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Comparative Advantages and Challenges of Regional Development Banks: *the CAF experience.*

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Introduction.

The purpose of this policy brief is to analyze the role and the relevance of multilateral development banks, especially the regional development banks. To this end, we first emphasize those factors that justify the existence of such banks and assess the role they have played since their inception. Taking into consideration the lessons derived from past experience, the current favorable economic climate in Latin America, and the existence of new funding mechanisms unavailable in the past, we also identify the main challenges that face regional banks, beginning with the lag in key economic indicators, such as insufficient growth, low savings, investment and productivity rates, as well as the high levels of inequality and social exclusion; all of which inhibit achieving a more stable, sustainable and higher quality pattern of development.

In this context, beyond the question of allocation of financial resources, it is imperative to redefine the purposes and objectives of development banks in Latin America. This entails implementing more effective measures related to knowledge transfer and technical support, as well as applying innovative catalytic instruments to generate more economic and social value.

The Evolution of Multilateral Development Banks.

An analysis of the role of development banks at the regional level must start with the fundamentals for the creation of such institutions, many times questioned under the assumption, in developed economies, that the market itself can solve the problems of resource allocation.

Multilateral development banks have traditionally been important not only for their role as instruments of economic development support, but also for their anti-cyclical and catalytic roles, particularly during periods of crisis. This is due to insufficient internal savings and long-term financing that hinder the achievement of stable, sustainable and balanced economic development.

At their inception, the main objective of multilateral banks was to attract long-term external resources and channel them into the funding of new investment, mainly in infrastructure. Since then, their role has been evolving in response to the always changing reality that Latin American countries have faced and, in the process, broadening their scope of action to include a diversity of sectors and activities.

Indeed, beyond the original model of the World Bank as a global development bank, over the years different initiatives and institutional models have emerged at the regional, sub-regional or national level, in response to new geopolitical and socio-economic realities.

Other important reasons that justify the creation of regional development banks and also explain their comparative advantages include a closer proximity to their clients and a broad knowledge of – and familiarity with – the idiosyncrasies of the region in which they operate. Nonetheless, their success has relied to a great extent on their capacity to articulate a vision of development, to define a clear mission, and to obtain the solid commitment of their member countries to that mission, as well as to have the ability to mobilize external resources based on their institutional strength, both administrative and financial.

Multilateral development banks are one of the most significant institutional inventions of the 20th century. In 1944, the World Bank was created and initially was called the International Bank for Reconstruction and Development (IBRD). Its goal was to help rebuild the economies of Europe and Japan after World War II, with an additional mandate to promote economic growth in developing countries in Africa, Asia and Latin America. Since the beginning of its operations until the early 1960s, the IBRD focused its efforts mainly in the energy and transportation sectors. In turn, it created the International Finance Corporation as an instrument to support the private sector.

The Inter-American Development Bank (IDB) was created in 1959 with the United States, Latin America and the Caribbean countries as founding members. It began operations in 1960 under the presidency of Felipe Herrera, and was the world's first regional development bank. In the late 1960s, Canada joined as a member. Later, during the presidency of Antonio Ortiz Mena, the IDB expanded its membership to include European and Asian countries.

Since its inception, the institutional model of the IDB, like that of the World Bank, has been based on two groups of shareholders, one made up of borrowers (developing countries), and the other of donors (developed countries). The IDB was founded, in part, as an answer to Latin America's need for more funding for the social sector. However, although little known, one of the most important arguments for its creation – and one which helped overcome resistance to its founding – was the need for a financial organization capable of meeting the needs of the region's private sector.

During the Bank's first decade of operations under the umbrella of the Alliance for Progress established between the United States and Latin America during the administration of President John F. Kennedy, the IDB ventured into sectors hitherto not given priority by the World Bank in the area of social development; notably the financing of projects in education, potable water supply, sewer systems, and healthcare, as well as comprehensive agricultural and rural development programs. Support for regional integration was another important focus, as emphasized by its first president Felipe Herrera, who defined the IDB as the integration bank.

Although at the beginning the IDB made loans without sovereign guarantees directly to the private sector, in accordance with its Charter, unsuccessful experiences on a few projects were a warning sign for the Bank. As a result, in its second decade of operations, the IDB stopped granting loans without sovereign guarantees, relying instead on a network of national development banks in the region to provide support to small and medium-size private enterprises through global credit lines. The Bank only directly supported larger private sector projects, provided they had governmental guarantees.

During the 1960s, the integration processes in Latin America experienced a major boom, creating a favorable environment for the emergence of new multilateral initiatives in the region. In this context, inspired by the founding of the IDB, and with its support, sub-regional institutions were created, such as the Central American Bank for Economic Integration (1961), the CAF (1968), the Caribbean Development Bank (1969), and the Financial Fund for the Rio de la Plata Basin, FONPLATA (1969).

The Development Bank of Latin America – CAF – was created by an agreement among the governments of Bolivia, Chile,[1] Colombia, Ecuador, Peru, and Venezuela, and began operations in 1970 with the objective of becoming a financial instrument to support integration within the Andean Group. Thus, during its first 10 years, the institution primarily financed projects that mainly involved small businesses within the framework of the industrial programming agreements established by the governing bodies of the Andean Group in order to encourage Andean production and exports.

1. Chile withdrew from CAF in 1977 and rejoined in 1992 as a Series C shareholder.

Following the Latin American debt crisis in the early 1980s, multilateral banks introduced major changes in the financing policies of Latin American countries with balance of payments problems and played an important role in providing additional funding to heavily indebted countries. This was done through structural adjustment loans and other countercyclical programs that were conditioned on certain policy and institutional reforms.

In this international environment and following the same trend as other multilateral institutions, CAF approved a new operational policy that broadened its field of action to include new sectors and new activities, not necessarily related to the Andean Group's industrial programming agreements. It expanded its presence in the Andean countries with financial products designed to help mitigate the serious crisis faced by the region. CAF also played an important role in financing trade between the Andean countries when, as a result of the recession, traditional financing channels from commercial banks were completely closed and demand for financing investment projects had declined substantially. With this, the institution took a first step to becoming not only the funding arm of the Andean integration process, resulting from industrial programming agreements, but also a major supporter of a more comprehensive economic development agenda within its shareholder countries.

In the early 1990s, in the midst of structural reform processes undertaken by most Latin American countries under the umbrella of the Washington Consensus and with the backdrop of new financial crises in Mexico, Brazil and other countries, both the World Bank and the IDB continued to support structural adjustment policies through fast-disbursement loans. The Banks focused their investment funding primarily on programs and projects in education, health, and social protection, as well as state modernization programs. Both institutions gave high priority to poverty reduction and social inclusion.

As a result, the support by the World Bank and the IDB for infrastructure projects decreased in relative terms, under the assumption that, with the policy reforms undertaken by the countries in the region, funding for these investments would come mainly from the private sector. However, in recent years, both the IDB and the World Bank have again emphasized infrastructure financing due to failures to achieve the expected results from the reformist policies of the 1990s. Similarly, the creation of the Inter-American Investment Corporation and the Private Sector Department aimed at directly supporting the private sector, as well as

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the Multilateral Investment Fund, are some significant additions to the institutional strength of the IDB.

In parallel with the shift in orientation of financing by the World Bank and IDB, CAF established policies at the beginning of the decade to diversify its financing programs. Thus, faced with a unique window of opportunity in the area of infrastructure financing, CAF resolved to decisively venture into this sector, and in 1992, it launched a bold plan to support infrastructure and cross-border integration projects. The bank focused its activities on projects that promised effective international interconnection, especially roads, as well as energy and telecommunication networks. In addition, CAF launched initiatives in other critical sectors aimed at boosting development, such as the social sector, the environment, competitiveness, and public and private institution-building. It also decided to increase support for the private sector through structured financing and other catalytic financing operations.

In terms of counter-cyclical financing, as a result of the most recent crises at the end of the first decade of the new millennium and over the last five years, CAF, like other multilateral institutions, introduced new programs that have had a major impact, such as contingent credit lines and broad sector-wide loan programs, in addition to substantial increases in credit lines to the private banking system for trade finance and working capital. In the catalytic domain, the use of guarantees, partial guarantees, greater use of structured finance, subordinated loans, and equity investments in funds and companies are some of the products with which CAF has been increasingly supporting the region's development in recent years.

If there is one outstanding feature in the evolution of major regional development banks, it is the growth of their intellectual capacity and research capabilities to assist member countries to produce coherent and effective economic and social development policies – an activity that, until the late 1980s, was mainly exercised by the World Bank, the OECD and similar institutions in the developed world, and at the regional level mainly by ECLAC (Economic Commission for Latin America and the Caribbean). The IDB strengthened its research and knowledge-generation capabilities, especially beginning in the late 1980s under the leadership of its (current) president Enrique Iglesias who, as a former Executive Secretary of ECLAC for several years, brought to the institution the knowledge-generation tradition that was nurtured in ECLAC from the time of Raul Prebisch. Following this successful example, in the mid-1990s CAF also began to reinforce its intellectual capacity and applied research capabilities. Today, it has a well-earned reputation in this area as a result of its work and effective contributions.

In summary, support from multilateral banks through lending, technical assistance, and other programs has played a very important role in the development process of Latin America – and will continue to do so.

CAF: from Sub-regional Andean Bank to Development Bank of Latin America

As an interesting example of a regional institution that is owned by emerging countries, and therefore different in this aspect from the IDB and most regional development banks worldwide, it is worth underscoring some of the key factors that have characterized CAF's development and transformation.

Institutional Evolution

Over the past 20 years, CAF has grown from five shareholder countries to eighteen. In addition to the founding members Bolivia, Colombia, Ecuador, Peru and Venezuela, its shareholders now include: Argentina, Brazil, Chile, Costa Rica, Spain, Jamaica, Mexico, Panama, Paraguay, Portugal, Dominican Republic, Trinidad and Tobago, Uruguay, as well as 14 private banks in the region. In addition, an amendment to CAF's Articles of Agreement that entered into force in 2008, permitted other countries in Latin America and the Caribbean to become full members at the same level as the Andean founders, an option exercised by Argentina, Brazil, Panama, Paraguay, Trinidad and Tobago, and Uruguay.

CAF began operations with an authorized capital of US$100 million and a subscribed capital of US$25 million. Today,[2] the bank's authorized capital is US$10 billion, while paid-in capital plus reserves from retained earnings (net worth) is more than US$6.8 billion. The assets of the institution increased from US$160 million at its inception to about US$25 billion today. Two capital increases, which were subscribed by the member countries in the last three years, totaling US$6.3 billion, will allow CAF to more than double the paid-in capital and financing operations over the next five years.

2. 2014.

The increase of CAFs lending to shareholder countries has witnessed a similar expansion. In its first 10 years of existence, CAF approved operations whose total value was US$600 million, for an annual average of US$60 million. In only the last five years (2008-2012), total approvals have amounted to US$47 billion.

Likewise, since the 1990s, CAF significantly expanded its financing scope to include infrastructure, social development, environmental protection, capital markets development, support to industrial activities, mining and tourism, and institution-building – both in the public and private sectors. In the early 1990s, about 40% of CAF's loan portfolio was made up of trade finance operations, and the rest were program and project loans. Currently, over 85% of the portfolio consists of programs and projects in the above-mentioned sectors.

CAF is the main source of multilateral financing for the five founding member countries and has become one of the most important sources for all of Latin America, together with the IDB and the World Bank. Indeed, while CAF accounted for less than 5% of multilateral financing in the region in the 1980s, today it provides about 30% of that funding and, most notably, has taken over the top spot in recent years in terms of approved financing for infrastructure development, including energy. At the same time, CAF has become a relevant player in financing the private sector.

Moreover, in recent years, the institution has significantly increased its participation in financing the social sector, the environment, and the promotion of micro-, small, and medium-sized enterprises, both directly and through a network of public and private financial institutions and specialized funds established for this purpose. It has also intensified its advisory activities and financial structuring, as well as its use of catalytic instruments, such as partial guarantees, co-financing, structured financing of projects, subordinated loans, and participation in investment funds, to name a few.

One area in which CAF has consolidated its leadership is regional integration. Over the past 10 years, it has technically, institutionally, and financially supported the execution of more than 60 projects involving physical cross-border integration, with a total investment of about US$30 billion and direct funding surpassing US$8 billion. These projects were mainly related to roads, transportation, communications, energy, logistics, and the environment, as well as other comprehensive initiatives of cross-border development.

In terms of borrowing in international capital markets, CAF has had an extremely interesting evolution. Until the early 1990s, CAF operated mainly with capital contributed by its members and with short-term and medium-term external funding provided by export-import banks and development agencies in industrialized countries. Currently, over 85% of CAF's external funding is obtained from the capital markets and from international banks. In the last five years alone, CAF has completed 50 bond issues in 10 countries, raising more than US$7 billion, and implemented a commercial paper program in the neighborhood of US$25 billion.

All this has been possible because of the bank's consistently solid financial position over the years, which led to CAF obtaining its first investment grade credit rating at BBB in 1993 and 13 consecutive rating upgrades since then. In the second half of 2012 and the first quarter of 2013, Standard and Poor's, Moody's, and Fitch raised CAF's credit rating to AA- or equivalent, while the Japan Ratings Agency upgraded CAF to AA; ratings that are substantially higher than those of its shareholder members and that give CAF a competitive edge in capital markets.

In parallel to the geopolitical decision to keep more than 90% of its equity in the hands of countries in the region, CAF has strengthened its Latin American dimension, but at the same time has progressed in building bridges of cooperation with the rest of the world in ways that do not affect its distinctive characteristics or its Latin American identity. Accordingly, beyond its presence in international financial markets, CAF has signed cooperation agreements with countries outside the region and around the world, including development banks, export agencies, and research and technical cooperation centers of various countries from the Southern hemisphere, and in Europe and Asia.

Also, through its knowledge-generation agenda, the institution has positioned itself as a forum for regional and international debate on Latin American development issues and has achieved important links with leading think tanks and academic communities worldwide.

The Keys to CAF's Transformation.

In light of the information presented on the evolution of CAF, a valid question is: How was it possible to achieve all this?

First, the transformation of CAF has been the combined result of strong support from its shareholders, through continuous and substantial increases in capital, impeccable debt service by member countries, strict compliance with all contractual obligations, and non-interference with the institution's professional management.

But there is more to it than that. Indeed, the fact that CAF is essentially a Latin American-owned institution – which at first glance might seem to be a limiting factor for growth, given the absence of AAA and AA rated countries from the industrialized world as is the case of the IDB and similar institutions that provide financial resources – has been a determining factor of success.

In this context, it is worth examining the main strategic components that have contributed to the strong support for the bank on a wide range of issues, such as CAF's vision of the development process, its fields of action, its policies, products and services, as well as the characteristics of its governance system. Six factors have been critical to the transformation of the institution and are worth emphasizing, as follows.

A Visionary Founding Document.

A first factor concerns the visionary and pragmatic approach of CAF's Articles of Agreement, which, in fact, has become the cornerstone enabling CAF to reinvent itself periodically to respond and adjust to changing scenarios and conditions in the geopolitical, economic and social realms, both globally and regionally. A good example is the decision, made in the early 1990s, to open its capital to other members in Latin America and the Caribbean, which allowed CAF to extend its vocation for regional integration and its operational base beyond the Andean borders. It is worth mentioning that a key element for the incorporation of new countries was precisely the emphasis given to sustainable development and regional integration in CAF's mission statement, which was updated in 1993. Thus, the emphasis on physical interconnection and cross-border development at CAF proved to be a big attraction to non-founding member countries that have joined the institution since the 1990s.

Embracing a Comprehensive Development Agenda.

The comprehensive development agenda that CAF adopted in the early 1990s as a guide and orientation for its operations, which is periodically updated accordingly to the dynamic evolution of global and regional conditions, is a significant factor that has contributed to CAF's transformation.

This updated agenda aims to achieve fast, sustained, sustainable, and high-quality economic growth: fast growth, in order to bridge the development gap with respect to high-income countries; sustained growth, to avoid volatility and ensure the continuity of economic progress and social welfare; efficient growth, to allow for a productive transformation and a competitive expansion in international markets; equitable growth, to permit a fair and inclusive participation for a majority of citizens; and, sustainable growth, to ensure the permanence of the region's human and natural capital from one generation to another, honoring cultural diversity and the environment.

To achieve these goals, CAF's comprehensive development agenda promotes actions for economic growth that are aimed at reducing Latin America´s high reliance on exports of raw materials and its dependence on the volatile international economic environment, are based on a transformation of the economies to improve their productivity, add value to national comparative advantages, and that increase investment in all forms of capital: human, social, natural, physical, productive, and financial. In this regard, regional integration with a pragmatic approach that allows the region to compete effectively in the global marketplace becomes a key strategic objective.

Based on this holistic view of the development process, broadening CAF's scope of operations – which has expanded beyond the originally stated activities related to integration, regional trade, and infrastructure to include activities that address competitiveness and entrepreneurship, strengthening of financial systems, social and environmental development, state modernization, democracy, governance, and public safety – has helped to strengthen the institution as a keystone in the region's development.

Regional Identity.

The membership composition of the institution is another central factor worth emphasizing. During the mid-1990s CAF made a decision to maintain its regional identity. This means that countries in the region hold a large majority of shares and voting power, and that CAF does not have two categories of members: industrialized countries that are capital providers not eligible to receive financing, and developing countries that are the exclusive recipients of financing. In fact, of CAF´s 18 shareholder countries, 16 are Latin American or Caribbean countries that, together, control 95% of the bank's capital.

Competitive Access to International Capital Markets.

In light of the decision highlighted above, it has been critical that all shareholder countries protect the institution's health and financial soundness. This is an essential ingredient to ensure that CAF attain the highest possible credit ratings, which allow the bank to tap into capital markets and other internal and external financial sources, and to meet, in a sustainable way, the development needs of the region's member countries and, thereby remain relevant. This creates a genuine sense of shared responsibility among member countries, leading to a high level of commitment to the success of the institution. Thus, the absence of donor countries from the developed world turns an apparent weakness into a strength by generating a sense of mutual loyalty. In fact, during CAF's 40 years, no country has defaulted on any financial, statutory, or other obligation.

In this context, beyond maintaining adequate financial indicators and policies, it has been essential for CAF to attain and maintain a high level of paid-in capital relative to total capital. Unlike other institutions whose major shareholders include OECD countries with AAA or AA credit ratings, for institutions such as CAF – in which the majority of shareholder countries do not enjoy such credit scores – what is really important is not the guaranteed or callable capital, as in the case of the World Bank, the Asian Development Bank, or the IDB, but rather the paid-in capital and retained earnings. As described in a previous section, thanks to conservative policies and healthy financial indicators, it was possible for CAF in the early 1990s to attain an investment grade credit rating of BBB from the major rating agencies and, following 13 consecutive upgrades, it now enjoys AA- and AA ratings.

Corporate Governance.

Another important factor that has influenced the dynamic and solid evolution of CAF is the existence of a non-resident and high-level board of directors, composed of ministers and senior government officials that, in effect, are the same authorities as the Governors of the World Bank, the IDB and most multilateral institutions. Additionally, the fact that the voting system is "one director, one vote" regardless of the relative differences in membership by each shareholder – as is the case in the traditional model of multilateral banks – provides for a much more balanced decision-making system, one that is more flexible and less prone to political influence outside the specific activities and operations of the institution.

Another fundamental issue, which is closely linked to the one above, is the Board's decision-making capacity on key issues in areas of strategy, policy, capitalization, the approval of plans, programs and annual budgets; as well as the review and approval of operating and financial results. At the same time, this model of governance also involves a high level of delegated authority to management and the relevant committees on issues related to lending, operations and administration, which allows for objectivity, transparency, flexibility and speed in decision-making. In this context, it is important to underline the absence of political or any other interference by shareholder countries in the management of the institution. This has guaranteed, at the same time, a high level of professionalism through a merit-based recruitment and promotion system.

Corporate Culture.

Finally, it is worth highlighting CAF's philosophy of not trying to impose models or one-size-fits-all solutions on shareholder countries, as well as CAF's corporate culture, which is predicated on full respect for ideological differences, and the bank's decision to be continuously present in all member countries, especially in times of crisis.

CAF has proved since its founding that it is a loyal and supportive partner. It is the banker who brings the umbrella even on sunny days when it is not needed, and opens it when it rains. Moreover, the institution has played an important catalytic role, raising funds from other sources to channel them, along with its own resources, to finance projects and activities in the region. The ability to fulfill this role is a critical factor for the success of any development bank.

Looking to the Future.

Given the analysis presented in the previous sections, let us explore the future direction of development banks in general and, in particular, of those banks operating in the region. What issues are seen as the main challenges in Latin America? How can regional development banks help address them?

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While it is true that generalities usually hide often important differences, which set countries apart in important ways, it is still possible to highlight some phenomena that affect all countries at some level. Latin America has emerged relatively unscathed from the recent financial crisis, with an average annual growth rate of 4% over the past five years. This, however, leaves no room for complacency, given the complexity of the structural problems that the region must overcome. Indeed, Latin America must achieve sustained annual growth above 6% if it hopes to attain per capita income levels similar to those of industrialized countries in the next 25 years, while at the same time solving the problems of poverty and inequality in a sustainable manner.

To reach these goals, banks need to adopt a long-term vision and act to help solve problems and structural bottlenecks. To this end, it is necessary to emphasize some of the most urgent priorities in the region.

First, exports of most Latin American countries remain highly concentrated and dependent on commodities, a situation that has been exacerbated by the recent boom in commodity prices due to high demand in Asia, especially in China. Consequently, one of the top priorities is a productive transformation of the economies in the region, through a shift from a model based on comparative advantages to a model based on competitive advantages: in other words, export diversification, both regionally and globally, with higher added value goods and services. This is one area of cooperation that should become a cornerstone for development banks. It will require action not only of a financial nature, but of a more qualitative nature, as well.

Second, economic growth in recent years was not supported by sustained increases in investment levels. Rather, the gap between Latin America and other emerging economies widened in this regard. The average savings and investment rates in the region are 20% of GDP, less than half the rates of Asian countries and, therefore, insufficient to produce annual growth rates above 6%. To achieve such a level of growth requires investment rates above 27% of GDP. Reaching those rates will require an enormous effort in identifying, preparing, and implementing well-designed projects, as well as mobilizing both domestic and external savings. In terms of net capital inflows, it is estimated that these would exceed US$300 billion per year, which gives regional banks a major role in terms of direct and catalytic actions.
Third, the majority of Latin American countries do not rank high in terms of international

competitiveness and productivity. According to indicators compiled by the World Economic Forum, the countries of Latin America and the Caribbean are generally relegated to the lower rungs of the ladder in both competitiveness and productivity. Development banks can be an effective instrument in assisting member countries to improve the quality of their infrastructure, of higher education, and job-training; as well as supporting efforts to achieve advances in science, technology, innovation, and institutional development. Currently, Latin America has inadequate infrastructure and is plagued with logistical problems, high transportation costs, inefficient ports and customs clearance systems, not to mention significant deficiencies in health and educational services, both in terms of quantity and quality. Other persistent problems include missed opportunities in technology transfers through international trade, foreign direct investment, and licensing; as well as chronic institutional weaknesses in judicial systems and in the rule of law, in general.

Finally, a major challenge facing Latin America is closing the serious gaps in social equity. Indeed, despite the progress made in recent years, the problem is still critical since a third of Latin America's population lives in poverty and income distribution in the region continues to be the most skewed in the world. Similarly, it is imperative for the region to frame its development strategies within solid environmental parameters, especially given the increased vulnerability to pollution and global warming, and the rapid increase in natural disasters in the region – factors that conspire against efforts to promote sustained, comprehensive and widespread development. In the near future, development banks should further strengthen programs that contribute to these objectives.

Final Thoughts.

It is important to reaffirm the fundamental role played by multilateral development banks in Latin America, particularly regional banks. The question that frequently arises about the need for new regional banks, and even the question about the relevance of those that currently exist, can be answered simply: consider the investment and financing needs of the region, if it hopes to achieve high and sustained growth rates that enable it to attain similar levels of per capita income as industrialized countries within 20 years, while at the same time achieving genuine inclusion and social equity.

Beyond the existing multilateral banks, there is room for the creation and/or strengthening

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of other regional institutions. However, the viability and success of these initiatives will depend largely on their being built on solid foundations that combine a clear geopolitical and developmental vision with a rigorous but innovative technocratic approach.

The success of regional development banks will depend on their professional management, their financial soundness, and their ability to attract global financial resources; as well as their technical and intellectual capacity to promote comprehensive development agendas.

CAF, with over 40 years' experience, is a good example in this regard: this institution has strengthened its operational and financial capacity by adopting a comprehensive development agenda, expanding its membership, and diversifying its products and services, as well as through an effective positioning in international capital markets. The governance adopted since its inception has been, without a doubt, a decisive factor that facilitated its evolution.

Latin American countries are faced with the crucial challenge of achieving fuller development for their citizens. The institutional architecture of the region must support this task and, in the process, continue to improve its performance, especially with regards to knowledge services. That evolution should be guided not only by purely economic and financial considerations, but also from the perspective of the positioning of Latin America in the context of globalization, through the revitalization, with more force than ever, of regional integration.

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