill its existing responsibilities and this reality will someday have to be confronted by the Member States whose track record in this regard – sadly – is not positive.

Within the OAS, the Unit for the Promotion of Democracy (UPD) has a key role to play in the implementation of the Democratic Charter. Reaching agreement between the 34 Member States on the Charter itself was not an easy task and any considerations aimed at further amendments or changes will likely be set-aside for a while. As a multilateral policy instrument, however, the way in which the Charter is applied can certainly evolve and improve over time.

Progress can be made through a refinement in our understanding of the key components of democracy, and by promoting more research on effective democracy promotion and institution building. One way to encourage a positive evolution of the Charter is to develop an evaluation mechanism to assess progress in implementing the goals of the Charter. To track progress, one participant suggested the introduction of a multilateral evaluation mechanism similar to the consensus based recommendation system used to track progress in the fight against drugs and corruption (the MEM). Some participants felt that the Charter would also benefit from an external evaluation mechanism, to eliminate the political constraints of the Member States of the OAS.



Elizabeth Spehar, Director, Unit for the Promotion of Democracy, Organization of American States

A universal threshold that identifies the conditions under which the Charter applies or is triggered would be a useful tool in clarifying the Charter's application. Chapter Four of the Charter sets out the mechanisms for defense and preservation of democracy. However, it is important that the Charter not be seen as punitive, but as a constructive force in generating resources to address ways of strengthening democratic governance, allowing for the application of preventive measures at the earliest sign of potential democratic threats. Bolstering early assistance capability will help reduce the stigmatism of having the Charter applied to one's country and shift the perception of its application away from being a sign of political failure. The Charter became the defining element of the Summit of the Americas in 2001. It remains to be seen to what extent questions about its development will be raised at the forthcoming interim Summit in Mexico, January 2004.

Special Summit of the Americas in Mexico – January 2004

Significant changes have altered the hemisphere since the last Summit in Quebec City (April 2001), heightening the importance of an interim meeting of leaders in the Americas before the next regularly scheduled Summit in 2005 in Argentina. Some of the major events that have taken place since the Quebec City Summit include the September 11 terrorist attacks against the United States, the financial crisis that swept Argentina and the invasion of Iraq. Within the region, a number of countries have experienced the ascension of new political leaders including in Brazil and Argentina. While not formally on the agenda for the Special Summit, the FTAA negotiations are heading towards their ultimate conclusion as negotiators race to meet the January 2005 deadline for an agreed final text of that agreement.

The planned Summit is an opportunity to re-engage U.S. interest in regional affairs and generally increases levels of confidence in the region. Moreover, the Mexico summit provides

an opportunity to regroup, refocus, and reaffirm integration priorities. Such closer integration has previously helped to build the confidence necessary to introduce the Inter-American Democratic Charter. The Summit can be used to ensure that the emphasis on trade integration is balanced by an equally robust social agenda. Based on discussions and conclusions emerging from FOCAL's Forum, the Summit could advance countries' efforts at improving equity and growth through second generation reforms by focusing on the pivotal theme of democratic governance.

IV. LOOKING FORWARD

A central conclusion of FOCAL's IV Forum of Hemispheric Experts was that improved governance, particularly building effective institutions fostered by "lean and muscular states", is fundamental for Latin America to advance its goals of equity and growth. The concept of governance provides a useful framework from which to structure second generation reforms, by setting out the democratic principles underlying good government (transparency, accountability, rule of law etc.) and the intended outcome of reforms—the enhanced capacity to formulate and implement sound, equitable policies across all sectors.

The framework of 'governance' is also useful in making sense of the multiple international agendas for development in the Americas. The UN's Millennium Goals (2000), the Summit of the Americas Plan of Action (2001), and the Monterrey Consensus (2002) each define development objectives and strategies to achieve them. Given the paucity of financial and human resources, it is important that countries including Canada use an interconnected approach vis-à-vis these objectives by identifying areas where they overlap and where they can best add value. Canadian expertise in areas of priority for governance such as legislation and implementation of mechanisms for institutional transparency and accountability, and effective judicial systems, is most suited to assist Latin America's declared objectives of institutional capacity building. Canada should focus on the political as well as the administrative aspects of governance (policy implementation, management and regulation). Achieving effective governance demands a renewed and refined call for hemispheric cooperation; the opportunity to develop and articulate this shared vision can potentially arise at the upcoming Summit in Mexico.



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