Financing our Future: Donor mobilization

AN INSIDE OUT APPROACH
Why are we here and why this workshop?
Outline

• A Sustainable Future? Growth versus Development!
• Financing, is an integral part of the development management/programming cycle
• Financing for Development
• An Inside Out Approach?
• Financing What, Why, How much
• Curaçao’s Public Investment Program
• Questions
• Statements to be discussed in working groups
Financing? Future?

- Future?
  - What future?
  - Whose Future?
  - This generation?
  - Next generations?

- Financing?
  - Why and When?
  - By Whom and for Whom?
  - What and Where?
  - Financing?
We, the Heads of State and Government and high-level representatives, having met at Rio de Janeiro, Brazil, from 20 to 22 June 2012, with the full participation of civil society, renew our commitment to sustainable development and to ensuring the promotion of an economically, socially and environmentally sustainable future for our planet and for present and future generations.

(UN 66/288 The future We Want, 2012)
Sustainable Development

There are over 100 definitions of sustainability and sustainable development. One of the best known is formulated in the report “Our common Future” published in 1987 by the World Commission on Environment and Development: “Development which meets the needs of the present without compromising the ability of future generations to meet their own needs” (Brundtland 1987: 8).

Ensuring a better quality of life for everyone, now and for future generations lies at the heart of this widely used definition. (No size fits All!)

Agenda 21, adopted at the 1992 Earth Summit in Rio de Janeiro established sustainable development as the guiding vision for the development efforts of all countries and calls on governments to “create national strategies, plans, and policies” for sustainable development.
Sustainability process

Economic Dimension

Ecologic Dimension

Social Dimension

Institutional Capacity

Sustainable Development of Curacao
Growth versus Development

Growth is a **quantitative** change in the physical scale of throughput of the economy in terms of investment, output, consumption, and income.

Development is a **qualitative** change, which entails changes in the structure of the economy, including innovations in institutions, behaviour, and technology. (Herman Dahly)

“Distinction must be kept in mind between quantity and quality of growth, between its cost and return, between the short and the long run...” Goals for ‘more’ growth should specify of what, and for what” *(and for whom?)*  
Simon Kuznets in *The New Republic* (1962)

“Development is a multidimensional process involving major changes in social structures, popular attitudes, and national institutions, as well as the acceleration of economic growth, the reduction of inequality and the eradication of poverty” (Michael Todaro)
The Analysis Stage:
* Stakeholder Analysis;
* Problem Analysis;
* Analysis of Objectives;
* Analysis of Strategies
Strategic management of development programs

**Strategic track**
- Vision
- Mission
- Strategy

**Financial track**
- Local & International Resources

**Implementation track**
- Human and Institutional Capability

**People**
- Development
- Vision
- Mission
- Strategy

**Political support**
- Development
- Financial track
- Implementation track
- Strategic track
Institutional Capability to Manage Development Programming

Key functions in Curacao’s Development Management Process

Institutional Capability to Mobilize Funding for Development Programs and Projects

Institutional Capability to Implement and Evaluate Development programs and projects
Planning & Programming
Identification of (sector/regional) programs and projects

Development Management Cycle

Evaluation

Execution

Appraisal

Funding and Financing
Financing Development

- **Domestic Resources:**
  - Government funding: local budget/loans
  - Local development bank(s)
  - Local institutional Investors
  - Local Commercial banks
  - Local Private Investors
    - Public-Private Partnership
  - Cooperatives (credit unions)

- **Foreign Resources:**
  - Bilateral Development Funding
  - Multilateral Development Funding
  - Regional Development banks
  - International banks (loans)
  - Foreign Direct Investment (FDI):
    - Mergers & Acquisitions
    - Greenfield investments
      (management contracts, leasing, build-own-operate (BOOs) and build-own-transfer (BOTs).
Selected sources of Development Funding

- Institutional Investors
- REDA SOCIAL
- KORPODEKO
- OBNA
- AMFO
- SONA

DEVELOPMENT OF CURACAO

Curacao Budget
In our common pursuit of growth, poverty eradication and sustainable development, a critical challenge is to ensure the necessary internal conditions for mobilizing domestic savings, both public and private, sustaining adequate levels of productive investment and increasing human capacity. A crucial task is to enhance the efficacy, coherence and consistency of macroeconomic policies.

An enabling domestic environment is vital for mobilizing domestic resources, increasing productivity, reducing capital flight, encouraging the private sector, and attracting and making effective use of international investment and assistance.

Efforts to create such an environment should be supported by the international community.

Source: Monterrey Consensus of the International Conference on Financing for Development, Monterrey, Mexico, 18-22 March 2002
“There is one other potential source of savings to finance both public and private investment - domestic savings currently held abroad.”

To address this situation, the Government could consider issuing bonds at competitive rates with a dollar or maintenance of value clause.

Such bonds should not be used to cover current expenditures but should be earmarked explicitly for the financing of capital projects and other developmental purposes.

“External pressure also contributed to the current debt problem. One of the recommendations of the World Bank study in 1986 was for the Netherlands Antilles government to pursue policies to encourage the repatriation of foreign investments of Antillean residents by issuing bonds with attractive returns. This policy was aimed at financing the budget deficits from the reduction in tax revenue as a consequence of the decline in offshore activities.

The recommendation, supported by the Dutch Government, provided Antillean authorities with the justification to finance themselves out of the deficits”.

Source: Een aanzet tot integrale ontwikkeling, 2006 p. 131
“From the macroeconomic point of view, public investments are the key variable available to any government for supporting the development of economies, as it can invest in the sectors that have been given priority in its government plan for achieving development goals.

At the same time, it is through this variable that the government can intervene in the economy to carry out a fundamental aspect of its social mandate to guarantee an acceptable level of basic services for the community.

Therefore, **What to invest in and How to manage investments become key questions when it comes time to distribute and allocate resources.”**

Source: *National public investment systems in Barbados, Guyana, Jamaica and Trinidad and Tobago*  
Latin American and Caribbean Institute for Economic and Social Planning (ILPES) 2006
The President of the Lincoln Institute of Land Policy may give us a clue in which direction we have to look when it comes to investments in infrastructure (energy, telecommunications, transportation, water supply, and sanitation):

“Based on recent rates of economic growth, and using the existing relations between infrastructure and per capita income, developing countries are likely to need to spend about 5 percent of their GDP on infrastructure (3 percent for expansion and 2 percent for maintenance) to maintain existing ratios between infrastructure and GDP.

For high-income countries, total spending would be lower, at 1.7 percent of GDP (about evenly divided between investment and maintenance) annually.

Source: Lincoln Institute of land policy "A Global View of Infrastructure and Its Financing" Landlines October 2011

Departing from a GDP of NAF. 5,609,153,000 (CBCS 2012), investments in infrastructure may well be in the order of:

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<td>Jobs &amp; Enterprise (MSME)</td>
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<td>Agriculture etc.</td>
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Constrains in mobilizing external development funding

- Who is in charge of Development Management?
- Lack of a Public Investment System and Program?
- No institutional capability to channel domestic savings or external funding?
- For most multilateral and bilateral donors the constitutional status is very confusing. Is Curaçao Independent? Is Curaçao Dependent (colony)? Is Curaçao Pending?
- Does Curaçao meet the criteria for international development funding? According to World Bank criteria, Curaçao is considered to be a High Income country (GDP per capita>12275 US$)

Besides, if we don’t have the capability to mobilize and manage domestic savings towards the development of Curaçao, chances are that it will be very difficult if not impossible to mobilize and manage external development funding.

An inside out approach is obvious!
1. Curaçao’s institutional capability does not have a planning/programming culture nor structure. Why? Should/can this be changed? Where to start?
2. Curaçao has been traditionally very strong in producing reports analyzing problem areas, less active in comprehensive analysis and weak in implementing the recommendations. What are the three main reasons and how to address these shortcomings?
3. Development cooperation has created gradually a dependent and reactive culture in the way Development is being managed. Development programs e.g. were mainly prepared to satisfy donor’s need and to apply for funding. It has been considered a basic need of sound development management.
4. How should Curaçao proceed in the near future to break through the reactive mode and become more pro-active in managing its development process(es);
5. Is Curaçao in a position to embark on an inside out path to mobilize domestic savings towards the sustainable development of the island? If yes what are the most important pre-conditions to for a successful process?
6. Curaçao’s constitutional structure and its per capita income create obstacles to attract development cooperation resources (financial and human) financing from most multilateral and bi-lateral organizations. How should Curaçao proceed to overcome these barriers?
Thanks for the opportunity to share!