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LATIN AMERICA remains a region with deep political, economic, and social challenges. During the first decade of this century, the region enjoyed a golden period of economic growth and social progress that was fueled by the commodities boom. At that time, Latin America managed to reduce poverty, increase employment, close the wage gap, and increase access to health and education. Despite the significance of social progress, inequality is stagnating, and the political crisis continues to deepen. Few countries in the region are prepared to face this less favorable economic environment. In addition to the economic crisis, unprepared countries could also struggle with a representation crisis that affects democracy and human rights. It is our responsibility as a region to prevent power abuses.

During 2014, the region's economic growth slowed to 0.8 percent according to the World Bank. Growth is forecasted to recover in the 2015–2017 period by an average of 2.2 percent; however, this rate remains significantly slower in comparison to the 2004–2008 period. Inequality trends represent an additional difficulty to the region's growth deceleration. Proportionally, growth deceleration will have an economic impact that will affect the millions that recently left poverty more and the people that remain in poverty conditions the most. Short-term policies to respond to the situation, such as an increase in the government's expenditure, are tempting. However, those policies do not address the underlying issues, and instead of providing mechanisms to protect the more vulnerable populations from the shocks, they create bigger risks for them. Furthermore, the consequences of such policies to social progress and economic development would threaten the region's performance in the long run, and the political impact of those policies would undermine democracy and institutions even more.

Additionally, democracy and human rights around Latin America require protection. In 2014, Venezuela's and Mexico's governments were involved in shameful human rights violations, such as the arrest of hundreds of students protesting around Venezuela and the Ayotzinapa massacre in Guerrero, which are examples of the deep social and political crises that as a region we need to overcome. The slow economic growth could intensify these conflicts, generate a profound harm to our struggling institutions, and jeopardize Latin America's recent social achievements.



Our challenge as a region is to make last decade's social progress sustainable and to promote economic, political, and social development. The article selection of the fourth edition of the Latin America Policy Journal addresses the opportunities the region has while facing these challenges. By bringing together former presidents, scholars, academics, and students to discuss topics on inequality, education, reconciliation, human rights, infrastructure, and technology, we offer a space to present options to look forward to a better future for our region.

While it will take decades to overcome inequality in Latin America, the former Chilean President Sebastian Piñera and Jorge Familiar, Vice President of the World Bank for Latin America and the Caribbean, highlight the role of quality education in creating a brighter future, increasing productivity, and as a consequence, increasing growth's pace and improving the region's social progress. Considering that in the region access to secondary education is nearly universal, the underperformance is a consequence of the low-quality education Latin Americans have access to. Improving education in the region will enhance human capital, which will have an impact not only in productivity and growth, but it will also strengthen our institutions and democracies and will contribute to breaking the cycle of poverty.

Finally, the LAPJ team would like to express our deep gratitude to the David Rockefeller Center for Latin American Studies (DRCLAS), the Malcolm Wiener Center for Social Policy, the Kennedy School Student Government (KSSG), the Latin American Caucus (LACAU), and the Latin American Conference (LAC) for their generous financial support to make this edition possible.

Sincerely,

Amanda Beaujon Marin
Editor-in-Chief, LAPJ

Latin America's Challenges

BY SEBASTIÁN PIÑERA



Sebastián Piñera Echenique was born in Santiago, Chile, on 1 December 1949. He is married to Cecilia Morel; they have four children and six grandchildren. He graduated from the Pontifical Catholic University of Chile as a commercial engineer with a major in economics, and he also has a master's and a doctoral degree from Harvard University.

He was professor in the economics faculty of the Pontifical Catholic University of Chile and has also taught at the University of Chile, the Adolfo Ibañez University, and the Valparaíso Business School. He has been a consultant for the Inter-American Development Bank (IDB) and the World Bank, and he has worked for the United Nations Economic Commission for Latin America and the Caribbean (ECLAC).

In the early eighties, he created Bancard, granting Chilean people access to this new payment and credit system. He became a major shareholder in companies such as LAN Chile, Chilevisión, and Blanco y Negro (sports club), among others. He created several foundations such as Mujer Emprende (www.mujeremprende.cl) and Futuro (www.fundacionfuturo.cl). He also created Tantauco Park (295 acres) on the southern shores of Chiloé Island.

For the plebiscite of 1988, he was actively involved in bringing back democracy, voting “no” to continue with the military regime. He was senator between 1990 and 1998. After that, he was the leader of the Renovación Nacional party. In 2005, he was proclaimed the party's presidential candidate. Sebastián Piñera and Michelle Bachelet faced off in a second round of elections in January 2006, where Michelle Bachelet won with 53.5 percent of the total ballots.

The political alliance, Coalición por el Cambio, appointed Piñera as its official candidate for the Presidency of the Republic in 2009. The calling card of that presidential campaign was direct contact with the men and women of Chile, who were united under two slogans: “Cambio, Futuro, y Esperanza” and “Súmate al Cambio.” On 11 March 2010, at the National Congress, Sebastián Piñera was sworn in as President of the Republic of Chile.

The government of President Piñera allowed Chile to continue at a steady pace its progress in the construction of a society of real opportunities, real assurances, and strong values—a society where every Chilean citizen could have the same opportunities to achieve personal fulfillment and to have the assurance to safely take the risks that come with entrepreneurship and innovation. Also, President Piñera contributed to constructing a country where values such as respect for life,

liberty, personal and family responsibility, diversity, and environmental care are guaranteed (www.sebastianpinera.cl).

Today, he mostly dedicates his time to the Avanza Chile Foundation (www.fundacionavanzachile.cl), which contributes to the debate of ideas and public policies to expand the opportunities of all Chileans and move towards a more democratic, plural, fraternal, and fair society.

Latin America: The Continent of Hope

Latin America has always been a continent full of opportunities. It has a huge territory of over 21 billion km², twice the size of Europe. It is a rich continent with abundant natural resources, including vast reserves of water and energy. Latin America has never seen great wars like those that destroyed Europe last century. Nor has it faced religious conflicts as the ones that divide many countries of the Middle and Far East, or even racial conflicts that affect many African countries. It has a population of over 600 million people, who share Christian cultural roots and who speak two languages: Spanish and Portuguese. Recently, the vast majority of Latin American countries have celebrated their first 200 years of independence. And despite all these great opportunities, Latin America remains an underdeveloped continent with an average per capita income close to \$10,000 a year and poverty affecting nearly a third of its population.

Why Hasn't Latin America Made the Most of Its Opportunities?

Certainly, the reasons are manifold. But in general, the causes of these missed opportunities are rooted to the tendency of Latin America to drift away from three basic pillars that dictate its basic development. First: A stable and legitimate political system based on freedom, democracy, and the rule of law. Second: An economic system based on social market economy, entrepreneurship, and integration into the

world economy. Third: An inclusive social system, which requires effective tools to fight poverty and achieve greater equal opportunities for everyone and upward social mobility.

If we look at the evolution of per capita production in the world during the twentieth century, we see that the United States, Europe, and in the second half of the century, countries like Korea, Taiwan, Singapore, and China in recent decades, experienced solid and extended periods of growth. However, Latin America lagged behind. Its development in the last thirty years has been very heterogeneous, with countries such as Chile, Peru, and most recently Colombia leading in growth compared to Venezuela and Argentina, which have consistently been losing relative positions. It's no surprise that according to the Heritage Foundation's Index of Economic Freedom only two Latin American countries currently qualify as economically "free," while eight are rated as "mostly unfree" or "repressed."

Looking at the state of democracy in the continent, there are still significant lags. Over 40 percent of the population is currently living in "not free" or "partly free" countries according to the latest report by Freedom House. As for the quality of our institutions, only two countries in the region qualify in the top fifty of the least corrupt countries by Transparency International.

It is certain that in recent decades Latin America has made efforts to strengthen these development pillars. But to come to fruition, it must persevere in strengthen-

ing these traditional pillars and strive to build the new pillars of development in the new knowledge and information society, which has been knocking on our door for some time now.

In the late half of the twentieth century, the world watched the collapse of two walls that should never have existed: the first one running north to south separating the world into two ideological blocs and irreconcilable enemies. The fall of the Berlin Wall and the Iron Curtain symbolized this collapse. Moreover, globalization and the knowledge and information society are collapsing an equally ignominious wall, running east to west, separating the world of the north, which was the world of wealth, from the world of the south, which was the world of poverty.

This new knowledge and information society has been, is, and will remain an open and generous society to those countries, including developing countries, willing to assume their responsibilities, face their challenges, and seize these new opportunities and horizons. But this new knowledge and information society will be indifferent and even cruel to those countries that do not meet their responsibilities, are reluctant to face new challenges, and simply let new opportunities and horizons pass.

The Two Souls of Latin America

Today, the countries of Latin America seem to have two souls in their models and strategies to meet the challenges of development and modernity. For some countries like Mexico, Colombia, Peru, and Chile, who make up the Pacific Alliance, development strategy is based in a free, open, competitive, and integrated economy. Countries like Venezuela, Ecuador, Nicaragua, and Bolivia, which form the Bolivarian Alliance for the Peoples of Our America (ALBA), base development strategy in economies with high intervention and state control, severe restrictions

on freedom, and little integration with the world economy. Others are found in intermediate stages, such as Brazil and Argentina, which have lost much of their ability to grow and now face serious macroeconomic imbalances that could eventually result in recessions.

The New World of the Twenty-First Century: The Knowledge Society

The main features of this new world are:

1. The emergence of the knowledge and information society, which is radically changing our lives—how we work, inform, educate, communicate, entertain—and is certainly one of the most extensive and profound transformations humanity has ever experienced. Not out of nowhere, there are as many mobile phones as there are people worldwide, around seven billion, which shows that information flows today in a way and at a rate we could have never predicted.
2. World globalization. In the 60s, world trade stood at \$62 billion. Late last century, it had expanded one hundred times, reaching \$6,500 billion. In 2013, in just thirteen years, it had tripled, reaching \$19,000 billion. Additionally, new players have joined the world trade, such as China and India, whose trade with the world surpasses the United States and Europe.
3. The awakening of the emerging world. In 1980, the economies of the emerging world accounted for only 31 percent of the world economy; in 2013, it reached more than half, 50.4 percent. Moreover, in the period between 1980–1990, emerging economies accounted for 38 percent of global growth. In the period between 2000–2013, they accounted for 92 percent of that growth.

New Economic Order

While the United States has been by far the world's largest economy, in the coming decades we will have three giants: China, India, and the United States—a situation that will undoubtedly transform the foundations of the international political and economic order.

In addition, the global economy today is experiencing the end of three great cycles: the end of the supercycle of monetary expansion and debt of the United States, the end of the supercycle of growth and accumulation of reserves in China, and the end of the supercycle of commodity prices.

What Are the Tasks and Challenges Facing Latin America?

If Latin America wishes to adopt these radical transformations and take on these new opportunities in the new knowledge and information society—and not let the opportunity pass by as happened during the Industrial Revolution—it must undertake seven challenges or steps that should be tackled sooner rather than later:

1. Conduct a Copernican transformation to increase the quality and coverage of their educational system, particularly in its earliest stages, and in its system of employment training.
2. Unleash the forces of freedom, innovation, and entrepreneurship of its inhabitants.
3. Triple its investment in science and technology, both basic and applied.
4. Defeat poverty and move towards a more inclusive society with greater equality of opportunity and upward social mobility.
5. Make up for lost time by expanding and strengthening its infrastructure in all areas of society.

6. Integrate itself into the world by opening its markets and daring to compete in the global economy.
7. Improve democracy's quality, politics, and institutions and develop a deep process of modernization.

If we are successful in addressing these seven tasks and challenges, then Latin America will leave behind decades of stagnation and frustration; the region will seize opportunities and potential, while remaining the continent of hope and achieving comprehensive development.

Quo Vadis Chile?

Chile was the poorest colony of the Spanish Empire. It is separated from the rest by the world's driest desert in the north, the Andes Mountains to the east, the Pacific Ocean to the west, and the eternal ice of Antarctica in the south.

However, through the efforts and the will of its people, it has a per capita income of almost \$23,000, the highest in Latin America, and is in a unique position to be the first country in Latin America that before the end of this decade, eradicates poverty and achieves development, ensuring that all its children will enjoy the security of a decent life and the opportunity to develop their talents. Thus, we can create a society of freedom, securities, and opportunities for all, allowing citizens to seek personal fulfillment and happiness with their loved ones.

Nothing unites and motivates a country but a noble and feasible project in which everyone has a place to contribute towards development and a fair share of the benefits.

End of Boom Should Mean No Bust for the Poor in Latin America

BY JORGE FAMILIAR



Jorge Familiar, a Mexican national, is the Vice President of the World Bank for Latin America and the Caribbean since 1 May 2014. He is the first Latin American to be appointed to that position in the last thirty years. Eradicating extreme poverty and promoting shared prosperity through the creation of opportunities for all Latin Americans are at the core of his vision for the region. Familiar leads relations with thirty-one Latin American and Caribbean countries through a portfolio of ongoing projects, technical assistance, and grants worth more than US\$30 billion. Before that, he was Vice President and Corporate Secretary of the World Bank Group since August 2010. Previously, Familiar devoted his efforts to financial inclusion as the CEO of Mexico's Instituto del Fondo Nacional para el Consumo de los Trabajadores (Instituto FONACOT), a public financial institution with more than one million clients and a loan portfolio of more than US\$1 billion. Between 2004 and 2008, he served as Executive Director and Alternate Executive Director for the World Bank Group, having been elected to represent Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Spain, and Venezuela. He started his career in the National Banking and Securities Commission of Mexico, where he became Vice Chairman of Securities and Derivatives Markets Supervision. Familiar also lectured and was a member of the advisory board of the Accounting and Strategic Finance Program at the Instituto Tecnológico Autónomo de México (ITAM). He holds a bachelor's degree in accounting and a master's degree in finance from ITAM, where he graduated with honors.

FOR LATIN AMERICA, 2014 did not turn out as well as envisioned. It was expected that the region's economic growth would continue on a steady, albeit slower, pace. However, the region grew an estimate of 0.8 percent last year. Considering population growth, this means the per capita income of Latin Americans did not progress in the twelve months of 2014.

To be sure, the regional weighted average hides significant variations among countries when it comes to growth. Panama leads the World Bank's latest estimate with an impressive 6.5 percent growth for 2014, while Bolivia, Colombia, the Dominican Republic, Ecuador, Nicaragua, and Paraguay grew well above the regional average at or beyond 4 percent. Meanwhile, big economies such as Venezuela

and Argentina went into negative territory, at -3 and -1.5 percent respectively, and the regional giant, Brazil, grew barely above 0 percent. In contrast, Mexico's growth picked up to an estimated 2.1 percent in 2014.

Faster growth will not come easy. A commodity-fueled expansion such as the one experienced by South America in the past decade is unlikely to return soon with reduced global demand, particularly from China. And if this were not enough, the cost of financing development will probably rise in the years ahead as the United States' monetary policy changes course.

During those golden years, the region was able to make significant social gains. It cut extreme poverty by half to 12 percent in 2012 and doubled the ranks of the

Latin America and the Caribbean Country Forecasts

(annual percent change unless indicated otherwise)

	Est. Forecast							
	00-10 ^a	2011	2012	2013	2014	2015	2016	2017
GDP at market prices (2010 US\$)								
Argentina^b	3.8	8.6	0.9	2.9	-1.5	-0.3	1.6	3.1
Belize	4.0	2.1	4.0	0.7	2.6	2.6	2.7	2.8
Bolivia	3.8	5.2	5.2	6.8	5.3	4.5	4.3	4.0
Brazil	3.6	2.7	1.0	2.5	0.1	1.0	2.5	2.7
Colombia	4.1	6.6	4.0	4.7	4.7	4.4	4.3	4.3
Costa Rica	4.4	4.5	5.1	3.5	3.7	4.1	4.2	4.5
Dominica	2.6	0.2	-1.1	0.8	1.5	1.3	1.5	1.6
Dominican Republic	4.9	2.9	2.6	4.6	5.9	4.9	4.7	4.7
Ecuador	4.1	7.8	5.1	4.5	4.0	3.8	4.3	5.0
El Salvador	1.9	2.2	1.9	1.7	1.9	2.4	2.7	2.9
Guatemala	3.3	4.2	3.0	3.7	3.5	3.6	3.6	3.5
Guyana	2.4	5.4	4.8	5.2	3.6	3.7	3.8	4.0
Haiti	0.1	5.5	2.9	4.3	3.6	3.8	4.1	4.1
Honduras	4.1	3.8	4.1	2.6	3.0	3.0	3.3	3.5
Jamaica^c	0.7	1.7	-0.6	0.6	0.9	1.1	2.2	2.5
Mexico	1.8	4.0	4.0	1.1	2.1	3.3	3.8	3.8
Nicaragua^b	2.8	5.7	5.0	4.6	4.2	4.4	4.5	4.3
Panama	6.3	10.9	10.8	8.4	6.5	6.1	5.8	5.6
Paraguay	3.4	4.3	-1.2	14.2	4.0	4.3	4.3	4.6
Peru^b	5.6	6.5	6.0	5.8	2.4	4.8	5.5	5.9
St. Lucia	1.8	1.2	-1.6	-0.4	-1.0	-0.6	0.8	1.4
St. Vincent and the Grenadines	2.9	-0.5	1.2	1.7	1.5	2.6	2.9	3.4
Venezuela, RB	3.1	4.2	5.6	1.3	-3.0	-2.0	0.5	1.5

Source: World Bank.

World Bank forecasts are frequently updated based on new information and changing (global) circumstances. Consequently, projections presented here may differ from those contained in other Bank documents, even if basic assessments of countries' prospects do not significantly differ at any given moment in time.

^a GDP growth rates over intervals are compound average; current account balance shares are simple averages over the period.

^b Preliminary for long-term average. Data was recently rebased; missing earlier data was spliced with the previous series.

^c Fiscal year basis.

middle class to 34 percent of the population in 2012. That year, the Gini index of income inequality was 7 percent lower than in 2003, largely due to a narrowing of wage gaps in the region.

At lower growth levels, countries in the region may find it challenging to maintain the levels of employment that contributed to those equity gains and thus meet the expectations raised during the boom. With a less favorable international environment, they will have to turn to their own devices in order to return to the path of growth with equity that made those gains possible. Many of them are well positioned to do it.

Today, countries like Colombia, Mexico, Peru, or Uruguay, have at their disposal the types of tools—such as countercyclical monetary policy with flexible exchange rates as well as ample space to borrow—that will help them maintain jobs without compromising the longer-term priority of boosting productivity in order to grow more.

Other countries in the region, however, with high levels of indebtedness or that are facing inflationary pressures despite the slowdown may find it more difficult to respond. The temptation for these countries would be to take the path of least resistance, keeping aggregate consumption and government spending high and borrowing to finance the associated fiscal and external deficits. This path might be made possible or even encouraged by liquid international markets seeking higher yields. The short-run gains, however, would carry a high price: lower long-run growth due to a more vulnerable balance of payments or an uncompetitive real exchange rate.

Productivity Is the Name of the Game

Fifteen years ago, productivity and growth were not a central concern for Latin American leaders. Rather, they were focused on fiscal rules, exchange

rate policy, capital flows, and other issues related to macrostability.

LAC's (Latin America and the Caribbean) growth performance over the twentieth century was poor—with per capita income remaining largely steady at 30 percent of that of the United States. In contrast, East Asian countries' per capita income increased from 15 percent to more than 70 percent of that of the United States in the last fifty years.

Low productivity is the root cause of Latin America's chronic low-growth disease—not just in manufacturing but also in service industries like construction, information technology, and logistics.

The good news is that in recent years, improved macroeconomic and financial conditions have given Latin America much better capacity to absorb external shocks and to attain internal social gains. This, in turn, has opened the way to new discussions, particularly centered on growth.

To become more competitive, the region has to look at several factors:

1. Logistics, for instance, plays a key role in becoming more competitive. Still today, the costs of logistics in Latin America are two to four times the average in OECD countries or Singapore. Due to bottlenecks in transport, customs, and rural roads, it is more expensive to ship tomatoes from San Jose, Costa Rica, to Managua, Nicaragua, than to ship them ten times farther to San Jose, California.
2. Low productivity also reflects underinvestment in innovation. Today, Brazil invests 1 percent of GDP in R&D; the rest of the region invests under 0.5 percent, one-third of what China invests and one-fourth of OECD levels. What is more, most of that investment comes from government funding as opposed to the private sector.

3. Closing the region's infrastructure gap will also be crucial to boost productivity and growth. And this is not only about roads or airports. "Soft" infrastructure, including transparency, customs efficiency, and institutional reforms, will be just as crucial to facilitate access of regional products to foreign markets. Consider, for instance, a road trip between Nueva Guinea, Nicaragua, and Puerto Limón, Costa Rica. Only taking into consideration the road infrastructure and topography, this trip should take about ten hours. But poor road quality, detours caused by low quality bridges, and urban traffic add an hour and forty minutes to the route. Worse, waiting time on the border adds no less than two additional hours. This brings the total travel time to thirteen hours and thirty minutes, or 35 percent more of what it should.
4. Many industries in Latin America also remain sheltered from external competition. This has the dual negative effects of reducing productivity growth and handicapping the export sector that relies on their services and intermediate goods.
5. Improving the contractual environment is also essential. Although it is not the only relevant aspect of domestic institutions that affects productivity, innovation is unlikely to take root without the adequate protection of intellectual property rights, for instance.

Some of the weaknesses listed above may be behind the region's glaring innovation gap and reduced firm size. In Latin America, nearly one of every three workers is self-employed or a small employer, but most of those firms do not grow to generate quality jobs.

They also reflect Latin America's weak connectivity. Trade connections within the

East Asia and Pacific region form a denser network in multiple directions. Those in Latin America tend to be mainly bidirectional, especially with the United States.

The region has also tended to see a contradiction between regional and global integration. This is a false dichotomy. Regional and global integration need to be mutually reinforcing goals, as we have learned from the East Asian experience. The Pacific Alliance signals a recognition of this new multipolarity and the need to go beyond traditional trade patterns in the region.

Let's Make Teachers Superstars

Today, all countries in the region face the challenge to act with diminished public resources due to slower growth. That puts significant pressure on public coffers and places a new premium on effective decisions and policy choices that can represent a win-win—both boosting growth and keeping the focus on the poor. And when it comes to public investments that can do both at once, few can rival education.

On the one hand, a country with improved human capital can become more productive and grow at a faster pace. On the other, a population with better education can find better opportunities in life and break the cycle of poverty perpetuation through generations.

As the region considers how to maintain the levels of growth that made recent poverty and inequality reduction possible, innovation, competitiveness, government reform, and education are typically cited as the required economic engines for further prosperity. Yet relative to its level of economic development, LAC education currently underperforms compared to that of any other region except for sub-Saharan Africa.

On the OECD's Program for International Student Assessment (PISA) test in 2012, the eight participating Latin Ameri-

can and Caribbean countries were at the bottom of the scale for middle-income countries—although a few, such as Chile, Brazil, and Peru, have made important gains from previous years.

In a region where access to education up to secondary level is close to universal, the central challenge is quality. And to raise the quality, changes involving what goes on inside the classroom—or more to the point, the skills of those in charge of teaching—are fundamental.

Every week, however, due to teacher absenteeism, poor preparation, low skill level, and pay, as well as weak school leadership, public school students in Latin America and the Caribbean are deprived of the equivalent of one full day of class. That is one of the key findings of last year's groundbreaking World Bank report, "Great Teachers: How to Raise Student Learning in Latin America and the Caribbean."

Another key finding that stands out is that in Latin America, individuals entering teaching careers are academically weaker than the overall pool of higher education graduates. In Singapore and Finland, teachers come from the top third of students. And this brings me to making teachers superstars.

Latin America is known for its world-class superstars—be they writers, soccer stars, or artists. Shakira, for instance, is admired for her music and talent but also for her years of dedication to improving the lives of poor children in Latin America. There is no question that the Colombian singer and songwriter deserves all the attention and praise she gets, but the region could benefit from having teachers who are admired half as much as music stars.

That is easier said than done, but it is not impossible. It requires, above all, a serious dose of political will.

In the 1970s, for instance, Finland made raising the bar for teacher hiring a cornerstone of an education reform strat-

egy. Finland used to have an education labor market similar to Latin America's with many teacher training institutions of variable quality producing an excessive number of teachers. Over several decades, the country managed to change it to one where a much smaller number of high quality institutions produce just enough talented teachers, all of whom find teaching positions and enjoy high social prestige (as well as competitive salaries).

Latin America too has long had an exceptional performer when it comes to educational quality: Cuba. According to the teacher's report, the Cuban pupil-teacher ratio both in primary and secondary education, for instance, is the lowest of all countries in the region. To be sure, Cuba faces quite a different situation than its neighbors, lacking the demand for such a skilled labor force by a productive private sector.

Recent research has deepened the understanding of how human capital contributes to economic growth. If, for instance, Mexico were able to reach Germany's quality of education, as measured by PISA, the average income of Mexicans would rise by 2 percent.

For a region in need of enhancing productivity, it is hard to think of a more important requirement than a skilled labor force, resulting from an improved educational quality. To avoid the risk of widening income gaps in the process of becoming more productive, leaders in the region should make sure that quality education is not limited only to the lucky few.

Projected change in the stock of teachers needed from 2010 to 2025 because of demographic trends, assuming constant enrollment ratios and pupil-teacher ratios.

Country	Projected change in the student population aged 4–18, 2010–2025 (percent)	Projected change in number of teachers needed, 2010–2025 (percent)	2010 enrollment ratios and pupil-teacher ratios					
			Preschool education coverage 2010	Preschool education PTR circa 2010	Primary education coverage 2010	Primary education PTR circa 2010	Secondary education coverage 2010	Secondary education PTR circa 2010
Argentina	0.1	-0.1	74	19	118	16	88	12
Brazil	-15.8	-15.4	67	18	131	21	92	15
Chile	-5.5	-5.9	91	12	105	24	91	23
Colombia	-1.9	-1.9	50	27	116	28	94	26
Costa Rica	-8.7	-8.1	72	14	110	18	95	15
Cuba	-27.2	-27.4	102	14	102	9	89	9
Dominican Republic	9.1	11.4	38	24	109	25	80	28
Ecuador	-3.1	-2.8	145	12	118	18	88	11
El Salvador	-6.3	-9.9	62	23	114	30	65	24
Guatemala	25.7	26.4	66	23	116	28	58	15
Honduras	8.1	8.6	43	28	102	32	72	11
Mexico	-7.3	-6.7	103	25	114	28	89	18
Nicaragua	-4.0	-4.4	56	21	118	30	69	31
Panama	2.9	4.2	66	18	108	23	74	15
Paraguay	7.5	7.5	36	26	100	28	67	12
Peru	-5.0	-4.8	78	19	107	20	91	18
Uruguay	-21.3	-23.2	88	25	113	14	83	13
Regional average	-7.9 ^a	-8.0 ^a	72.8	20.5	111.8	23.1	81.5	17.4

Sources: UNESCO Institute for Statistics 2010, World Bank population data, and World Bank projections.

Notes: PTR = pupil-teacher ratio. Preschool coverage is the gross enrollment ratio (GER) for children age four to six in all countries; basic education coverage is the GER for primary education (includes lower secondary in some countries) relative to the official age for this segment in each country; and secondary education coverage is the GER relative to the official age for that segment in each country.

^a Regional average for percentage change in number of teachers needed is population weighted. All other columns are unweighted averages.

Addressing Inequality

An Imperative for the Post-2015 Development Agenda in Latin America and the Caribbean

BY ALICIA BÁRCENA IBARRA



Alicia Bárcena Ibarra assumed office as the Executive Secretary of the Economic Commission for Latin America and the Caribbean (ECLAC) on 1 July 2008. She had previously served as the Under-Secretary-General for Management at the United Nations Headquarters in New York and as Chef de Cabinet and Deputy Chef de Cabinet to former Secretary-General Kofi Annan. At ECLAC, she formerly held the posts of Deputy Executive Secretary and Chief of the Environment and Human Settlements Division of ECLAC.

Prior to her time at ECLAC, Ms. Bárcena served as Coordinator of the Latin American and Caribbean Sustainable Development Programme of the United Nations Development Programme and was responsible for the Environmental Citizenship Project at the United Nations Environment Programme.

Alicia Bárcena was the Founding Director of the Earth Council in Costa Rica, a nongovernmental organization created to follow up on the agreements reached at the United Nations Conference on Environment and Development, held in Rio de Janeiro, Brazil, in 1992.

Ms. Bárcena has taught and conducted research at the National Autonomous University of Mexico. She has published numerous articles on sustainable development, public policy, environmental issues, and public participation. She holds a bachelor of science in biology and a master's degree in ecology from the National Autonomous University of Mexico, as well as a Master in Public Administration from Harvard University. She is currently pursuing a doctorate in economics at the National Autonomous University of Mexico.

Abstract

Inequality permeates the economic, political, social, and environmental spheres in Latin America and the Caribbean. Addressing that inequality is hence an imperative if the region is to advance towards sustainable development. As the world is negotiating the priorities and goals that will guide the international development agenda for the next fifteen years, this paper calls on policymakers to seize this historic opportunity to generate a paradigm shift and place equality at the heart of public policy.

Introduction

THE YEAR 2015 marks the deadline for the Millennium Development Goals. The goals were defined in the wake of the Millennium Summit,¹ held in 2000 as part of the 55th session of the United Nations General Assembly, and represented an unprecedented effort as—for the first time in human history—189 countries rallied around a set of goals and indicators to measure their progress towards development up to 2015.

Since the United Nations Conference on Sustainable Development (Rio+20)² in 2012, the United Nations has led a global consultative process involving governments, civil society, academia, and the private sector with the aim of setting new goals and priorities for the international community on the basis of a common vision for the world by 2030. Hence, 2015 also marks the start of a new global process, known as the post-2015 development agenda, under which a new set of sustainable development goals and their related indicators will be defined.

As we conclude the process of the Millennium Development Goals and embark on the design of a new development agenda, it is important to review past successes and lessons learned in order to avoid repeating mistakes, capitalize on achievements, and include any pending targets in future action.

Latin America and the Caribbean: A Region of Unequal Progress

From a regional perspective, Latin America and the Caribbean has undoubtedly made great strides since the launch of the Millennium Development Goals.³ As many as 61 million people in the region have been lifted out of poverty since 2000,⁴ and education indicators, including access and coverage, have improved significantly. Real progress has been logged in terms of child mortality and access to water and sanitation, and since the 2008 economic and financial crisis, the region has demonstrated real resilience to external shocks.

Despite all this progress, Latin America and the Caribbean remains the most unequal region in the world in terms of income distribution. Data for 2012 showed that households in the lowest income quintile on average accounted for 5 percent of total income, with the figure varying between 4 percent in the Dominican Republic, Honduras, and Paraguay and 10 percent in Uruguay; meanwhile, the wealthiest quintile accounted for an average of 47 percent of total income, ranging from 35 percent in Uruguay to 55 percent in Brazil.⁵ This uneven wealth distribution is also reflected in the region's high Gini coefficient, which stands at 0.52 (compared with 0.34 for the member countries of the Organization for Economic Cooperation and Development).⁶ However, inequality in Latin America and

the Caribbean goes far beyond income disparities.

Advances in education in the region have accentuated the stratification of learning and achievement within education systems, highlighting the fact that an average of 25 percent of students from the poorest quintile have completed secondary school compared with 80 percent of their peers from the richest quintile.⁷ Furthermore, in today's Latin America, an adolescent between the ages of fifteen and nineteen years of age in the lowest income quintile is three to four times more likely to get pregnant than an adolescent in the top quintile (in Peru this ratio is as high as nine times). And although progress on enrollment in pension systems has been achieved (from 35 percent in 2002 to 45 percent in 2011), the coverage gap is still large, as are the disparities by income quintile.⁸

These figures indicate the areas in which the region has made progress over the last fifteen years. Yet, while the Millennium Development Goals have helped channel resources and focus action to support countries on their development path, some have been left behind in the process. Moreover, that unequal progress is compounded by centuries of systemic gender, ethnic, and racial discrimination, which continues to plague the region's societies, with people divided into first- and second-class citizens.⁹ Thus, the need for equality in Latin America and the Caribbean is ever more pressing. Addressing the root causes of these inequalities cannot be delayed any further if the region is to achieve sustainable development to the benefit of all its citizens.

Compacts for Equality¹⁰

As reflected in the three documents presented at the 33rd, 34th, and 35th sessions of the Commission, ECLAC endorses equality as a core value, structural change as the path, and the art of politics

and policymaking as the instrument by which it can be achieved. Equality, as ECLAC understands it, includes equality of means, opportunities, and capacities but in the framework of a deeper understanding of equality as the equal dignity of citizens, in which individuals are simultaneously autonomous and vulnerable and should be acknowledged for both qualities mutually. Such acknowledgement is driven by the irreducible nature of rights and also by the need for greater collective solidarity and greater pluralism in accepting diverse groups and identities.

Inequality permeates the political, economic, environmental, and social spheres in Latin America and the Caribbean. Such systemic inequality can be addressed only through structural change, which will require new compacts between the state, society, and the market, with equality at its core and public policy as its instrument.

From an institutional perspective, equality calls for new frameworks that smooth the way for fairer policies: formalization of employment, investment in good quality education, redistributive taxation, and wider social protection offer a starting point towards achieving equal rights, equal access, and equal opportunities for all.

From an economic standpoint, greater equality can be achieved by facilitating the access of a wider array of productive agents to financing, including households and small and medium-sized enterprises (SMEs). A long-term focus is needed on structural change for equality, through industrial, macroeconomic, social, and labor policies. Such an endeavor requires the return of politics and of the state's role in boosting investment in order to create a virtuous circle between growth, productivity, and environmental sustainability by incorporating knowledge and value added into the production structure, making the labor market more inclusive and promot-

ing greater redistribution, regulation, and convergence between tax reforms and social policies.¹¹

Socially, a paradigm shift is required in order to move away from a culture of privilege and towards a culture of equality.

And from an environmental perspective, what is needed is a compact that safeguards intergenerational equality—i.e., a long-term approach to managing the region's natural resources and better governance to secure a wider and fairer redistribution of rents to the benefit of society as whole and of future generations, instead of just a few in the short term.

Equality in the Post-2015 Development Agenda: A Cross-Cutting Issue

In 2014, the Open Working Group of the General Assembly on Sustainable Development Goals, established as an outcome of the United Nations Conference on Sustainable Development (Rio+20), proposed a set of seventeen sustainable development goals to guide international development work until 2030.¹² That report, along with other inputs, will serve as a basis for the negotiations to take place during the first half of 2015, a process which will culminate at a summit to be held during the 70th session of the General Assembly in September 2015.

The sustainable development goals differ from the Millennium Development Goals in that they are being constructed through an unprecedented participatory process that has been led by the countries and thus better reflect their priorities and aspirations. Furthermore, these goals go beyond the aid model involving donors and recipients and call for a global partnership for development. What is more, the aim with these goals is to achieve sustainable development, not solely to alleviate poverty, making the agenda not only universal but also transformative.

It is encouraging to note that equality is a cross-cutting theme throughout the

proposed sustainable development goals, included both as a stand-alone goal (Goal 10: reducing inequality within and among countries) and also as a target under other goals. For example, Goal 1 (end poverty in all forms everywhere) includes Target 1.4, “ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources”; Goal 5 (achieve gender equality and empower all women and girls) contains Target 5.1, “end all forms of discrimination against all women and girls everywhere”; and Goal 8 (promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all) includes Target 8.5 that calls for “. . . equal pay for work of equal value.”

Moreover, in his synthesis report on the post-2015 agenda,¹³ released in December 2014, Secretary-General Ban Ki-moon presents a set of principles to “bring about a truly universal transformation of sustainable development,” one of which is to “address inequalities in all areas, agreeing that no goal or target be considered met unless met for all social and economic groups.”¹⁴ He then proposes six essential elements for delivering on the sustainable development goals, including dignity, that is “to end poverty and fight inequality,” explaining that “no society can reach its full potential if whole segments of that society . . . are excluded from participating in, contributing to, and benefiting from development.”¹⁵ The centrality of equality in the new development agenda speaks to the recognition of this element as a core feature of sustainable development. And the universality of the agenda, which calls for reducing inequality within and among countries, points to an evolution in the development discourse as it acknowledges that inequality is not simply a poor country issue but a problem faced in poor and rich countries alike and one that can therefore be addressed only through a global partnership.

The New Agenda: A Historic Opportunity

As equality is placed at the forefront of the discussions on the post-2015 development agenda, Latin America and the Caribbean must seize this historic opportunity to overcome one of its most intractable roadblocks on the path towards sustainable development. The region must garner the political will to make an honest assessment of its own structural shortcomings and build its capacities in order to embrace the new development paradigm. Indeed, maintaining the status quo will do little to reduce inequality, and the region will fall short of achieving the goals set under the ambitious new global agenda if it adopts a business-as-usual approach.

By the same token, the international community will have to go beyond the conditionality of the traditional aid approach in order to support developing countries. New partnerships and alliances must be built in order to truly level the playing field and close gaps between countries. The means through which the new agenda can be implemented include honoring past official development assistance (ODA) commitments, promoting fair trade practices and allowing access to markets, building a fair international financial architecture, supporting the integration of smaller economies into global value chains, and encouraging technology and knowledge transfer. A multilayer accountability framework must be established to monitor the progress towards the new goals at the national, regional, and global levels; and while applicable to all countries, that framework must be respectful of national sovereignty and consistent with the principle of common but differentiated responsibilities.

Equality is at the heart of the new development agenda because true sustainable development cannot be achieved if some are left behind. At the national level,

this means that all members of society must be included in the development process. At the global level, it means that all countries must engage in a global partnership to strive together to fulfill universal goals. This is the truly transformative and innovative aspect of the proposed agenda for the next fifteen years, and humanity as a whole must commit itself to the task.

Endnotes

¹ “Millennium Summit (6–8 September 2000),” United Nations.

² The outcome document of that conference, entitled “The Future We Want,” was subsequently endorsed by the General Assembly in its resolution 66/288.

³ “Millennium Development Goals: Achieving the Millennium Development Goals with Equality in Latin America and the Caribbean: Progress and Challenges,” ECLAC, August 2010.

⁴ “Social Panorama of Latin America 2013,” ECLAC, March 2014, 16.

⁵ *Ibid.*, 20.

⁶ “Compacts for Equality: Towards a Sustainable Future. Thirty-Fifth Session of ECLAC,” ECLAC, April 2014, 36.[†]

⁷ *Ibid.*, 50.

⁸ *Ibid.*, 46.

⁹ “Time for Equality: Closing Gaps, Opening Trails,” ECLAC, May 2010, 13.

¹⁰ For an in-depth analysis of all compacts proposed, refer to ECLAC, “Compacts for Equality.”

¹¹ “Preliminary Reflections on Latin America and the Caribbean in the Post-2015 Development Agenda Based on the Trilogy of Equality,” ECLAC, 24 June 2014.

¹² “Report of the Open Working Group of the General Assembly on Sustainable Development Goals,” United Nations, 12 August 2014.

¹³ “The Road to Dignity by 2030: Ending Pov-

erty, Transforming All Lives, and Protecting the Planet,” United Nations, December 2014.

¹⁴ Ibid., 19.

¹⁵ Ibid., 20–21.

A Path Towards Sustainable Growth and Productivity

Recommendations on Enhancing Innovation and Addressing the Skills Gap for Latin American Competitiveness

BY MARISOL ARGUETA DE BARILLAS



Marisol Argueta de Barillas is a Salvadoran lawyer and career ambassador. Currently, she is the Senior Director, Head of Latin America at the World Economic Forum. She was the Minister of Foreign Affairs of El Salvador, General Director of Foreign Policy at the Foreign Ministry of El Salvador, Minister Counselor at the Embassy of El Salvador in Washington, DC, and Alternate Representative of El Salvador to the United Nations. She led the Ibero-American Summit 2008, the International Conference on Financing for Development for Middle Income Countries, and the commemoration of the fifteenth anniversary of the signing of the Salvadoran peace agreements, among many other international activities throughout a successful diplomatic career of more than twenty years. Her experience in the private sector includes positions as Vice President of Inter-Publix and of Newlink Group. She holds a JD from Universidad Dr. José Matías Delgado, El Salvador, and a postgraduate degree in diplomacy from the University of Oxford. She has specialized studies in international law, international affairs, immigration, leadership, management, and conflict resolution and negotiations from the International Peace Academy, Harvard University, and the Wharton School. She is the recipient of national awards from the governments of Mexico, Guatemala, Costa Rica, Panama, Colombia, Peru, Spain, and the United States, as well as private recognitions from Salvadoran communities and private institutions for her social work, for the support of international trade, and for professional and academic achievements. She is a Young Global Leader at the World Economic Forum, a member of the Aspen Institute's Central American Leadership Initiative and the Oxford Union Society, a cofounder of Vital Voices-El Salvador. She serves on the Advisory Board of the Woodrow Wilson International Center for Scholars and served on the Boards of FUSAL, FUSATE, and Hogares CREA, El Salvador. She is married to Carlos Barillas and has three daughters: Alexia, Florence, and Gabriela.

Abstract

In order to sustain growth and competitiveness, Latin America must improve its productivity. Skills and innovation stand out as two of the most significant variables to achieve this. In the region, there is a skills gap due to a disparity between existing skills and those that are needed in the economy. On the innovation side, Latin American firms have low innovation investment intensity compared to developed countries. The root causes of both factors are common in Latin American countries and are characterized by the region's absence of strong framework conditions, insufficient investment, coordination failures among key players, as well as production structure-driven conditions that are the causes and the consequences of the region's low productivity. Ten recommendations are presented as a holistic approach to tackle this productivity challenge that highlight the importance of establishing a sound economic and social foundation, enhancing both the efficiency and sufficiency of investments, and utilizing public-private collaborations and intraregional cooperation to maximize the benefits of policies and programs that rely on the support, knowledge, and resources of multiple sectors and regional entities.

Introduction

LATIN AMERICA has experienced robust economic growth and made great strides in enhancing its prosperity in recent years, but the consensus is clear: to sustain growth and competitiveness, Latin America must improve its productivity. As the region's economies have been growing and more investment has flown into the region, domestic and international businesses are struggling to find qualified labor. However heterogeneous Latin American nations are, the skills gap is common to the region and results partly from shortfalls in the labor force which often lacks the education, training, and experience necessary for highly skilled jobs.

Unlocking Latin America's productivity potential requires, among other factors, improvements in skills and innovation capabilities, two interrelated and interdependent drivers of competitiveness that were explored in depth as part of a World Economic Forum initiative, the "Competitiveness Lab for Latin America." The initiative was launched in 2013 to obtain more insights from the World Economic Forum's multistakeholders community, to

deepen their understanding and facilitate informed dialogue on effective ways to boost competitiveness in the region.

A report of an analysis on the region's skills and innovation challenges, their underlying factors and root causes, and the recommendations to begin bridging the identified gap was recently launched at the 2015 World Economic Forum Annual Meeting at Davos. The report, "Bridging the Skills and Innovation Gap to Boost Productivity in Latin America," presents a course of action for the region's leaders to collaboratively address the region's gaps in skills and innovation. This essay highlights our key findings and resulting recommendations.

The Challenge

Despite an overall positive economic growth in the past two decades, Latin America continues to suffer from a relatively low level of productivity, which negatively impacts its competitiveness and raises questions about the region's ability to sustain the recent economic and social progress. Economic output depends on both the volume of inputs (i.e., capital

and labor) and the productivity of those inputs, known as total factor productivity (TFP). Growth in income is normally considered sustainable if it is backed by growth in underlying TFP. From 2001–2010, only 58 percent of per capita gross domestic product (GDP) growth in the region was derived from growth in TFP, whereas in the same period, 90 percent of per capita growth in China and 72 percent in the ASEAN-5 countries were explained by increases in productivity (See Figure 1).

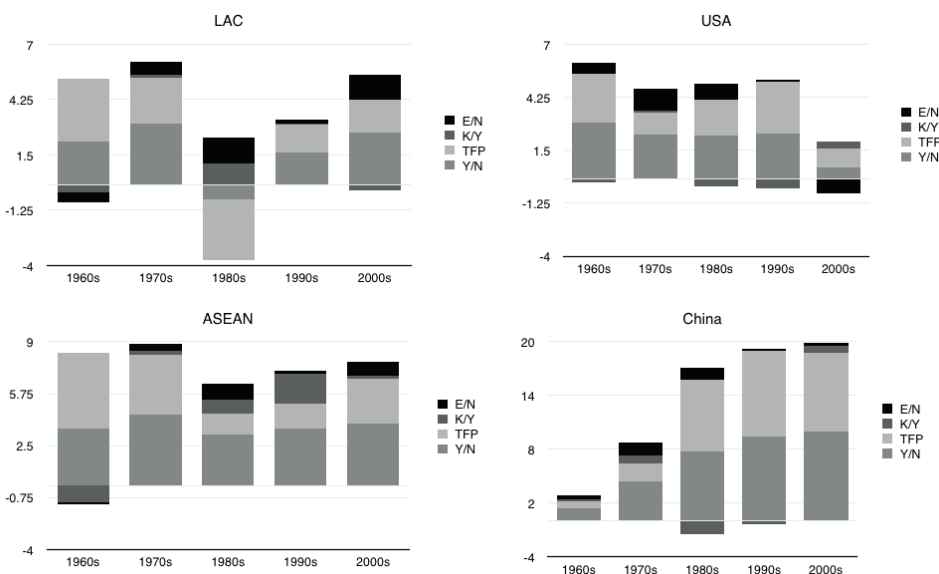
Many factors explain the causes of this productivity challenge, but skills and innovation stand out as two of the most significant variables. Workers are either insufficiently trained or not trained in the types of skills that Latin American economies now need, which include technical skills as well as “soft” or “socioemotional skills” such as critical thinking, teamwork, communications, and problem solving.

In addition to persistently low levels of R&D investment, Latin America also lags behind in its capacity to innovate, due to limitations in its framework conditions, investments, and production structure.

The current state of Latin America’s skills gap is measured by the number of vacancies that firms cannot fill and employers’ reports on the types of skills they have the most difficulty finding (See Figure 2), which highlight the disparity between existing skills and those that are needed in the economy. This discrepancy is due primarily to the region’s unequal access to education, the perceived low quality and value of the education and training systems, and persistently weak performance on international student tests (See Figure 3).

The current challenges in Latin America’s innovation landscape can be described by the low output of innovative ac-

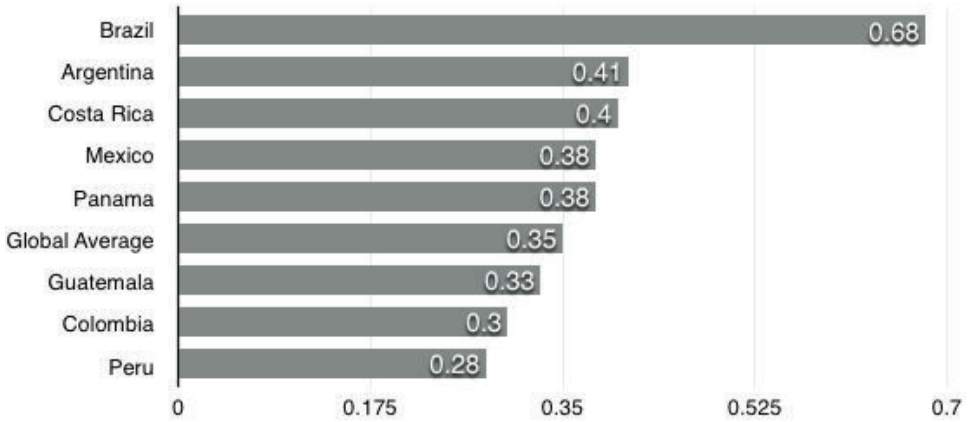
Figure 1—Drivers of Growth in Latin America/Caribbean and Comparator Regions.



Source: Penn World Tables 8.0 (2013); Andrew Powell, “2014 Latin American and Caribbean Macroeconomic Report—Global Recovery and Monetary Normalization: Escaping a Chronicle Foretold?” Inter-American Development Bank, March 2014, 67.

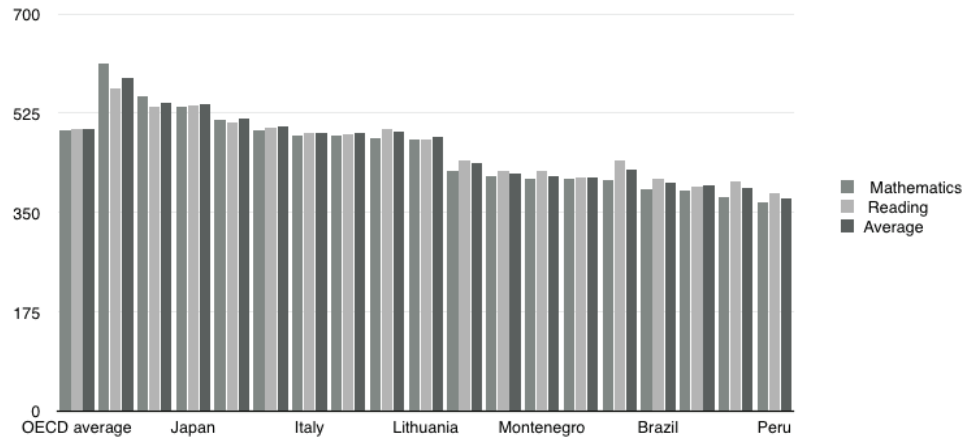
Note: E/N indicates employment share growth, K/Y indicates capital intensity growth, TFP indicates total factor productivity, and Y/N indicates average annual GDP per capita growth.

Figure 2—Percentage of Employers Having Difficulty in Filling Jobs.



Source: Manpower Group 2013 Talent Shortage Survey

Figure 3—PISA (Program for International Student Assessment) 2012 Mean Scores.

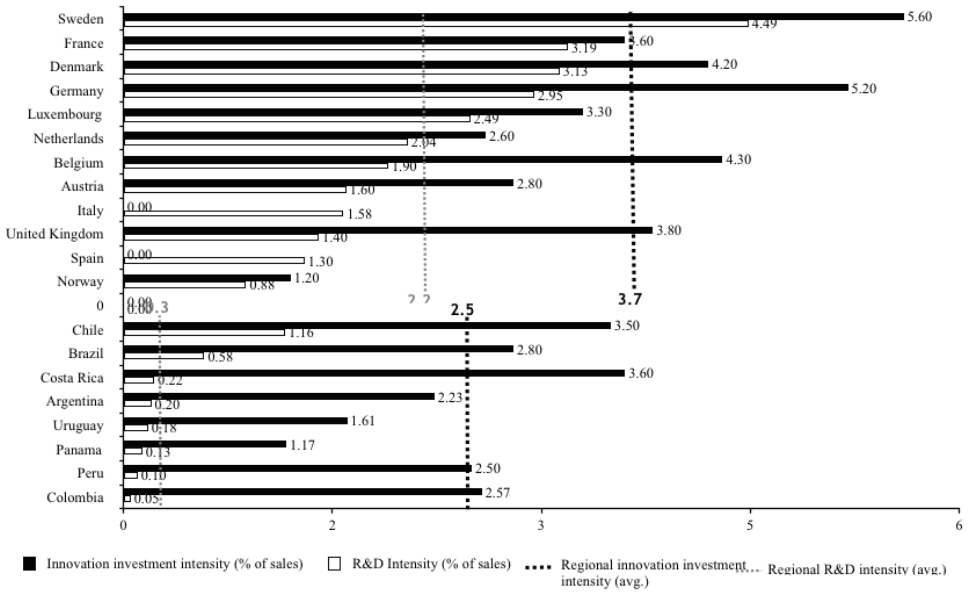


Source: OECD, PISA 2012 Database

tivities, such as the percentage of high tech exports. The region’s high-tech exports as a share of total manufacturing exports, for example, was 7.7 percent, compared to the OECD average of 14.5 percent.¹ At the firm level, the region suffers from low innovation investment intensity which describes a firm’s commitment to pursuing innovation, defined as a percentage of sales, including its investments in R&D, training, machinery and equipment, software licenses, and royalties for the use of patented technology. While the aver-

age firm in a developed country spends almost 4 percent of sales on innovation, the typical firm in Latin America and the Caribbean spends around 2.5 percent (See Figure 4). These measurements are further explained by low levels of R&D investment (See Figure 5), particularly from the private sector, as well as a shortage of scientists and engineers, the low quality of scientific research institutions, and firms’ poor technological absorptive capacity.

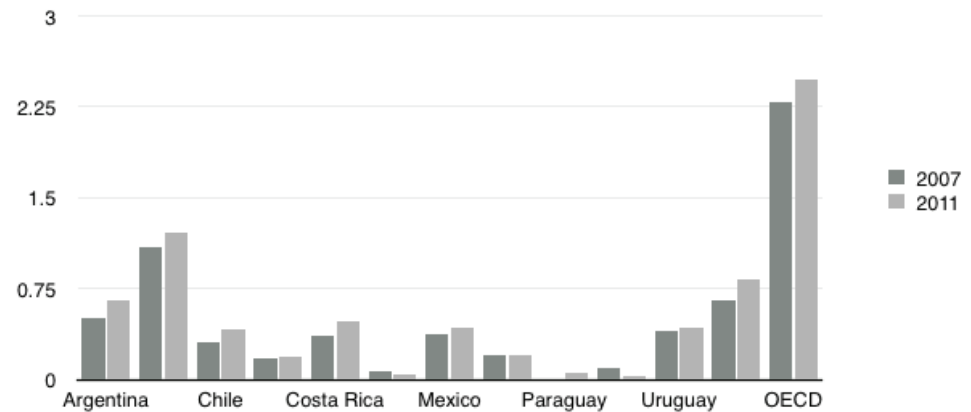
Figure 4—Innovation Investment Intensity in Firms.



Source: IADB Rethinking Productive Development Policy

Note: Data are from 2010. Latest available data for Ecuador are from 2008, and for the United States and the OECD are from 2007.

Figure 5—R&D Investment as a Percentage of GDP, 2007 vs. 2011.



Source: World Bank Database

Note: LAC is an average of Latin American and Caribbean countries with available data. For Chile and Panama, the latest available data are 2010 figures.

The Root Causes

Latin America's skill and innovation gaps share a common set of root causes, characterized by the region's absence of strong framework conditions, insufficient and inefficient investment, coordination failures among key players, as well as production structure-driven conditions that are at once the causes and the consequences of the region's low productivity. All of these factors are shaped by the region's cultural and institutional beliefs and practices, which should be considered as part of any long-term strategy to address the region's productivity challenges.

Cause 1. Weak Framework Conditions

Despite recent improvements, Latin America does not yet possess a set of consistently strong framework conditions—defined in this context as the fundamentals of a well-functioning economy—that enable and facilitate productivity and competitiveness. When framework conditions are weak, firms and individuals are not equipped to generate skills and innovation at their full potential. Conditions that particularly contribute to this weakness are: 1) low levels of local competition, 2) low availability of capital, 3) poorly designed or unstable regulatory environment, and 4) low availability and adoption of information and communications technology (ICT) infrastructure.

Cause 2. Underinvestment

Persistent underinvestment in higher education and on-the-job training, as well as insufficient investments in ICT infrastructure and R&D, are also major causes of Latin America's skills and innovation gap. Investment in key areas of skills and innovation has traditionally been treated as a “fitting variable” rather than a strategic vector of growth in the region. In other words, these investments have increased during times of budget surplus but are one

of the first investments to be reduced in times of fiscal constraint.

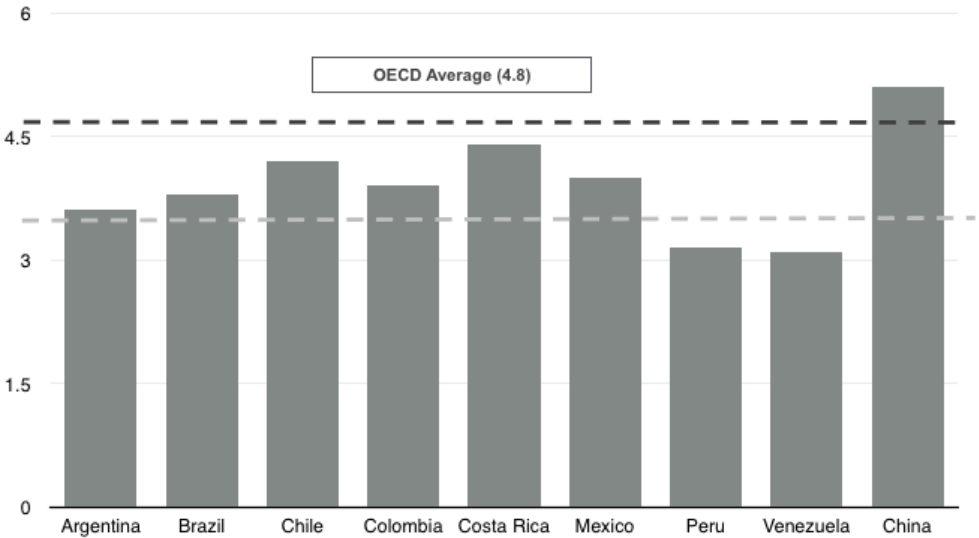
Cause 3. Inefficient and Uncoordinated Investments

Inefficiencies and lack of coordination dilute the value of the investments that are already in place and limit access to opportunities, further exacerbating the region's skills and innovation challenges. For example, as explored in the discussion of the skills disparity, education systems in the region are failing to coordinate with employers to train their students in the most in-demand skills. In many countries in the region, innovation takes place mainly in urban centers where talent and support institutions are concentrated, which can create skills and innovation gaps at the subnational level. In addition, a lack of collaboration and coordination between R&D institutions in academia and industry (See Figure 6) has negatively impacted the quantity and quality of innovation in the region. The prevalence of informal economic activities makes structured and ongoing coordination among firms especially challenging. These slips from both the private and public sectors result in investments that yield outcomes that are less impactful than they could be, either because the best knowledge is not utilized or the timing of investment lacks dynamism, as it does not take into consideration the long gestation periods these types of efforts often require.

Cause 4. Production Structure-Driven Conditions

Although some Latin American countries are rapidly scaling up their high-tech production activities, the region's high degree of specialization in labour-intensive and resource-based production and high degree of economic informality—defined as economic activities and income that are partially or fully outside government regulation, taxation, and observation—are

Figure 6—University/Industry Research Collaboration in R&D.



Source: World Economic Forum Global Competitiveness Report 2014–2015

causes and consequences of its productivity gap. In other words, Latin America's focus on labour-intensive and resource-based industries resulted in a low demand for highly skilled workers, which has led to low investments in education, trapping the region in a cycle of low productivity that makes it more reliant on low-tech, informal economic activities and unable to generate more innovative capabilities. Therefore, it is important to understand both the causes and consequences of these conditions and how they influence one another.

Cause 5. Cultural and Institutional Limitations

The region's weak fundamentals—the economic framework, insufficient and inefficient investment, coordination failures, and production structure-driven conditions—are the underlying factors behind its skills and innovation challenges. The question, then, is: what are the causes behind these underlying factors? What are the deeply ingrained beliefs, biases, attitudes, and practices that are acting

as a bottleneck against a productive and competitive economy?

Four deeply ingrained and related causes are behind this problem. First, Latin America has lacked a long-term vision and strategy for sustainable productivity growth. Second, without a long-term vision and strategy to execute against the vision, it is difficult to bring the right players to the table. Third, it is just as difficult to establish and monitor standards of high quality. Fourth, the region's cultural beliefs and attitudes affect virtually all economic decisions and activities, and in many cases these beliefs and attitudes have been an impediment to setting a clear vision and strategy, engaging the right players, and ensuring high quality.

The Recommendations

The Competitiveness Lab's recommendations are presented not as a disconnected set of tasks to be selectively implemented but as a systemic and interconnected framework of actions, strategies, and principles that highlights the importance of establishing a sound economic

and social foundation, enhancing both the efficiency and sufficiency of investments, and utilizing public-private collaborations and intraregional cooperation to maximize the benefits of policies and programs that rely on the support, knowledge, and resources of multiple sectors and regional entities.

1. *Build a strong foundation:* The building blocks of a strong foundation are called “framework conditions,” which provide the right environment to motivate and enable Latin Americans to acquire the right skills, use those skills to find gainful employment, and bring innovative ideas to market. Having adequate infrastructure, supportive regulations and laws, and a healthy level of competition are examples of framework conditions. Without a strong foundation, even the best designed policies will falter.
2. *Follow through—evaluate, manage, and monitor:* When designing and implementing policies, it is important to evaluate existing policies so that we can make sure new policies fill a gap and do not neutralize or duplicate the efforts of an existing policy. Providing adequate implementation support and ongoing management (including strong watchdog capabilities) is also crucial.
3. *Align investments to critical priorities:* A discussion of investment efficiency must ask not only “is the investment yielding returns greater than its cost?” but also “is the investment allocated to meet the most critical needs of society?” Frequent and structured calibration of existing policies and programs by all involved stakeholders—not just policymakers—must occur so that investments are going to meet the most critical needs of society.
4. *Boost private investment:* Effective design and administration of policies will help in sustaining strong public sector investments. But what about increasing the overall level of investment, particularly from the private sector? Private investment is a particularly weak point in Latin America, and a newly emerged class of affluent individuals and firms presents an untapped opportunity to change this. Social impact bonds, in which a government agrees to pay for improved social outcomes, are a great example of the public sector engaging private investors. The first social impact bonds began in the United Kingdom, and there are now several social impact bonds under way that are tied to education and skills outcomes.
5. *Create a standardized regional catalog of research competencies:* Study after study points to the weak linkage between academia and industry as a key challenge in Latin America’s innovation development. Building awareness is critical to strengthening this linkage. Building a regional catalog of research institutions and their competencies has two desired outcomes. One, such a catalog serves as a gap analysis of sorts, enabling structured feedback and dialogue between academia and industry on what competencies are important for increased productivity and innovation. Two, a regionally standardized catalog will help address the skills mismatch by allowing industry to identify institutions and competencies beyond its national boundaries.
6. *Design public-private research and skills development funding schemes:* Based on enhanced awareness, academia-industry stakeholders should collaboratively design research and skills development funding schemes,

providing the private sector with an opportunity to directly invest in high potential areas and develop the competencies they will need in their next generation of researchers and knowledge workers.

7. *Define and implement cross-sectorial vocational education and training programs:* The skills mismatch does not exist only in the upper echelons of academic research. In fact, the most critical skills mismatches are found in industries such as automobile and machinery, where both the right technical skills and socioemotional, managerial skills are in short supply. Integrating the needs of industry directly into vocational training programs, therefore, would help narrow the skills mismatch even further. An example of such a collaborative engagement can be seen in the reform of Switzerland's vocational education and training program.²
8. *Establish a regional multiannual research and innovation fund:* A regional fund creates a greater pool of resources for participating countries, while increasing the chance for success as local players will bring specialized knowledge. Existing regional funds have successfully addressed critical needs in the region, such as the FRIDA fund, which seeks to improve the region's ICT infrastructure.³ Such efforts could be expanded to strengthen framework conditions or target a specific and common weakness in the region.
9. *Enable a greater regional mobility of students and researchers:* Regional student and researcher mobility programs facilitate a better alignment between skills and need by letting the region's employers access a larger pool of talent. Existing programs such as the Pacific Alliance Scholarship

Program and Brazil's Science without Borders have already made great progress in this area.⁴

10. *Employ a flexible implementation approach:* This is more of a principle rather than a specific action, but one that is crucial for success. The key is to focus simultaneously on building a strong foundation while focusing on key needs in skills and innovation development. This can be achieved via small-scale pilots involving select industries or localities and creating a structure for these smaller entities to participate on an opt-in basis when readiness criteria have been met.

A Call for Action

Considering the region's demographic bonus and the inequality of opportunities, the importance of human resource development and structural reforms are crucial for improving the competitiveness of the region's economies. In some cases, exchange programs and scholarship grants have become cornerstones in leapfrogging towards highly specialized education that is only found abroad.

There is ample evidence in Latin America of the keen interest and willingness from all sectors to go beyond awareness to action, not only in the diagnosis of skills and innovation challenges but also in becoming part of the solution. Despite this desire, successful implementation of these ten recommendations is no simple matter. Only by building mutual awareness and sustaining structured and yet flexible collaborations can real change be sustained. The World Economic Forum calls upon the region's leaders to work together on the validation and implementation of these recommendations and will continue to provide a supportive platform on which they can build awareness and trust across sectors and borders, identify opportunities for deeper and ongoing collaborations,

and translate them to concrete actions and investments in the coming months and years.

Endnotes

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Promoting Inclusive Growth in Latin America

The Role of Education and Skills

BY GABRIELA RAMOS



Gabriela Ramos is the OECD Chief of Staff and Sherpa to the G20. Since 2006, she has been advising the Secretary-General, supporting his strategic agenda, and contributing to the opening up of the organization to new members and partner countries. Recently, she contributed to the launch of major OECD initiatives related to gender issues, skills, and development. Since 2009, having also taken on the role as the OECD Sherpa to the G20, she has been coordinating the contributions of the OECD to the group and has been representing the organization at the G20 Sherpa meetings.

Previously, she served as head of the OECD office in Mexico and Latin America, where she promoted OECD recommendations in many areas including health and education. She helped in the preparations of several OECD reports on Mexico, developed the OECD Forum there, and launched the “Getting It Right” flagship publication series.

Prior to joining the OECD, Mrs. Ramos held several positions in the Mexican government, notably as advisor to the Minister of Foreign Affairs and Director of OECD Affairs. She has also held several positions as a professor of international economy at the Universidad Iberoamericana and at the Instituto Tecnológico Autónomo de México. Mrs. Ramos holds a master’s degree in public policy from Harvard University and was a Fulbright and Ford-MacArthur fellow.

Abstract

After registering an impressive annual average growth rate of 4 percent throughout the last decade, the speed of growth in the LAC region has been decelerating since 2010. Despite this economic growth, the LAC region still faces the longstanding challenges of poverty, informality, and inequality. To address these issues it is urgent to develop a strategy to improve the region's levels of competitiveness, productivity, and inclusiveness through better education, skills, and innovation. On the education side, policymakers must address access, quality, and relevance of education and training systems, moving to higher value added sectors that are linked to global value chains. On the skills side, policies must focus on more general skills that can be adapted to the changing labor market conditions and allow countries to better compete in a changing and increasingly complex global economic environment. Finally, on the innovation side, Latin American governments must promote the creation of national systems of innovation, which must be based on the foundations of high-performing and high-quality education systems.

DUE TO THE GLOBAL economic slowdown, but also to lower commodity prices, Latin America and the Caribbean (LAC) have left behind the period of dynamic economic growth registered during the 2000s and moved towards more moderate rates. Indeed, weak global demand has negatively impacted the region's performance, and up to now, the adjustment has been orderly. However, projections are still being revised downwards which raises concerns given the high levels of poverty and the still positive demography.

In fact, the "bonanza" period of relatively high capital flows due to the commodity boom was not leveraged to advance a meaningful agenda for economic reform in Latin America. Therefore, this period of lower growth and lower revenues may be a more difficult environment for reform. But there is no way out if the countries in the region want to address the longstanding challenges of poverty, informality, and inequality. Indeed, Latin America continues to be the region with the highest level of inequality, with a substantial percentage of its population living in poverty (28 percent or 164 million people) and with widespread informality.¹

To address these issues and build a more competitive economy, it is urgent to develop a strategy to improve the region's levels of competitiveness, productivity, and inclusiveness through better education, skills, and innovation. These three topics were addressed by the latest edition of the OECD's Latin American Outlook (LEO), presented in the context of the Ibero-American Summit in Veracruz on 9 December 2014.

This article provides a summary of the main policy challenges and recommendations from the LEO 2015. It calls for greater policy focus on the region's gaps in education, skills, and innovation in order to support inclusive growth.

LAC Economic Outlook

After registering an impressive annual average growth rate of 4 percent throughout the last decade, the speed of growth in the LAC region has been decelerating since 2010 (See Figure 1). In 2014, according to forecasts, the region's economy will grow by 1–1.5 percent (compared to 2.5 percent in 2013 and 2.9 percent in 2012), largely due to a less favourable international context related to lower commodity prices and more limited capital inflows.²

Figure 1—GDP growth in Latin America and the Caribbean vs. OECD.
(% annual)

Source: OECD elaboration based on CAF, ECLAC, and OECD May 2014 forecasts

On the other hand, Latin American economies could benefit as the recovery in the United States grows stronger. This would particularly benefit manufacturing exporters in Mexico and Central America. However, stronger growth, coupled with lower unemployment, will lead the Federal Reserve of the United States to raise interest rates sooner and more sharply than expected. In turn, this would reduce capital flows to the region and heighten volatility. Another downside risk would be a more pronounced slowdown in Chinese growth than expected, which could have a negative impact on the price and quantity of Latin American (mainly South American) commodity exports to this country.

Performance, though, is not even. There are significant differences in the economic outlook across countries in the region. In 2014, for example, Bolivia, Colombia, Ecuador, Panama, and Peru are expected to grow well above the regional average (at rates over 4 percent), and activity in Mexico should pick up to around 2.5 percent (similar to the figure for Chile). Brazil should keep underperforming and grow less than 1 percent, while Argentina and Venezuela may register negative growth.³

However, even the highest levels of growth in the region may not be sufficient to address the challenges these countries are confronting. As in many other regions, it would be important to determine if the slower levels of growth of around 3 percent over the next few years are structural or cyclical. Given that the estimated potential growth rate for Latin America has traditionally been set between 3 percent and 4 percent, a key concern is that lower growth could become the “new normal.”⁴

Moreover, while addressing the structural bottlenecks that are weighing down growth prospects, it will be necessary to develop a new growth model that is not so dependent on commodities revenues (food, minerals, and oil). It is important to break the link of fast growth with commodity booms that have usually been accompanied by cyclical volatility. But it is also important to maximize the impact of capital inflows such as remittances, short-term capital inflows, and foreign direct investment.

Improving Education, Skills, and Innovation

To strengthen the region's growth prospects while addressing persistently high levels of poverty and inequality, policymakers must address access, quality, and relevance of education and training systems. Moving to higher value added sectors that are linked to global value chains also calls for a stronger and more effective focus on innovation. This will allow the region to take advantage of its demographic bonus.

Education

Latin America has taken great strides in education investment, and the majority of countries in the region are implementing reforms to strengthen education. Argentina ranks among the biggest investors in education in Latin America, allocating public funds equivalent to 6.3 percent of GDP to education—more than both the regional and OECD averages.⁵ Education in this country is declared a “public good” and a “social right.” Recent laws have centralized education at the national level, promoted vocational technical education, and raised teachers' salaries.

Mexico's constitutional reform in education, including a new teaching law (“Ley del Servicio Profesional Docente”), lays the groundwork for higher quality education through the professionalization of teachers and education management staff. For the first time, national competitions are being conducted for jobs in lower and upper secondary schools, and promotion examinations are held for management posts in upper-secondary schools. Progress has also been made in the OECD's PISA (Program for International Student Assessment) scores; specifically, Brazil and Mexico have made the most progress (alongside Tunisia and Turkey) in increasing their PISA scores by between three and four points a year since 2003.

Similarly, over time, many of the countries in the region have managed to reduce their performance gaps among students.⁶

However, significant challenges related to coverage as well as quality and the reduction of inequalities persist. Despite the improvement of school life expectancy (from eight to thirteen years of age between 1971 and 2012 in Latin America compared to eleven to seventeen years of age in OECD countries), numerous goals remain unachieved, such as the completion of secondary education and equal access to higher education.⁷ Additionally, in the PISA 2012 tests, almost 30 percent of secondary education performance variation in Latin America was associated with socioeconomic factors.⁸ Furthermore, the infrastructure gap between rural schools and urban schools is twelve times greater in Latin America than in OECD countries; and the quality of educational resources (computers, laboratories, books, and technologies) is six times greater in urban areas than in rural areas in Latin America.⁹

Last but not least, despite recent progress, gender inequalities in education remain a challenge for the region. Even though girls have made important progress in the levels of enrollment, the performance gap between boys and girls in Latin America is greater than in the OECD countries. In PISA 2012, boys outperformed girls in mathematics by an average of more than nineteen points—equal to half a year of schooling—compared with eleven points in OECD countries.¹⁰ Latin America is also the region measured in PISA where the socioeconomic background of children had a higher impact on the students' results, underlying the strong need to focus the attention of the system on the most vulnerable groups.

International experience points to a set of policies that can contribute to defining a new agenda for Latin America. Early-education, equity-focused, and classroom policies can all contribute to-

wards supporting struggling students and developing a disciplinary framework for training while encouraging qualities such as motivation and perseverance, among others. In addition, policies focused on strengthening the teaching profession and its better deployment and use could be improved by introducing better job conditions in exchange for better performance, continuing training, and opportunities for teachers and schools to learn from each other. Last but not least, long-term education policies, which require more investment and structural changes at the institutional level, remain essential for the region and should be an integral part of education programs.

Skills

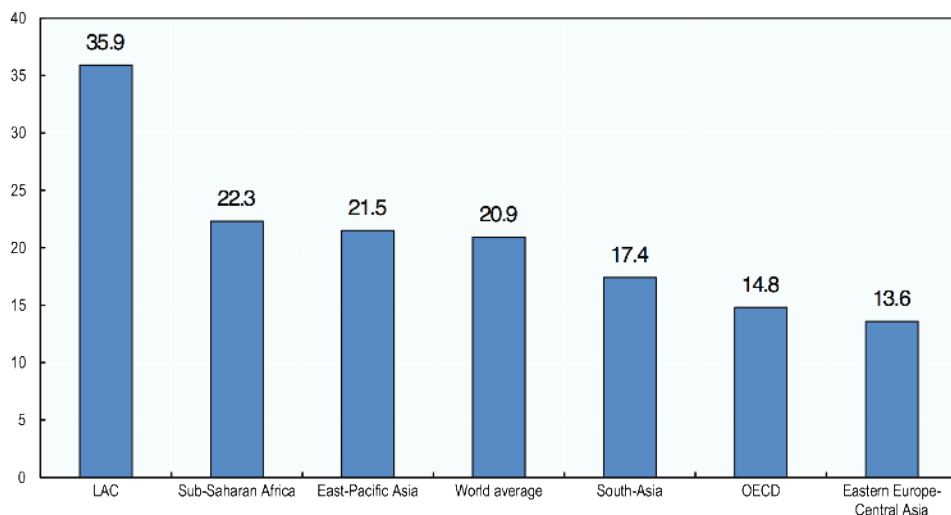
In addition, policies which focus on boosting skills are beginning to take shape in numerous countries of the region. Panama, for example, has sought to bolster the quality of education through a curriculum reform program that emphasizes skills training to improve students' integration

into the workplace. Brazil's recent National Education Plan (Plano Nacional de Educação, PNE) seeks to improve the management of the education sector and develop teaching skills. In August 2014, Colombia's National Education Council submitted its Acuerdo por lo Superior 2034, which contains a proposal to reform higher education. The proposal looks at ten main areas, including access and quality, as well as linkages between secondary and higher education and vocational training.

Despite the progress being achieved thus far in many countries, significant skills challenges persist across the region. Latin America today is characterized by a large skills gap and by a large proportion of workers with low overall skills. Specifically, technical and soft skills seem to be scarce, and both are sought after by employers. Thirty-six percent of companies operating in the formal economy have trouble finding an adequately skilled workforce—compared to a global average of 21 percent per country and an OECD average of 15 percent (See Figure 2).¹¹

Figure 2—Share of firms identifying an inadequately educated workforce as a major constraint to their operations.

(% of formal companies, circa 2010)



Source: OECD elaboration based on World Bank Enterprise Surveys 2012

Skills are crucial for avoiding the “middle income trap,” a persistent phenomenon in Latin America and other regions. The countries of the region have not converged towards the level of per capita income in more advanced economies. Only certain Caribbean islands (plus recently Trinidad and Tobago), Chile, and Uruguay are included among countries having high incomes according to World Bank classification.¹² In addition, human capital development, through better skills, is fundamental in enabling a more equal income distribution.

In view of the current skills challenges faced by many countries in the region, policies must focus on more general skills that can be adapted to the changing labor market conditions and allow countries to better compete in a changing and increasingly complex global economic environment. Additionally, education systems need to incorporate these skills into their curriculums to improve the employability of those who move from the education system to the labor market and make it easier for workers to update their skills, thus strengthening lifelong learning.

Innovation

In addition to education and skills development, the need to boost innovation remains essential. Latin America is one of the regions with the greatest ingenuity and creativity in the world; however, the region’s capacity to innovate remains limited. According to the OECD’s Development Centre projections, innovation capital in Latin America is only 13 percent of GDP, in comparison with a 30 percent average in the OECD.¹³ Gross domestic expenditure in R&D is only around 0.4 percent, compared with a 2.4 percent average in the OECD, 4.4 percent in Korea, and 3.9 percent in Israel.¹⁴ Another factor that explains the region’s low innovation capacity is the low level of participation of the Latin American private sector in

innovation and in activities leading to innovation. Business expenditure in R&D in Argentina, Colombia, Costa Rica, and Mexico represent less than 0.2 percent of GDP, in contrast with 3.4 percent in Korea and close to 2.3 percent in Finland and Sweden.¹⁵

Governments in Latin America must promote the creation of national systems of innovation, integrating different ministries, the private sector, the financial sector, academia, civil society, and international organizations. Building those systems requires a set of conditions and incentives such as: a regulatory framework that promotes business participation in innovation; physical infrastructure and ICTs that facilitate the development of investment platforms in knowledge and innovation; and support programs for innovation and SMEs, among others. It is also essential to strengthen programs which facilitate startups. Startups are key to promoting structural change since they have a greater flexibility that allows them to “break through”—to introduce new products and knowledge intensive services and to boost productivity in numerous sectors.

However, in order for innovation strategies to be successful and to improve competitiveness, they must be based on the foundations of high-performing and high-quality education systems, so Latin America needs to create this virtuous circle of good education, skills, and innovation for higher well-being.

Conclusion

Latin America is facing a new reality; the external winds of growth—which in the past have helped bolster the region—have slowed down as countries around the globe contend with the effects of the crisis. As a result, greater change needs to come from within. The region’s economies need to accelerate their reform agendas in order to ensure that growth levels are sustained

and that their economies become more inclusive. In this respect, fiscal, financial, SME, energy, rule of law, and competition reforms remain essential. However, there are three key reforms which are central for investing in the long-term sustainability of the region and ensuring greater well-being for its citizens: education, skills, and innovation.

Policies must focus on providing more equal opportunities. The political context, following fourteen presidential elections in the three years from 2012 to 2014, opened an indisputable window of opportunity, and important progress has been made. The region must build on this momentum; improving education and upgrading skills will be critical vectors for the policy agenda towards a more dynamic and inclusive Latin America.

The OECD has been working with the Latin American region on these topics for a number of years. Apart from the LEO which we prepare every year, we are also working on a high-powered agenda that includes: boosting investment in the region through the Latin America and the Caribbean-OECD Investment Initiative; combating bribery and corruption through the OECD-Latin America Anti-Corruption Program; and improving corporate governance through the Latin American Corporate Governance Roundtable. We are also supporting the work of the Pacific Alliance and the Ibero-American General Secretariat (SEGIB). We very much look forward to continuing to develop this cooperation to boost competitiveness, innovation, growth, and well-being.

Endnotes

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- 3 *Ibid.*
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- 5 *Ibid.*, 162.
- 6 *Ibid.*, 23.
- 7 *Ibid.*
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Social Cohesion in Latin America

The Contribution from EUROsociAL

BY INMACULADA ZAMORA



Inmaculada Zamora is a Spanish economist, specializing in governance and development. She is currently the director of EUROsociAL, a European program at the International and Ibero-American Foundation for Administration and Public Policies (FIIAPP), which is a Spanish public entity leading the implementing consortium of EUROsociAL. As a civil servant, her career has spanned the arenas of both regional and international development. For the government of Aragón, an autonomous region in Spain, she managed European Structural Funds and implemented regional programs and policies for social cohesion in the areas of employment, vocational training, and private sector development. Internationally, she worked for the Spanish Agency for International Development Cooperation (AECID) in the Dominican Republic and Guatemala as director of the Development Training Centre. Representing AECID as well, she was development counselor of the Spanish Embassy in Vietnam and in the Philippines.

Abstract

In spite of the internal diversity within Latin America and Europe and of the differences between them, both regions share a common concern for inequality and vulnerability and both engage in dialogue on shared values such as social cohesion. Programs like EUROsociAL facilitate this cooperation and the exchange of experiences and practices between public institutions, with a pragmatic approach of “peer learning”—shown to be an effective method for promoting tangible changes in public policy. The program reflects the interest of Latin American countries to incorporate lessons learned from European policies, as well as those from their own region, thus engaging in South-South cooperation dynamics.

Introduction

MOST LATIN AMERICAN countries have achieved, though at different speeds, a breakthrough in the fight against poverty and on improving income distribution as a result of strong growth and innovative social programs.¹ However, their societies continue to be marked by economic uncertainties, with persistent inequality and high vulnerability.²

Europe, where most countries have seen increased inequality as a result of the adjustments after the economic crisis, continues nonetheless to be the most egalitarian region, retaining, reactivating, and redefining the value of social cohesion in its policies and programs.³

The recurring discourse of poverty, a central concern for the governments of Latin America in the 90s, is now moving towards the problems of social exclusion and for a more inclusive development based on solidarity, equity, political legitimacy, or recognition of diversity, with a focus on rights—thus approaching the tenets of so-called social cohesion in Europe.⁴

This approach and the common concern for equality is embodied in the 2004 Guadalajara (Mexico) LAC-EU Summit, in which the heads of state and the governments of Latin America and Europe agreed to establish social cohesion as one of their priorities. From here stems the mandate for the EUROsociAL Programme, which through the exchange of experiences, expertise, and good practice between the two regions, aims to support effective changes in public policies to improve social cohesion.

The second phase of the EUROsociAL Programme (2011–16) occurs at an inflection point for the international development agenda. The number of low-income countries is falling, while the group of middle-income countries is becoming more heterogeneous. Some of

them are laden with important structural deficits and severe vulnerabilities, thus suffering the so-called middle-income trap. On top of this, they are also called to take on increasing responsibility in the global solution of collective problems, including migration, taxes, or youth unemployment.⁵

International cooperation remains essential to achieve many of these objectives in middle-income countries, particularly in Latin America. But it must respond to the region's heterogeneity, working with different agendas according to the conditions and context of each country while maintaining a comprehensive perspective. If we accept that the financial aspect is less important, international cooperation must be horizontal and based on incentives to mobilize additional resources and capabilities. It must promote processes of change and overcome some obstacles, e.g., those related to the lack of social cohesion or low institutional quality, which are mutually reinforcing.⁶

These approaches and guidelines inform the EUROsociAL Programme, which promotes policy dialogue with regional actors and networks around shared problems. Nonetheless, the program considers the national policies, contexts, times, and priorities of each country when providing support. The program mobilizes the specialized public “know-how.” It promotes public assistance to share and transfer experiences and practices between peer institutions, thus exploiting the power of “peer learning,” with both European and Latin American institutions, in order to incentivize change and energize a rich exchange of South-South cooperation.

Policies for Social Cohesion

The concept of social cohesion is continually rethought in light of the key issues that fragment societies and that separate people, groups, and regions from the benefits of development. This encom-

passes: a) interpersonal—community cohesion issues based on race, ethnicity, or faith; b) intergroup—highlighting issues of integration and with a greater focus on the material equality agenda such as education, employment, housing, etc.;⁷ and c) interterritorial—such as accessibility and infrastructure, economic development, or opportunities and productive potential of territories.

The EUROsociAL Programme uses the concepts of social cohesion of the Council of Europe and of the ECLAC (Economic Commission for Latin America and the Caribbean), as well as its subsequent developments.⁸ Both conceptions are rooted in the rights approach and highlight the objective component of social cohesion as explained by the (material) gaps in income, opportunities, or rights—as well as its subjective nature around the sense of belonging.⁹ Underlying the concept is an ultimate ideal, a goal, an aspiration to social justice, which allows us to talk about more or less cohesive societies according to the degree to which social dilemmas are resolved. But the process is equally important—how these dilemmas are solved, either by spontaneous or planned solutions, which require both political and institutional arrangements to give them legitimacy.¹⁰ This means that social cohesion also has an instrumental character that determines the quality of institutions and ultimately the development of societies.¹¹

All this makes social cohesion a valuable guiding principle of public policy.¹² But how can we translate this concept to policy and practice? It is a complex task that must pay heed to a wide variety of sensitive and interrelated public policies. Indeed, there may be widespread consensus that inclusive social policies in education, health, employment, and social protection constitute the core of cohesion policies. But those areas that support the state are also crucial: policies that provide

it with resources and the ability to assign them with equity (tax policy) or that underpin the institutions and legitimacy for this, such as justice, security, transparency, and the absence of corruption (governance). All affect the closing of gaps and the sense of belonging that characterize the more cohesive societies. On all these areas, EUROsociAL works supporting priority agenda issues in each country, as well as those common to several countries.

In any case, as already mentioned, a hallmark of cohesive societies is their ability to dialogue, to reach consensus and agreements, and to apply them. EUROsociAL is demand-driven as the beneficiary governments themselves define the actions to be implemented. In that sense, its role as a catalyst and in stimulating dialogue processes has been remarkable. Specific examples are presented below to showcase some policies and processes that the program has supported in Latin America in recent years. These examples illustrate certain features and characteristics of EUROsociAL that provide it with its uniqueness as a cooperation program.

Country Dialogue: Collective, Regional, and Peer—The Role of Networks

The issues to improve social cohesion do not only affect one country. Despite the rich diversity of Latin America, there are common interests, problems, and challenges to certain countries that are addressed more effectively from joint initiatives. There are also converging strategic looks and similar objectives, despite different stages of progress, that public policies aim at.

Therefore, regional cooperation is important. EUROsociAL promotes the elaboration of common products between countries, both in terms of strategic directions—e.g., policy models—as well as operating guidelines—e.g., protocols—to

steer and implement policies. It stimulates the exchange of experiences so that certain practices can inspire and drive forward reform processes in “peer” institutions in other countries. It therefore favours South-South cooperation but also allows giving greater reach to European added value and three-way cooperation so that European contributions in one country can spread to others in the region.

The Transparency and Access to Information Network (RTA)—Chile’s South-South Cooperation

In recent years, Latin America has progressed remarkably in terms of taking up the issue of corruption in government agendas. There has been an improvement of the legal and institutional frameworks, and most countries have adhered to international initiatives. Specifically, a Transparency and Access to Information Network (RTA, *Red de Transparencia y Acceso a la Información*) was created and is led by the Council for Transparency in Chile and the Federal Institute of Access to Information in Mexico. EUROsociAL is supporting this network with the development of common products for the countries that form part of it, such as the newly agreed transparency measurement tool or a template for file management. In addition to agreements to be subsequently implemented at the national level, the exchange of information under the network has inspired ongoing reforms through the sharing of some of the most advanced Latin American experiences. Hence, El Salvador is receiving support from Chile towards the implementation of its Law of Transparency and Access to Public Information, as well as the development of a strategic plan for its recently created Access to Information Institute. Similarly, Colombia has also received great support from Chile in all its transparency policies these past few years.

The Latin American Network for Regional Development—From Merida to Tijuana (Mexico) on the Path of Territorial Cohesion

Mexico is a country with a social, economic, cultural, and ethnic complexity that is shown in the various regions and states that compose it, with great differences between them. The government recently approved a National Strategy for Regional Development to be implemented through three Regional Development Programs for the Central, North, and South-Southeast areas. There is a presidential mandate to combat inequality so that from Merida to Tijuana the opportunities to create prosperous conditions are the same.

The EUROsociAL Programme is supporting this view of territorial equity, providing information on Europe’s rich experience in territorial cohesion policies and promoting policy dialogue in the framework of the newly created Latin American Network of Regional Development, which includes countries that are willing to share experiences and knowledge on these national policies, share problems, and seek solutions through collaborative work between them.

Mexico chairs the network, originally promoted by Brazil, in 2015. ECLAC, the Development Centre of the OECD, the Regional Development Directorate General of the European Commission, and the Committee of the Regions of Europe are all members of a support group to the network.

The Justice Networks: Recommendations, Policy Models, and Regional Protocols

EUROsociAL’s work with networks is remarkable in the area of justice, where there are formal and institutionalized networks, be it Ibero-American or Inter-American. Many of them are natural partners or allies whose agendas converge at times. Thus, EUROsociAL has supported

the elaboration and approval of regional products from such networks, including:

- a) A regional guide for the public defender and the comprehensive protection of persons deprived of liberty, adopted by the Inter-American Association of Public Defenders (AIDEF);
- b) Recommendations for interagency coordination in the fight against corruption, approved by all regional networks of justice (COMJIB, CJI, AIAMP), tax administrations (CIAT), and supreme audit institutions (OLACEFS);
- c) Rules for the employment and social inclusion of persons deprived of liberty (Ministries of Justice);
- d) Regional model for the prevention of violence and crime with a comprehensive approach; and
- e) Coordination mechanisms to reduce barriers to access to justice.¹³

In-Country Dialogue Among Different Actors

Although EUROsociAL is designed to work with governments and facilitate intergovernmental exchanges between Latin America and Europe, it also promotes cooperation with—and between—national judiciaries. But there are other actors whose participation is valuable in improving social cohesion: parliaments, civil society, social partners, and the private sector.

The Honduran ESC: The Search for Dialogue and Agreement in Times of Crisis

From 2009, after a period of strong political instability, dialogue and consultation have emerged as crucial areas to reinforce democratic governance in Honduras. To address these challenges, the Economic and Social Council (ESC) began a strengthening process with the mandate to carry out, amongst others, the monitoring of the “Great National Agreement for Economic Growth with Social Equity.” In this context, together with the promotion of a culture of dialogue, it was considered essential to raise the legal status of its

constitutive legal framework and update its bylaws.

EUROsociAL promoted the initiative through a cycle of experience exchanges between the Honduran council and its counterparts in Spain, France, and Brazil, as well as the European Economic and Social Committee (EESC). In January 2014, the National Congress of Honduras approved the ESC law.

The Honduran council now has greater stability and certainty and is capable of initiating actions to address important challenges such as the search for consensus in key areas like the legal framework for the national system of continuing and professional education or social security reform.

Private Sector Participation: Three-Way Cooperation to Extend Employment Services in Colombia

EUROsociAL has supported the Colombian Ministry of Labour to create a new management system integrating the mediation function with other services related to active labor market policies. This new system has facilitated the involvement of the private sector more systematically and effectively.

With the support of EUROsociAL, the Ministry of Labour, Employment, and Social Security of Argentina shared its experience using the technological platform of the Employment Services Network. This platform originated from Italia Lavoro, who assumed a key role in training Colombian Ministry of Labor staff, thus showcasing an interesting triangular cooperation.

This platform and the staff training have helped to increase the number of employment offices from 35 to 250. Consequently, the new Employment Agency was created, which is a crucial institution that has provided the offices with common procedures and uniform quality standards.

Promoting Interpersonal Dialogue: The Use of Alternate Dispute Resolution Mechanisms (ADRM) in Nicaragua

In Nicaragua, citizens have access to mechanisms that allow them to resolve conflicts that arise in their daily lives, without going through formal judicial processes, through the mediation of professionals. This is a means to greater community cohesion, to bringing justice to citizens, and to building trust in institutions.

To accompany Nicaragua in promoting the use of ADRM, EUROsocial has supported the elaboration of an outreach strategy with participatory methodology that allows citizens to be actively engaged in solving their differences and disputes and to contribute to a culture of peace.

As with other cases, the process started from a regional perspective and developed nationally with the adoption of a common conceptual framework for the creation of national strategic plans. Currently, Argentina, Honduras, Costa Rica, Paraguay, and Peru have adopted national plans, and Brazil has advanced in its design. In parallel, the participating countries are feeding into the “Latin American map of ADR” virtual platform of best practices in the region.

Institutional Dialogue: Linkages and Coordination to Address Cross-Cutting Issues

Social issues do not correspond neatly to the fields of public policy—justice, health, etc. The problems in complex societies are sophisticated, multifaceted, interconnected, and cross-cutting. Tackling them requires well-oiled dialogue, communication, and feedback mechanisms amongst policymakers in order to find and implement comprehensive and effective solutions.

Support to Women Victims of Gender Violence in Honduras

In particular, gender violence is a complex phenomenon and responding to it requires taking a holistic perspective involving health, security, employment, justice, and educational institutions. It is also a challenge shared by Europe where gender violence prevalence is not so different. The origin has a common base, a culture in which men are entitled to control women including through violence.

To address this issue, Honduras has initiated a process of interinstitutional, intersectoral linking that includes civil society organizations coordinated by the judiciary. It is an important step in the implementation of a national policy of access to rights, particularly for women victims of domestic and family violence. EUROsocial has accompanied this process, and as a result CAPRODEM (Centre for the Care and Protection of the Rights of Women) has been opened. The program has also supported the design and implementation of a protocol for comprehensive care to women victims of violence. This protocol sets up standardized guidelines to be followed by each institution involved (judicial, police, tax, health, social, and education) to improve the prosecution and punishment of acts of violence against women, as well as provide them with comprehensive assistance and protection in order to prevent secondary victimization. It seeks to bring a quick response to women victims through an effective referral system. This requires a sophisticated exercise in coordination, which is supported by operating protocols.

Quality of Spending for Social Cohesion: Budgeting for Results in Peru

No tax is legitimate if government spending is not effective, efficient, and equitable. Citizens must be able to perceive that what is spent is generating

results, improvements in public services and therefore in their quality of life. The implementation of performance budgeting in Peru since 2007 is a momentous reform to improve the management of public resources, and EUROsociAL is supporting some of its elements.

Budget reforms are usually long, expensive, and difficult to implement; they require new procedures and skills and often a new culture. One of the prerequisites is coordination between the different actors involved in the planning and budget processes. This not only involves the Ministries of Finance and Planning (when separated) but also the sectoral ministries (horizontal coordination) and the different territorial levels of government (vertical coordination). EUROsociAL is supporting this joining up from different angles, including public finance, social policy, and regional development.

Fiscal Responsibility, Training, Employment, Formal Economy: The Case of Accounting and Tax Support Centres (NAF)

Accounting and Tax Support Centres are an initiative of the Federal Revenue of Brazil that, with the support of EUROsociAL, has been exported to several other universities in Latin America. Economics and business students from universities carry out tax consulting practice that offers their services to low-income people in order to help them with any management, accounting, and tax paperwork that needs to be formalized or to assist them during the early stages of setting up their small businesses. It constitutes a model of university social responsibility whereby links between the different actors are strengthened: the Tax Administration, which fulfills its role in raising tax awareness; the university, which offers practical knowledge to its students and strengthens its ties with the community; and the students, who benefit from the training and fulfill

a social function for the poorest citizens who receive their support.

Since 2013 and within its remit for tax education, EUROsociAL has promoted the creation of the Accounting and Tax Support Centres (Núcleos de Apoyo Fiscal, NAF) with the support of the Federal Revenue of Brazil, has extended them to Honduras, Chile, and Costa Rica, and has already signed agreements to open centers in El Salvador and Guatemala. In Mexico, they have had a significant success, with fifty-six universities in thirty federal states using this model.

Conclusion: Dialogue as a Transforming Element and a Catalyst for Change

Social inequality and vulnerability make the aim of improving public policies for social cohesion especially relevant, and to achieve that goal, horizontal cooperation and peer exchange are ideal tools. There is a need and an interest in cooperation between Europe and Latin America in this regard.

With specific examples, EUROsociAL shows a pragmatic way to support public policy for greater social cohesion through a results-oriented cooperation. Its success rests on the fact that, given a desired reform or change (result) as identified by policymakers (ownership), the perspective of the path taken by other “peers” and their successes and failures inspire and encourage change, occasionally bestowing international legitimacy on the reform.

Policy dialogue between equals is therefore a catalyst and an incentive for change. However, large reforms are not always needed; indeed, often, incremental improvements that make policies more effective are sufficient. Thus, the mere opening of a dialogue between institutions can be invaluable. The role that Latin American institutions have demanded of EUROsociAL has often placed the

program in the position of facilitating dialogue and coordination between both public institutions and other actors.

Providing quality dialogue between European and Latin American institutions builds and consolidates the necessary trust to drive change processes forward, pointing to a more sophisticated cooperation of mutual support that is suitable for middle-income countries, particularly in Latin America, a region that has put the objectives of social inclusion and equality squarely at the heart of the public agenda.

Endnotes

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¹³ For more information about the EUROsocial regional component, visit: <http://www.eurosocial-ii.eu/en/pais/regional>.

Housing and Urban Reconstruction Process in Chile After the 27F 2010 Earthquake

Principles, Experiences, and Lessons

BY RODRIGO PÉREZ MACKENNA AND JUAN DOMINGO RIESCO



Rodrigo Pérez Mackenna is a civil engineer with a degree from the Pontifical Catholic University of Chile and an MBA from IESE, University of Navarra, Spain. He has had a long investment banking career working for institutions like Citicorp, Bankers Trust, and Deutsche Bank—for the latter, acting as country head in Chile and Mexico. From March 2010 to April 2011, he was the governor of the Bernardo O'Higgins Region, leading the government's rebuilding housing process after the earthquake and tsunami of 27 February 2010. From April 2011 to March 2014, he was the Minister of Housing and Urban Development, leading the six-region reconstruction of 220,000 houses that were severely damaged as well as improving Chile's housing and urban ministry policies. From November 2012 to March 2014, he was also the Minister of National Property. Official duties included the promotion and coordination of the actions of both ministries and the execution of the National Property Ministry's projects and activities. He has taught as a professor of costs and economic accountability as well as finance at the Pontifical Catholic University of Chile, Finis Terrae University, and Los Andes University.



Juan Domingo Riesco is a commercial engineer and economist with a MSc in economics from the Pontifical Catholic University of Chile and is a 2016 MPA candidate at the John F. Kennedy School of Government at Harvard University. He worked as an adviser to the governor of Santiago, as part of the President's Delivery Unit, as coordinator of the Committee of Ministers of Infrastructure, City, and Territory, and as chief of staff to Minister Pérez Mackenna in National Property.

Abstract

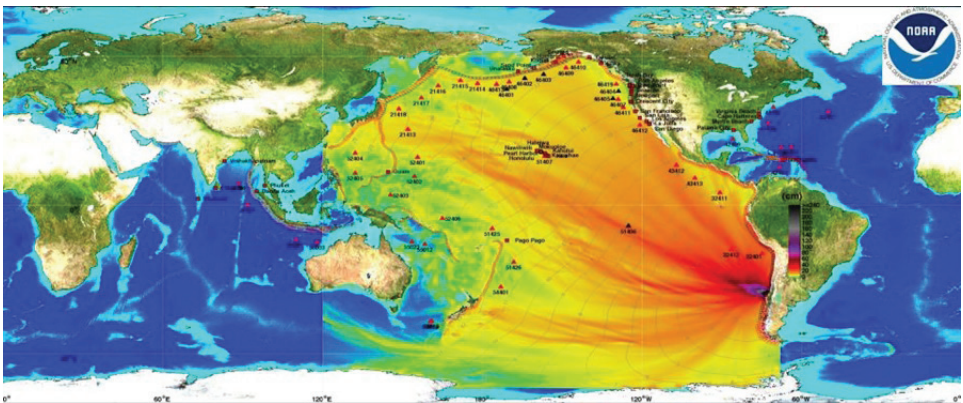
Throughout its history, Chile has been hit by different natural catastrophes: earthquakes, tsunamis, and volcanic eruptions. On 27 February 2010, less than two weeks before President Sebastián Piñera took office, the sixth largest earthquake and tsunami registered in world history struck the country, with economic damages valued at 18 percent of the GDP. The president faced the disaster by putting resources and his political capital toward solving the reconstruction process in his four-year term, having as a goal not only to finish the process but to use it as an opportunity to build a more resilient country. For the Ministry of Housing and Urban Development (MINVU), the challenge was to rebuild the equivalent of the second largest city of the country—but dispersed over 400 miles of territory—and generate the framework to reconstruct safer and more liveable cities. The ministry took both a top-down and a bottom-up approach, leading the process and giving the families and different stakeholders the opportunity to suggest, contribute, and decide their housing solutions. The conjunction of ideas and practices in the Chilean case provide several examples of public policy innovation. In March 2014, when President Piñera left office, more than 90 percent of the process was completed.

Introduction

The 8.8 earthquake started at 3:34 a.m. on 27 February 2010, and thirty minutes later, consecutive tsunamis with waves up to almost one hundred feet hit the coast. The area affected is inhabited by almost 13 million people, 76 percent of the Chilean population, and is made up of 400 miles along the Chilean coastline with central valleys that have more than 50 cities and 900 towns. As a result of the

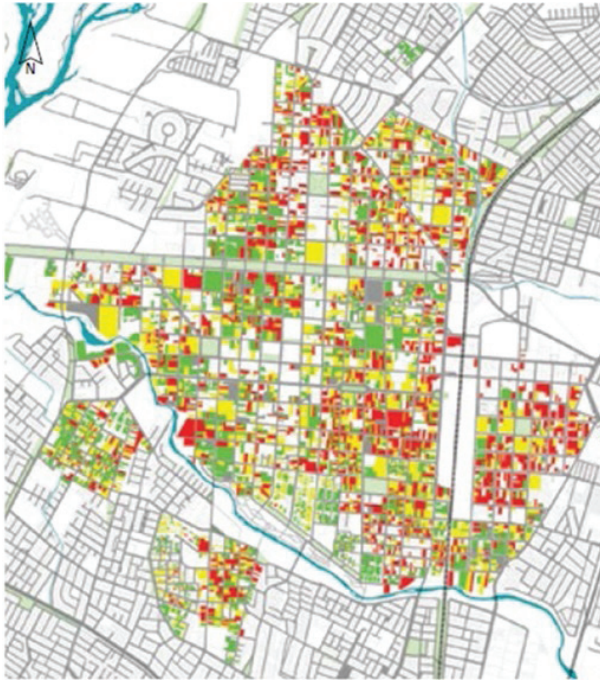
disaster, 524 people died, and 31 are still missing; 69 percent of the municipalities were affected; 370,000 houses were devastated or damaged; 75 percent of the national health network was affected, destroying seventeen hospitals and severely damaging forty others; one of every three schools located in the area of the catastrophe (4,538 schools and 1,250,000 students) were unable to start classes; more than 2,000 points of roads and public infra-

Figure 1—Scope of the earthquake.

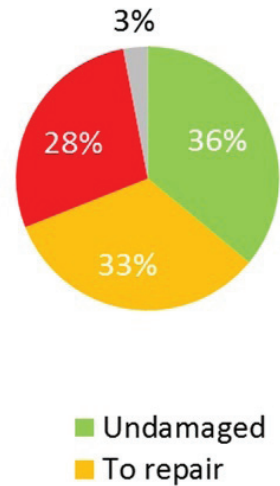


Source: NOAA

Figure 2—Talca (250,000 inhabitants, Maule Region) diagnosis.



Source: Reconstruction Plan



structure were destroyed, as well as two major ports and twenty-eight fishermen's coves. The total losses were calculated to \$30 billion, equivalent to 18 percent of the nominal GDP. In relative terms, it would be equivalent to \$2.7 trillion in economic losses in the United States, more than twenty times greater than Katrina.¹

The response was designed in two phases. The emergency phase was a four-month process focused on helping those affected, burying the dead, finding the missing people, attending to those injured, setting up emergency hospitals and housing, reestablishing basic services and connectivity, and recovering the economy. At the same time, it was designed as a reconstruction plan with the ambitious goal of rebuilding what the earthquake and tsunami had destroyed. Hence, the reconstruction phase focused on providing permanent solutions in the long term. The challenge was not only the physical

recovery but also the social reconstruction for the people affected.

Organization of the Reconstruction Process

The reconstruction process was thought to have two main goals: one quantitative, to rebuild the entire infrastructure in four years, and one qualitative, to use the catastrophe as an opportunity to generate a more resilient country.

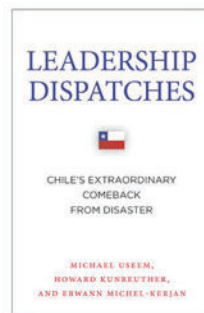
Structure and strategy were critical. At the beginning of the process, there was a debate about whether the normal state structure was enough to execute a successful reconstruction plan or if it was necessary to create a special powerful authority. Ultimately, the president chose a course that proved to be wise. He decided to use existing institutions to innovate well-known tools. The rationality behind the decision was that under unusual pressure, it was much easier and would act

as a way to strengthen the institutions to work in the same way ministries usually do, trying to streamline processes through fast-track laws and simplified procedures. Hence, the execution of the process was the responsibility of each ministry/regional government, and the coordination and management control was responsible for a team in the Office of the President (Delivery Unit). The strategic and communicational decisions were made by an existing Committee of Ministers (Infrastructure, City, and Territory). Given that Chile has a matrix structure—ministries have regional authorities that report both to the minister and to the governor—the accountability and follow-up were made at both levels. This structure made the process fluid and saved a large amount of setup time because a new structure did not need to be created. In Chile, this alternative superstructure would have required legal change to have a real impact (due to budget allocation and real political attributions) that in a highly politicized environment would have meant a huge delay.

The Reconstruction Plan was launched six months after the earthquake, following an important gathering of information and the identification of objectives, challenges, goals, actions, and responsi-

bilities. To monitor the process, the plan was designed to have a biannual public report with the aggregate advance of the plan under the charge of the president's Delivery Unit. The report not only laid out the overall advance in each of the sectors with their responsibilities but the specific strategic goals of each of the sectors as well. In total, there were seven strategic objectives, forty-three quantitative goals, and thirteen out of twenty-two ministries were involved. The president himself was the one that delivered the information in public accounts, and there were also sectorial and regional reports that were published regularly. In the case of the Ministry of Housing and Urban Development (MINVU), there were monthly public reports at regional and municipality levels and a web page with all the details and the status of each of the projects. This reporting system provided not only transparency, but 1) stringency in the delivery, due to the accountability from the ministries and the regions; 2) reaction capacity, considering that gaps between estimations and reality were permanently monitored; and 3) an important compromise of all parties, as each of the sectors involved assumed responsibility.

Figure 3—Four weeks after the earthquake, MINVU published the Reconstruction Plan and the Budget (\$2.5 billion for 200,000 houses), which was ultimately slightly higher; The biannual Delivery Report from the Chilean presidency; Leadership Dispatches, Stanford University Press book about the comeback from the earthquake.



Source: MINVU, Chilean Presidency, La Segunda, Stanford UP

Not only was the accountability itself—the hard numbers, the technical solutions, and the transparency—important but also the way the process was framed, explaining how challenging it was. For this, two different tasks needed to be done. The first task was to contextualize the numbers. A number itself means nothing if it is not compared with issues that people can imagine. In housing, for example, building 220,000 homes was the equivalent of constructing all the houses of the country's second biggest conurbation, Greater Valparaíso—or all the houses combined of several middle-size cities in Chile—but dispersed over four hundred miles of territory. The second task was to communicate real stories, to show the human face of reconstruction. In the case of the Ministry of Housing, besides the 220,000 housing solutions, there were more than 800,000 people with problems, needs, and hopes. MINVU created “Historias de la Reconstrucción” (Reconstruction Stories), where videos, pictures, and testimonials are recounted of the victims and all the people that helped in the process: municipalities, regions, ministries, congressmen, NGOs, private companies, and civil society.

Lastly, President Piñera thought that it was important not just to complete a physical reconstruction but also an economic and moral one. The earthquake damaged the infrastructure and also affected widely the sustainability of the economic activities of several places. For example, it was difficult to think of a way to boost optimism in coastal areas wiped out by the tsunami that depended on bringing back tourism for recovery. One of the most representative initiatives was in Dichato, a town with a population of 3,000 in the Biobío Region. To stimulate the ailing tourism industry, in 2012, a huge music festival called “Viva Dichato” was organized, with well-known artists and TV broadcasts nationwide. The festival

was financed by the private sector, was a great success, both in attendance and TV ratings, and has been organized annually ever since.

Principles, Challenges, and Opportunities of Urban and Housing Reconstruction

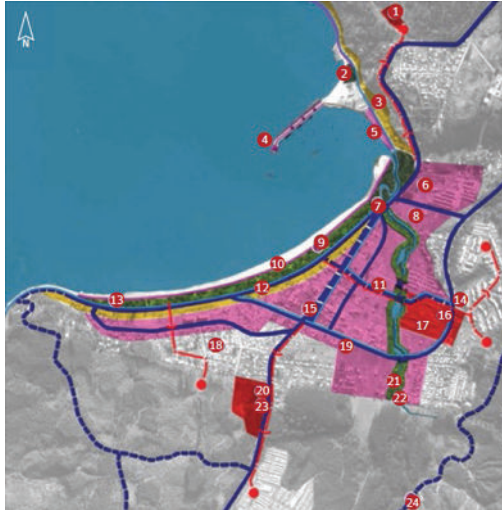
Urban Reconstruction: Resilient Cities

The reconstruction process was an opportunity to create resilience through strategic planning for the most damaged places. According to UN-Habitat, “what makes a natural event a disaster is the degree of vulnerability, meaning the extent to which a geographical area, community, or structure is capable of addressing the negative impacts of the event.”²

The idea was to study the strengths of the system, as well as the needs and the methods of implementation. The urban reconstruction plan consisted of four different kinds of initiatives. First was the elaboration of studies and risk models. The ministry performed fifty-two risk studies for the damaged locations—these were given to the municipalities in order to change their urban plans accordingly³—that identified risk zones and defined land use restrictions depending on the degree of vulnerability of each sector. Second, 138 master plans were created as instruments of land management. These plans allowed for a better decision-making process, a broader integration of the community through citizen participation, the generation of a portfolio of prioritized projects, and a common vision of long-term development. In the four years, sixty mitigation works were completed, mainly public spaces with an aim to enhance the preparedness and resilience to face catastrophes in the future (e.g., embankments or parks). The third initiative was to analyze and update the building standards, developing a technical regulation for tsunami

resilient design and allocating special subsidies for this goal. Lastly, escape routes and safe areas were created in most coastal areas, and education and early warning protocols were also enhanced.

Figures 4 and 5—Master plan.



Source: Government of Chile

Image 1—Reconstruction, tsunami resilient houses in Dichato, Biobío Region.



Source: MINVU

Images 2, 3, and 4—Constitución, Maule Region. The pictures show the city before the earthquake, after the earthquake, and how it might be in the future once the Master Plan is implemented. The park adjacent to the river is not just a risk zone but a mitigation work—trees help to minimize the impact of a tsunami by increasing resistance and slowing the speed of it.



Source: MINVU

Housing Reconstruction: Focusing on People

Housing reconstruction was probably the biggest challenge. The size, dispersion, and variety of problems—ranging from large, low-quality condos to mud-brick heritage houses in small towns to coastal houses exposed to the tsunami to rural, old homes—made it a difficult task. In addition to all these technical problems was the human drama of having a lost or damaged family house.

The government support reached the affected eligible people with a social security number that had lost their houses. It resulted in 222,000 repositions and new houses.

The main quantitative goal was to finish the housing reconstruction in the four-year government period, with several intermediate goals that allowed for fulfilling the general objective (e.g., allocation of all the subsidies before December 2011, beginning all the constructions before the end of winter 2013, etc.). The challenge was quite demanding if we analyze

other international cases, even including countries with as large a response capacity as the United States.

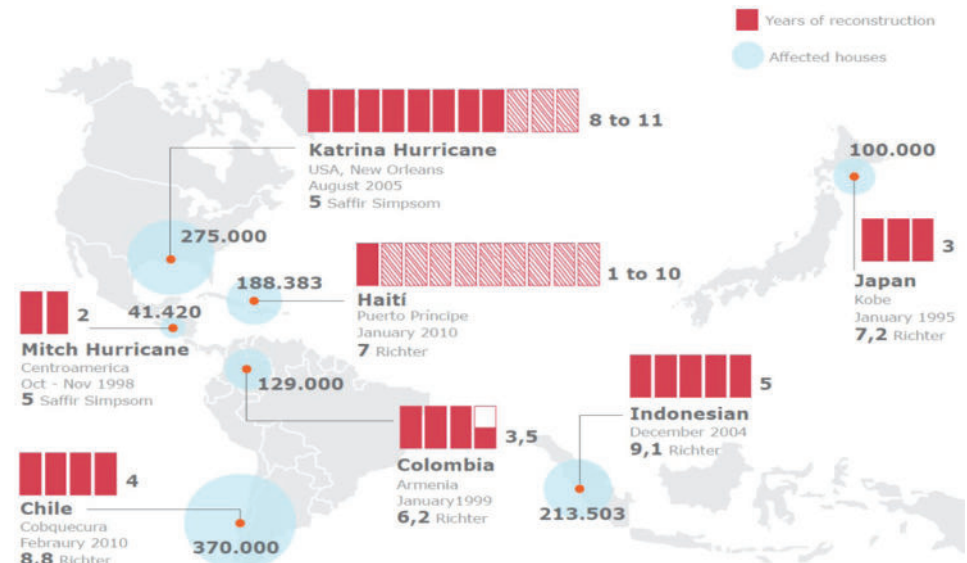
In addition to the quantitative goals, the reconstruction aim was to establish better qualitative conditions of life for affected people. For that, five main principles were established that dominated the housing process.

The Government Has To Lead Through an Articulated Process

The first principle was that it is necessary to utilize the resources, synergies, technologies, and knowledge of all the stakeholders, engaging communities, the private sector, and civil society.

The program was based on subsidies on demand rather than on supply and articulating the efforts from different sectors. From the private sector, it was through fostering competition and using flexibility and creativity to the benefit of affected citizens. From the families, organizations, and communities, it was giving them the chance to participate, propose, and choose, incorporating in all instances of

Figure 6—International comparison.



Source: Reconstruction Plan

citizen participation. Lastly, from the state, it was incorporating all levels (Congress, ministries, regional governments, and municipalities) in the process and giving responsibilities depending on the competitive advantages of each party (e.g., public policy proposals by the ministry, political management by the governor, etc.).

Emphasis on On-Site Construction

The second principle was to respect people’s attachments, networks, and communities by keeping families in their places. With this, they do not only maintain their access to jobs, family, and friends but were able to monitor and help in the reconstruction process. From the 222,000 houses of the Reconstruction Plan, approximately 167,000 (or 75 percent) correspond to individual projects.

Even though it could have been much easier, cheaper, and faster to build big sets of houses in greenfield sites in the periphery of the towns and cities, the harder path was chosen because President Piñera was confident that in the long term it would be more socially sustainable to allow families to return to normal in the most natural way possible. For Mary Comerio, an earth-

quake engineering specialist and professor at the University of California, Berkeley, this was the single most important decision of the process.⁴

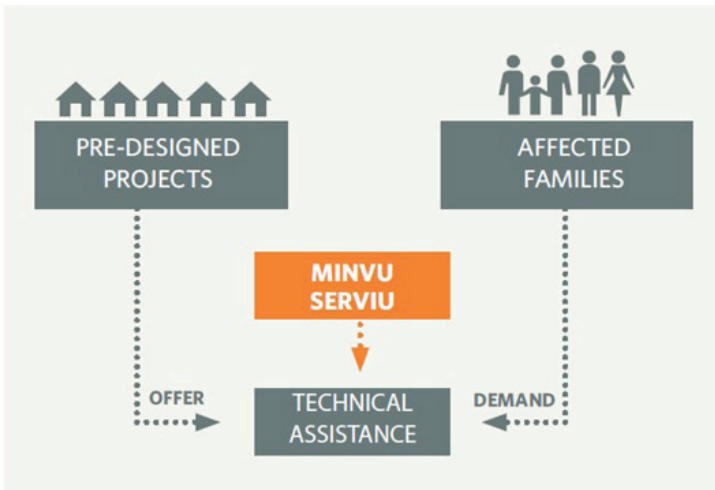
Focus on Damaged People

The third principle was to focus on damaged people, not on damaged housing. The reconstruction process was used as an opportunity to give solutions not only to the owners of the destroyed properties but also to the vulnerable families that were renting or living with others (both in the case of those without papers and the nonrenters that were sharing the damaged house with other family). For that, 52,000 houses were built for tenants or relatives, helping to reduce the housing deficit of the country.

Free to Choose

The fourth principle was that families have to have the possibility to participate in the election of their houses. The normal way in which the subsidies were allocated was modified. Instead of having families applying to the ministry with a defined project, the supply was split with the demand. On the one hand, the construction

Figure 7—System of matching supply with demand.



Source: MINVU

Figure 8—Some examples of precertified projects.



Source: MINVU

companies were invited to bid on housing models that they were willing to build in geographically dispersed places; on the other hand, the families applied directly to the ministry. Then, families can choose or vote (in the case of a housing complex).

The model allowed the families to select the construction company. As a consequence to this, construction companies had to compete, which incentivized them to improve their bids and search for differentiating factors (e.g., space, rooms, equipment, finished details, etc.). The process was very successful, creating more than 200 housing models (but giving the families other individual alternatives as well) and increasing the average size of houses, for the same price, by 20 percent.

Given the Diversity of Problems, Deliver a Battery of Solutions

We could say the financial principle of portfolio diversification was applied to the plan. The problems were several, different in scale, natural and economic; the time was short, and the process had a participatory nature: the kind of damage, the

geographical situation, the capabilities of each of the local governments and municipalities, and the types of communities and cultures. As it was impossible to aggregate the demand, the aim was disaggregate the supply. Hence, the ideal solutions were ones that could address in the best way the processes and different approaches that take into consideration all these variables. It made sense to diversify solutions.

Mary Comerio states that the Chilean reconstruction process has “combined both ‘top-down’ and ‘bottom-up’ approaches, providing government leadership and funding along with community empowerment in decision-making.”²⁵

One example of a bottom-up policy was the “Do-it-yourself” (DIY) subsidy, where the beneficiary assumes the leading role in building the housing solution, always with technical support. This solution addressed two different issues: 1) it reached places where the construction companies were not getting, and 2) it respected the traditional way houses in rural communities tend to be built, engaging citizens with the process, valuating their

Figure 9—Battery of solutions.

Problems Approach	Repairable House Land Owner	Non-Repairable House Land Owner	Non-Land Owner
Self - Lead Community level	Bank of Materials	Subsidy for acquisition or construction DIY-Construction	Acquisition Subsidy
State - Lead Government Level	Social Condominiums Repair Program (major damage)	Social Condominiums for demolition	New Developments
Third Party - Lead Intermediate level	Repair Subsidy	Pre-Certified Houses	Urban Densification Renovation Program

Source: Reconstruction Plan, MINVU

Image 5—Before and after at a patrimonial house in O'Higgins Region.



Source: MINVU

Image 6—Challenges in rural areas in Faena Sector Rafael, Biobío Region.



Source: MINVU

Image 7—Different solutions for different problems, Mingatek company.



Source: MINVU

Image 8—Shaun Donovan, United States Secretary of Housing and Urban Development, visited Chile in 2014 to oversee the reconstruction process. He made valuable contributions and observations and helped before and after in the development of the new lease policy.



Source: MINVU

capital and participation, and generating citizen empowerment.

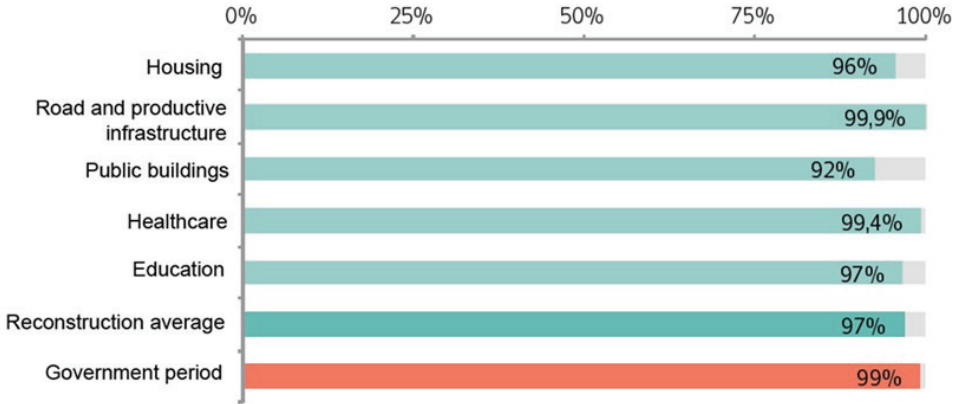
One example of a top-down solution was the reconstruction of housing complexes for the most vulnerable groups and the socially more difficult cases. In this approach, the state assumed its subsidizing role, participating directly in the implementation of the solution. The problems were many: 1) there were families with more than one property, so they were not recipients of subsidy; 2) current standards implied that it was necessary to reduce density, and consequently, some families needed to leave the place; and 3) every ballot to make decisions in the co-property needed the approval of 80 percent of the inhabitants. Overall, the multidisciplinary teams of the ministry helped to articulate solutions that respected the will of the families.

Lastly, there were also intermediate solutions where entrepreneurship and innovation played a key role. For example, to address the reconstruction of houses that were in scattered sites, certain models of houses were designed that were built completely in a factory and then transported by trucks to their final destination. That had never been done before in Chile.

Results and Takeaways

The last public account was made by President Piñera in Concepción on the fourth anniversary of the earthquake in February 2014. Overall, considering all the different areas, the progress of the reconstruction process was more than 90 percent. In housing, 199,000 houses were repaired or built, and 22,000 were under construction. Only 0.2 percent (495) of the housing solutions were still pending to start reconstruction.

Figure 10—Reconstruction on the fourth anniversary of the earthquake.



Source: Chilean Presidency⁶

Figure 11—Housing reconstruction on the fourth anniversary of the earthquake.



Source: MINVU

The main takeaways from the process are:

1. Look at the nature of the problems to decide the best solutions, generating incentives to decentralized responses by many agents. It is not possible to fulfill a reconstruction process of this magnitude without incorporating all stakeholders: the private sector, NGOs, the public sector at all levels, civil society, and communities. Their engagement is needed when there is a huge demand of knowledge, technology, and synergies and when there are many realities and problems for a centralized solution. Many great ideas and projects emerged from this interaction.
2. It is key to have a strong leadership that can respond and guide the process. President Piñera was a key actor: a) facing the catastrophe actively, assuming the responsibility, and putting forward his political capital and the funds to solve the problem; b) establishing challenging goals, tight accountability, and important follow-up; c) empowering and giving responsibility to the different sectors, ministries, and regional governments; d) making hard decisions in order to achieve a long-term, sustainable reconstruction; and e) using as an asset the strong institutional framework of the country and giving flexibility when it was possible. New structures that demand legal changes would have delayed the beginning of the process and would have added great uncertainty to the execution capacity of a new structure.
3. Any reconstruction process must be focused primarily on the damaged people. A long-term, sustainable process needs to understand

people's drivers, motivations, and necessities. Empowering them and letting them decide on and participate in the process is not only fair but guarantees a better outcome.

4. A catastrophe like the 2010 earthquake can be taken as an opportunity to improve the resilience of a country.

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- ³ In Chile, the municipal plans are the responsibility of the municipalities, who normally receive technical support from the ministry.
- ⁴ Mary C. Comerio, "Housing Recovery in Chile: A Qualitative Mid-Program Review," Pacific Earthquake Engineering Research Center, February 2013, 8.
- ⁵ *Ibid.*, 36.
- ⁶ The progress for housing has been calculated by: 50%* projects launched less those completed by the total + 100%* of the projects completed by the total.

Alternative Education Programs

A Force to Address Ecuador's Poverty, Child Labor, and Economic Development Challenges

BY NICHOLAS KANG AND ROBIN PHILLIPS



Nicholas Kang is a second-year Master in Public Policy student at the John F. Kennedy School of Government at Harvard University and a Belfer Center International and Global Affairs fellow. Among other interests in refugee studies and Arctic governance, Nicholas has a particular connection to child rights and Ecuador, established in May 2014 when he was asked to go to Ecuador and film a documentary on working children. This experience left him with a desire to spark a new dialogue about the complexity of child labor, especially in regard to its interactions with family economics, child labor laws, and economic development.



Robin Phillips is a middle school teacher at East Boston's Excel Academy, one of the highest ranking middle schools in Massachusetts. Prior to teaching at Excel Academy, Robin spent two years volunteering as a teacher at el Centro del Muchacho Trabajador, where she saw firsthand how alternative education programs that were catered towards the needs and assets of working children and their families could transform lives. Robin is a graduate of Boston College where she majored in education and mathematics.

Abstract

While there is a growing awareness of the complexities of child labor issues in developing nations, countries like Ecuador have maintained a space for NGOs to develop innovative solutions that satisfy the best interests of the child, the necessity of meeting a family's basic needs, and the country's overall development agenda. One such NGO, el Centro de Muchacho Trabajador, has been a leader in this space, running educational and vocational programs for working children for the past fifty years. However, challenges with fundraising, a dearth of research, and political hurdles continue to threaten the very existence of such organizations.

THE INTERNATIONAL LABOUR ORGANIZATION (ILO), UNICEF, the US Department of Labor, and others have criticized Ecuador for its lack of protection of children engaged in labor. Specifically, they have urged Ecuador to address its problem of children engaging in the worst forms of child labor, which include commercial sexual exploitation as a result of human trafficking, work as drug mules, forced begging, and recruitment of children by Colombian nonstate armed groups. However, these criticisms have generally lacked leverage and legitimacy for two reasons. First, the arguments made are based off of loose definitions. For example, according to the US Department of Labor, street vending and child prostitution are equally weighted under the same definition of “the worst forms of child labor.” Second, the arguments ultimately fail to recognize the complexity of the context of the country of debate, in this case Ecuador. While the criticisms drone on, a unique space continues to exist for NGOs to develop and establish innovative programs to address issues of child labor, education, poverty alleviation, and economic development.

Child Labor in Ecuador

A large majority of children who are working in Ecuador participate primarily in the informal sector as agricultural

workers, street vendors, prostitutes, and beggars, all of which fall under ILO's definition of child labor: “work that deprives children of their childhood, their potential, and their dignity, and that is harmful to physical and mental development.”¹ Each sector has its own unique pull factors that influence child labor. However, there is one that is common among all of them—child labor is cheaper.

The number of Ecuadorian child laborers has seen a commensurate decline with dropping poverty rates. In Ecuador, the poverty headcount ratio at national poverty lines dropped by 20.1 percentage points from 2001 to 2008.² The number of children working dropped by an estimated 24 percent over the same eight-year period.³ However, according to UNICEF, 6 percent of Ecuadorian children between the ages of five and fourteen continue to engage in some form of child labor.⁴

There are three key complexities that muddle the child labor debate in Ecuador. First, a zero-tolerance strategy and effective enforcement on illegal child labor leads to one of two negative results: the child's family can no longer meet its basic needs, or it will push the children into working behind closed doors, becoming more susceptible to more serious types of exploitation and/or abuse. In such cases, poorly designed enforcement mechanisms simply exacerbate the problem. Second, child laborers lack the time and resources

for an education, yet there is strong evidence that education plays a crucial role in individual earnings. Therefore, in order to ensure working children can access the labor market and earn a livable wage, they must attain as high a level of education as possible. Lastly, adolescent vocational training is generally seen as dangerous for putting children at risk for no reason while it is the only opportunity to equip children with the skill sets needed to become financially independent upon entering adulthood.

Ecuador's Domestic Policy to Address Its Child Labor Issues

The government of Ecuador recognizes the challenges it is facing. To this date, Ecuador has signed and ratified all major conventions on child labor, including the Convention on the Rights of the Child and its optional protocols and ILO Conventions 138 and 182 on Minimum Age and the Worst Forms of Child Labor.⁵ Many of these ratifications have been constitutionalized and embedded into national labor laws.

It is important to note that Ecuador supports the eradication of the worst forms of child labor. However, they do so with one caveat: they only target the forms which they deem the most inherently exploitative, including commercial sexual exploitation, human trafficking, drug trafficking, forced begging, and recruitment of children into armed groups. The forms of child labor that Ecuador does not target as intensely include street vending, shoe shining, and family work because they are considered less exploitative, less dangerous, and more susceptible to negative externalities of stricter enforcement mechanisms.

To address the more egregious acts of child labor, the Ecuadorian government has passed various policies and implemented a number of government programs in the past two decades.

Among its most recent policy initiatives are the 2005–2013 National Plan for the Progressive Elimination of Child Labor and the National Plan to Combat Human Trafficking, Sexual and Labor Exploitation, and other Forms of Exploitation.⁶ As part of the 2005–2013 National Plan for the Progressive Elimination of Child Labor, major reforms of the national labor code were implemented. These reforms included improvements of “regulations on employing adolescents, measures to protect children and adolescents, illegal labor activities, preservation of the minimum age, definition of salaries and remunerations, limits to adolescents’ work schedules, sanctions, and inspections.”⁷

As a result of these policies, progressive improvements have been made in the fight against child labor but also in the areas of law, social services, education, health, employment, and family. From 2008 to 2013, the policies have contributed to a consistent reduction in the number of children working, from over 11 percent in 2008 to 8.5 percent in 2013.⁸ With continued support and development of these policies and programs, Ecuador is on pace to be child labor-free by 2030.

NGO-led Alternative Education Programs

It is important to recognize that NGOs may have also had a major impact on the decline of child labor in Ecuador. Whether intentional or not, the Ecuadorian government’s laissez-faire approach to some forms of child labor has opened a unique space for NGOs to develop innovative solutions to the challenges of child labor and poverty alleviation. Among the most promising of these practices are those that have transformed the idea that “work is a vulnerability” to “work is a value” and integrating this value into alternative education programs and family-centered services.

In Ecuador, such alternative education programs for working children and their families have existed since the 1960s. The longest running of these NGOs is the Working Boys' Center (el Centro de Muchacho Trabajador, or the "CMT").

The CMT is founded on ten core values, but among the most evident in its services are family, education, economics, savings, and work. Serving over 2,000 people per year, the CMT offers a three-pronged approach to working children: education, work, and vocational training.

By giving working children an opportunity to both study and work, the CMT provides them the chance to further their education, prepare for a broad list of employment options, and strengthen their interpersonal skills. In almost all cases, these children leave the CMT being the first in their families to be able to read, write, and do basic arithmetic.

Allowing students to continue to work is key because the livelihood of their families depends on it. Further, it provides the children a sense of self-worth and family importance. For example, a family of seven with parents earning two incomes in the informal economy is not enough to cover basic living expenses; therefore, it is a necessity for the children of that family to contribute anywhere from 20–40 percent of the family's income. In these situations, many of the children take pride in their contributions to the household income, instilling them with the value of work, family, and money.

It is important to note that the work of the children must comply with a set of standards set by the CMT. These standards include that it cannot exceed two half-days throughout the school week; the work must be in a public setting, thus being safer; they are not allowed to beg for money (they must be buying/selling or performing some form of public service); and they do not work for anyone except themselves and/or their family (100 percent of their

profits go to savings or to assist in family necessities including rent and food).

Lastly, the vocational training programs that the CMT provides allow both the children and their parents to enter new labor markets with more livable wages. These programs include technical and experiential training in auto mechanics, industrial mechanics, carpentry, cosmetology, industrial sewing, plumbing, baking, and sales and marketing, all of which are high demand service jobs. At twelve years of age, children enrolled at the CMT spend part of their time at the center exploring the various trades taught. At thirteen years of age, the children select one of these trades and enter a three-year vocational training program to specialize in that trade.

On top of these core services, the CMT is a stepping-stone to a future career by matching graduates with local businesses. Due to this matching, 95.2 percent of the men and 83.5 percent of the women who graduated from the CMT are now working,⁹ which is drastically higher than the national average.

As a family-centered program with wraparound services, the CMT is developing children and adolescents with the technical know-how, work ethic, and life skills to succeed in the formal economy. As a result, it has become a powerful force in breaking the family cycle of poverty and eradicating child labor one generation at a time.

However, organizations like the CMT face challenges in three main areas: raising the funds necessary for their continuation and expansion; collecting the data, research attention, and evidence to legitimize its success; and overcoming the constant political hurdles driven by partisan politics or the common misperceptions of national, state, or municipal governments. These challenges cannot be addressed by the NGOs alone. Rather, organizations like the ILO, UNICEF, and

government agencies need to infuse both interest and capital into such programs to provide/produce the necessary research to prove such programs' success. However, to have the ILO, UNICEF, or an affluent government back such an initiative, they would ultimately need to rescind their past skepticism of Ecuador's approach to child rights and development—a formidable barrier to building legitimacy around alternative education programs for working children.

The CMT is one among a number of programs that exist in Ecuador and the whole of Latin America. El Centro de la Niña Trabajadora (CENIT) in Ecuador, and numerous other organizations under the Movimiento Latinoamericano y del Caribe de Niñas, Niños y Adolescentes Trabajadores (MOLACNATS) continue to provide similar programming for working children while also advocating for the rights of child workers.

Endnotes

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Dominican Republic

The Cost of Inaction for a Stateless Child Without Legal Identification

BY CRISTIAN N. MARTINEZ



Cristian N. Martinez is a Master in Public Policy candidate at the John F. Kennedy School of Government at Harvard University. Her career and academic endeavors root from her personal experience as a 1.5 generation Mexican-American. As a US Fulbright research fellow, she's had the great privilege of working with the Movement of Haitian-Dominican Women and the Caribbean Migrants Observatory in Santo Domingo, Dominican Republic. During her time in the Dominican Republic, she published and presented "A Walk in My Shoes: Discrimination in Access to Health Services for Women in the Bateyes." Then, during her time in the Department of State's Bureau of Western Hemisphere Affairs, she helped advance US diplomacy on racial and ethnic equality in Brazil and Colombia. Ms. Martinez received her BA in political science and international studies from the University of California, Irvine in 2010. Upon graduating from the Kennedy School, she looks forward to beginning her career as a US diplomat in September 2015.

Abstract

On 1 February 2015, about 140,000 children born in the Dominican Republic became stateless—not recognized as a citizen by any country. Of these children, 46,000 have no form of birth registration or identity documentation. The UN High Commissioner for Refugees (UNHCR) must respond as this crisis continues to unfold. Based on a cost of inaction analysis, the Dominican government will assume greater economic, social, political, and security costs to sustain the status quo than to provide these stateless children with a legal form of identification. The UNHCR should leverage these findings to garner the state's consent for an intervention. The UNHCR could implement a feasible two-year mobile birth registration program that serves up to 26,000 stateless children in the rural regions of the Dominican Republic.

The fifth largest stateless¹ population in the world today lives just off the coast of Florida in the Dominican Republic (DR).² Although 1 February 2015 marked the permanency of a statelessness status for nearly 200,000 people in the DR, of which 140,000 are children, the story began on 23 September 2013 when the Dominican Constitutional Court recommended new, extreme conditions for any person to qualify as a Dominican citizen. The court basically “retroactively deprived all children born to undocumented foreign parents since 1929 of their nationality.”³ Those who are now stateless are also predominately of Haitian descent (83 percent).⁴ The problem is massive, and UNHCR will be forced to determine a strategic plan of action. In the short term, UNHCR has to prioritize a subset of the stateless population. In this case, I argue UNHCR should prioritize the stateless children without legal proof of identity or place of birth because they are the most vulnerable of the stateless population and because based on a cost of inaction analysis they are also a beneficial group for the Dominican state to serve.

1 February 2015 was the deadline for those who were stripped of their citizenship on 23 September 2013 to apply for a naturalized citizenship through Naturalization Law 169-14. This situation is seriously illegitimate and unlawful. First, the DR does not have the authority to apply any law retroactively based on the Constitution’s Article 110 restraints.⁵ And secondly, as the Inter-American Court on Human Rights (IACHR) denounced, Naturalization Law 169-14 offers a naturalized citizenship to a “person that is already entitled to a nationality . . . [which therefore inhibits their] full enjoyment of that right.”⁶ The State also violated several articles that support the right to have a birth registration, a name, and a nationality, from human rights instruments it has ratified:

1. Article 15 of the Universal Declaration of Human Rights⁷
2. Article 5 of the International Convention on the Elimination of All Forms of Racial Discrimination⁸
3. Article 24, Section 2 and 3 of the International Covenant on Civil and Political Rights⁹
4. Article 20, Section 2 of the American Convention on Human Rights¹⁰
5. Articles 7 and 8 of the Convention on the Rights of the Child¹¹

Unfortunately, the international legal recognition of the State’s human rights violations has only created greater hostility against the stateless. Additionally, the Naturalization Law was discriminatory, exclusionary, and poorly implemented with a bureaucracy that turned thousands away, and few had access to the exhaustive evidence requested to prove their Dominican citizenship.¹² In the end, only seven thousand filed the necessary paperwork by the 1 February 2015 deadline and only a margin of these will be deemed as “qualified.”¹³

And since the start of the crisis, UNHCR¹⁴ has spoken against the situation internationally but has taken cautious actions within the DR. The UNHCR mission predominantly serves the refugee population from the 2010 earthquake in Haiti. And even though the DR welcomes UNHCR’s work with the refugee population, it has been resistant towards UNHCR’s work with the stateless.¹⁵ The mission is small with limited human and financial resources. UNHCR’s 2015 budget for statelessness programming in North America and the Caribbean is a mere US\$8.97 million.¹⁶ So even if the majority of the fund was earmarked for the stateless population in the DR, the funds would be insufficient, and the mission staff and local partners would be too few to run the programming

necessary for serving the entire stateless population in the country.

In the short term, UNHCR has to prioritize, and I recommend they prioritize the stateless children without legal proof of identity or place of birth. These children are the most vulnerable and based on a cost of inaction analysis they are also a beneficial group for the Dominican state to serve.

De jure stateless children without any proof of birth or legal identity may never gain or regain a nationality because they cannot prove—through traditional bureaucratic means—their legal existence. In the DR specifically, stateless children are at a higher risk of being without a birth certificate. Based on a national survey of foreign nationals and their children conducted in 2012 by the UNFPA (United Nations Population Fund), the EU, and the Dominican Statistics Bureau (from now on referred to as the 2012 Foreign Nationals Survey), an estimated 33 percent of children (ages 0–17) who are now stateless do not have a birth certificate or any other legal proof of identity—which is 1.5 times greater than the national average. A further analysis also exposes that stateless children from six to thirteen years old are also 2.7 times more likely not to be enrolled in school in comparison to their peers nationally. The Inter-American Development Bank also supplemented the 2012 Foreign Nationals Survey data findings when it reported that children in the DR without a birth certificate were 22 percent less likely to complete their primary education because they did not have a birth certificate.¹⁷ The study affirmed the causal link between having a birth certificate and whether a child completed their primary education.

Additionally, other institutions like UNICEF affirm that stateless children are at a higher risk of sexual exploitation, child labor, child trafficking, and participating in illicit activity. Long-term impacts

on stateless children may also include lower literacy rates, informal employment without access to safety nets like a formal work contract, health insurance, right to join a union, or worker's compensation. For example, the 2012 Foreign Nationals Survey analysis also exposed that the stateless between the ages of fifteen and twenty-four years old are also 2.4 times more likely to be illiterate than the average Dominican national. Stateless children are also likely to experience psychological trauma including increased anxiety from a threat of deportation, depression, and victimization. Thirty-three percent of these children (46,000) do not have any form of documentation, and if the rates remain constant, more than half of these stateless children without a birth certificate or legal form of identity are found in rural communities (>26,000). Rural children also tend to face more barriers to public health, education, and other services than urban children. A UNHCR intervention may be the only chance these children (and their children) could have for a future where they can participate in the formal workforce and maybe even one day (re)gain the privileges of having a nationality.

Considering the Dominican context, international best practices, and available resources, UNHCR should consider a mobile birth registration program to serve the undocumented child population that is de jure stateless in the Dominican Republic. An effective intervention has to target the infrastructural, economic, and discriminatory barriers that the undocumented stateless face. A mobile birth registration program has proven effective in the span of a few years in Mozambique, Oman, and Bangladesh. Each country documented increased birth registration rates for the most vulnerable and hardest to reach of their unregistered child population. These particular states also faced challenges that were similar to the DR.

1. Mozambique has very poor infrastructure and extreme poverty.
2. Bangladesh has many unregistered refugees and stateless that are discriminated against by state officials.
3. Oman has low birth registration rates and had comparable financial constraints to the ones UNHCR faces in the Dominican Republic.

The estimated cost for the intervention in the DR is based on the cost estimates from Oman (See Table 1).¹⁸ The intervention will have vehicles equipped with three portable units that include one processing workstation, a data card printer, and one issuance workstation.¹⁹ Three trained and certified personnel in birth certificate issuance will be assigned per vehicle. Each team per vehicle will be assigned a specific region and will be expected to reach the estimated undocumented stateless child population as determined in that region by the 2012 Foreign Nationals Survey. The vehicles will travel to every slum community in order to overcome the infrastructural, economic, and social barriers these stateless children have faced in the past to access their birth certificate. Six vehicles with eighteen portable units and eighteen employees can serve up to eight thousand children.

The mission could work in collaboration with UNICEF, organizations like Save the Children, and local NGOs like Centro Bonó and Movimiento de Mujeres Dominicano-Haitiana (MUDHA). If UNHCR leverages Dominican government interest then they may be able to either garner staff training from the Dominican

government's Central Electoral Board (CEB) for birth certificate processing or the CEB may directly engage in the project as the issuer of birth certificates in partnership with UNHCR.

Based on population estimates and the Oman program cost estimates, I developed a cost estimate and expected gross benefit analysis for a mobile registration program in the Dominican Republic. The magnitude of gross benefit (GB) is based on the reach of the target community and the length of the project intervention and illustrates UNHCR's project impact possibilities (See Table 2).²⁰ UNHCR does not have the financial resources to serve every undocumented stateless child in the Dominican Republic, but it has the resources to implement the medium-high gross benefit intervention, which strives to serve every rural undocumented stateless child that is in the country. The gross benefit is defined as medium-high because most undocumented stateless children reside in rural communities, and rural stateless tend to be more poor and tend to have lower accessibility to documentation services than the stateless in urban areas. If the twenty-six thousand children receive documentation in two years, it would reduce the total number of unregistered children in the DR by 4 percent. The cost is an estimated US\$4.4 million per year or US\$171 per child.

The greatest challenge UNHCR faces is to garner the DR's approval for it to deliver these mobile birth registration services to stateless children. Fortunately, children are the least politically charged subgroup within the stateless population

Table 1—Intervention Cost Estimates

Cost	Items (the itemized budget serves up to 8,000 people)
\$300,000.00	6 vehicles with equipment
\$171,000.00	18 portable units
\$450,000.00	18 employees/human resources (\$25,000/employee)

Table 2—Gross Benefit Analysis

	Intervention with greater gross benefit (GB)	Intervention with smaller gross benefit (SB)
Extended Program of Action for 2 to 3 years	<p>National mobile birth registration of all de jure stateless children (3 years)</p> <p><i>Served: 46,178 children (0–17)</i></p> <p><i>Cost: \$10.5 million/year</i></p>	<p>Mobile birth registration of children in rural regions (2 years)</p> <p><i>Served: 25,889 children (0–17)</i></p> <p><i>Cost: \$4.4 million/year</i></p>
Program of Action for 1 year	<p>National birth registration for de jure stateless children</p> <p><i>Served: 15,392 children (0–17)</i></p> <p><i>Cost: \$1.8 million/year</i></p>	<p>Birth registration of children in rural regions</p> <p><i>Served: 12,944 children (0–17)</i></p> <p><i>Cost: \$1.4 million/year</i></p>

High GB
 Med-High GB
 Med GB
 Med-Low GB

in the DR. The average Dominican agrees that if a child was born in the Dominican Republic, if their native tongue is Spanish, and if they are loyal to the Dominican flag, then they are Dominican. Additionally, the average Dominican is not motivated to either politically advocate for that child or to stand in the way of the implementation of the program. The Dominican Republic has also been one of the most motivated countries to meet the UN millennium goals, including increasing primary education completion and increasing birth registration. By serving the de jure stateless child without a legal identity, UNHCR may help the Dominican State meet its UN millennium goal objectives. The DR has also implemented programming in the recent past to expand birth registration in partnership with UNICEF and other international organizations.

Finally, the Harvard Public Health FXB Center Cost of Inaction model²¹ offers a strong case for the government of the Dominican Republic to allow the proposed UNHCR's programming. There exist important economic, security, and urban planning costs to the Dominican State if they were to inhibit UNHCR from implementing the mobile registra-

tion program. In other words, although the constitutive (direct) benefit primarily serves the interests of the undocumented stateless children—providing each child with a legal form of identification—there are many consequential (indirect) benefits that serve the Dominican State's interests as well (See Table 3 and Table 4). In the next ten to thirteen years, the 26,000 children served will be more likely to be literate, have access to basic public health services like immunization, will be less likely to engage in juvenile delinquency, and less likely to be forced into child labor or child trafficking. All of which contribute to a stronger formal economy and improved citizen security.

However, even if the Dominican government was to ignore the indirect public health, education, and security benefits from UNHCR implementing the mobile registration program, there are major financial costs that the State will have to incur if it were to ignore the problem. Based on the 2012 Foreign Nationals Survey data analysis, the Dominican Republic could lose the personal income tax revenue from the 29.2 percent of undocumented stateless children who live in rural communities and who would have entered the

Table 3—Constitutive Benefits and Cost of Action

Constitutive Benefits		UNHCR Cost of Action	
All undocumented rural de jure children provided with birth registration	26,000 children (0–17 yrs) served	20 vehicles, equipment, and maintenance; 60 portable units and material; 36 staff	\$4.4 million; \$171/per child
		Dominican Cost of Action	
		Not Applicable	\$0

Table 4—Cost of Inaction

Constitutive Costs to the Dominican Republic	Dominican Government’s Cost of Inaction
Personal income taxes lost ⁱ	\$236.2 million/year ⁱⁱ
Higher rate of primary education noncompletion ⁱⁱⁱ	An estimated 5,000 children will not complete their primary education. ^{iv} Unregistered children are also at greater risk of exclusion from school (DR schools require a birth certificate to enroll child in school) ^v
Lowered citizen security	Specific rates unknown, but studies on juvenile delinquency indicate young people who engage in criminal activities are not in the educational system. ^{vi}
Higher risk of child labor	Specific rates unknown.
Higher risk of child trafficking	Specific rates unknown.
Poor urban planning and public policymaking ^{vii}	Specific rates unknown; however, countries with low birth rate registrations have poorer population statistics which then inhibits them from appropriately budgeting and planning to serve its population.
Lower exposure to health services so higher infant mortality risk; and negative impact on health ^{viii}	Findings suggest children who do not access either birth registration or health services have a lower exposure to services as a whole. ^{ix}

ⁱ Average personal income tax rate in DR (last ten yrs) is 25 percent; “Dominican Republic Personal Income Tax Rate (2004–2015),” Trading Economics.

ⁱⁱ Based on the 2012 Foreign Nationals Survey, on average 29.2 percent of the now stateless population would have been formally employed and therefore paying income taxes as adults.

ⁱⁱⁱ A large percentage of children and adolescents do not attend school because their right to enter the education system has been denied; “Birth Registration Handbook 2014,” UNICEF.

^{iv} “Birth Registration and the Impact on Educational Attainment,” Inter-American Development Bank, Working Paper Series No. IDB-WP-345, August 2012.

^v “Birth Registration and Children’s Rights: A Complex Story,” Plan International, 2014.

^{vi} Tahira Vargas, “The Right to Education,” UNICEF.

^{vii} “Birth Registration and Children’s Rights.”

^{viii} This research provides evidence that statelessness negatively impacts household income, educational attainment, health, property ownership, and ability to acquire other assets: “FY 10: The Cost of Statelessness: A Livelihoods Analysis,” US Department of State, 9 May 2012.

^{ix} “Birth Registration and Children’s Rights.”

formal employment sector had they had a form of legal identification. These income taxes add up to about US\$236.2 million a year.²² *The Dominican Republic could lose at least hundreds of millions in tax revenue if the UNHCR does not provide the 26,000 undocumented stateless children with a birth registration.*

There are too many stateless people in the DR for UNHCR to continue to stand idle. In 2014, UNHCR failed to act in fear that it would anger the Dominican State. In 2015, UNHCR should apply the cost of inaction model to prove to the Dominican government that it is in its vested interest to allow UNHCR to serve at least a subset of the stateless population in the Dominican Republic. Although UNHCR faces a difficult human rights dilemma, a mobile registration project that serves the most vulnerable—the undocumented stateless children—will allow for the mission to make a great impact with the few resources it has. And with the cost of inaction analysis, UNHCR in the DR can confidently claim that providing these services to the stateless will actually produce a greater social good than the cost the UNHCR donors incur for implementing such a program. Although it may be years before the Dominican Republic overturns its discriminatory and exclusionary actions that rendered so many stateless, in the meantime UNHCR can make an impact on the lives of nearly 26,000 de jure stateless children.

Endnotes

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¹³ “In the Dominican Republic, Many of Haitian Descent Left Effectively Stateless,” *Latin America News Dispatch*, 2 February 2015.

¹⁴ Has the UN mandate to protect the rights of refugees and the stateless.

¹⁵ In 2011 and in 2014, the Dominican Nationalist party elected officials, and major media outlets threatened to pressure the Dominican government to declare the UNHCR Mission Director a “persona non grata” if the Mission was to ever “intervene” on Dominican domestic affairs on nationality.

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¹⁹ Based on *Ibid.*

²⁰ Sudhir Anand et al., *The Cost of Inaction: Case Studies from Rwanda and Angola* (Boston: FXB Center for Health and Human Rights, 2012).

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Remembering History and Reaffirming Democracy

The Case of the Chilean Transition to Democracy

BY DANIELA MARTINEZ



Daniela Martinez is a lawyer who graduated from Universidad de Chile. She holds a Master of Laws degree from Harvard University and is currently working toward a Master in Public Administration at the same university. She has worked in the Chilean government as an advisor to the Minister of Energy and at the environmental NGO Natural Resources Defense Council in Washington.

Abstract

This article advocates for the daily reaffirmation of democracy and protection of human rights in Latin America by politicians and civil society alike. Through the remembrance of the Chilean transition to democracy, the article highlights the tremendous costs that Chileans assumed to move Chile towards a consolidated democracy and the many years it has taken Chile to become one. In a year where Chileans have lost trust in politicians due to corruption scandals and where the world has watched human rights abuses in Venezuela, it is crucial to learn from our past and publicly reaffirm democracy and human rights every day.

We have said it before—and we repeat it today—the moral conscience of the nation requires truth about the disappearances of people, about the horrendous crimes and other grave human rights violations that occurred during the dictatorship.

—Patricio Aylwin, 12 March 1990

The day someone touches one [of my men] the rule of law is over. I have said it once. I will not repeat it again. But they need to know it will be so.

—Augusto Pinochet, 11 October 1989

IT WAS 1987, and the opposition to Pinochet had a difficult decision to make. They had tried to get him out of power through different means: international pressure, peaceful protests, and some groups had tried violence—including a failed assassination attempt—but nothing had worked. And now, they were presented with a new option to get him out of power, but that option meant negotiating with him and making—to some—unthinkable compromises.

Seven years earlier, in 1980, the country was still under a dictatorship. Congress had been shut down, there was no independent judiciary, and repression was still high. During that year, Pinochet enacted a new constitution that was to become the economic and legal underpinning of his rule and of the transition. The Constitution considered a referendum for 1988 where the country would vote to keep Pinochet in power until 1997 or not. If the latter option prevailed, democratic elections would be conducted.

The opposition to Pinochet struggled to decide whether to participate in that referendum. Deciding not to meant that Pinochet would stay in power on his own terms, with no possibility of judging him and other members of the military and the secret police that had systematically tortured and killed thousands of Chileans. To participate, on the other hand, presented the opposition with a dilemma. If they trusted Pinochet to keep his word—and that was a big if—they had a chance of speaking out against Pinochet for the first time and peacefully ending the dictatorship. But a peaceful transition to democracy came at a high price. In order to participate in the referendum, the opposition had to agree to abide by Pinochet's Constitution.

The Constitution was masterfully crafted to ensure that Pinochet would not be judged and that the right-wing parties that supported him would have enough

power to prevent any relevant changes to the economic and legal model. First, the Constitution established that once Pinochet left power as President, he would become Commander in Chief of the Army and later senator for life, so he would have lifetime immunity from the courts. Second, the new electoral system, called the binominal system, was designed to create two coalitions where minorities—at that time the right-wing parties—were overrepresented. Third, the Constitution established that nine out of forty-six senators would not be democratically elected but designated. One of the designated senators would be Pinochet himself, as former Commander in Chief of the Army. Former Commanders in Chief of the Navy and the Air Force and former Directors of the Police would also have representation as designated senators.¹

The electoral system plus the designation of senators meant that regardless of how successful the opposition was in the election, they would not have the votes in Congress to change the Constitution or any law. A particularly relevant one was the Amnesty Law established by Pinochet in 1978. This law granted amnesty for all the crimes committed from 11 September 1973—the day of the coup—to 10 March 1978, the worst period of the dictatorship's repression.

The struggle within the opposition whether to take part in the referendum and accept Pinochet's conditions was intense and took years.² Finally, the opposition parties decided to participate in the referendum and a new coalition was born—the Concertación.

The Beginning of the Compromises: The Referendum and Presidential Campaign

In October 1988, Pinochet was voted out of power with 54.7 percent of the votes. Although this was a safe majority,

a not unimportant part of the population—43 percent of the votes—voted for Pinochet to stay in power.³

For the referendum, the Concertación carried out a campaign that focused on the future, on hope, and on freedom instead of highlighting the violation to human rights. The main slogan of the campaign was “Chile, happiness is coming.”

In the presidential campaign, however, the Concertación—through its candidate Patricio Aylwin—had a different narrative that highlighted two main ideas: one, the need for the recognition of human rights violations and justice and second, the maintenance of the existing economic and legal institutional framework.

Right from the beginning, Patricio Aylwin had to balance different views—within his own party and supportive citizens, as well as the views of right-wing parties, Pinochet himself, and the 43 percent of Chileans who had voted for Pinochet.

One situation exemplifies this balancing act. According to a longstanding tradition in Chilean politics, presidential candidates outline the measures they propose to carry out if they win. Under the heading “Truth and Justice,” Aylwin’s outline indicated that: “The democratic government will put forth its *best efforts* to establish the truth in the cases of violations of human rights . . . It will also procure the trial, *according to the current criminal law*, of human rights violations that represent horrendous crimes against life, freedom, and personal integrity.”⁴

Although the words and measures were insufficient for many, the right-wing parties as well as the military spoke out against them. Pinochet was very direct in his opposition: “The day someone touches one [of my men] the rule of law is over. I have said it once. I will not repeat it again. But they need to know it will be so.”⁵

A Balancing Act: Patricio Aylwin’s Presidency

On 14 December 1989, Patricio Aylwin won the first democratic election in Chile since 1973 by 55.17 percent.⁶ By virtue of the Constitution, Pinochet remained as Commander in Chief of the Army.

Congress was reopened. The Concertación won the majority in the Chamber of Deputies with 69 out of 120 members. It also won the majority among the *elected* senators with twenty-two senators as opposed to sixteen from the right-wing coalition.⁷ Yet, because of the nine designated senators, it did not have the majority of the Senate, therefore it could not pass laws without compromising with the right-wing parties.

At the beginning of his presidency, Aylwin approached the right-wing parties to propose the creation of a nonpartisan commission that would investigate the human rights violations committed during Pinochet’s dictatorship, but he did not find support.⁸

Because of this, he decided to create a commission through an executive decree, for which he did not need the approval of Congress. He drafted a plan for the commission and approached people from the right to invite them to participate in it. No member of a right-wing party accepted, but some well-reputed conservatives did.⁹ In April 1990, only a month after he took office, in a solemn and public act, Aylwin announced the creation of the “National Commission on Truth and Reconciliation,” also called the “Rettig Report” after its head Raúl Rettig.

The Commission was not welcomed by the right-wing parties, but it also created concern among human rights groups as its stated purpose was reconciliation and not justice. Human rights groups did not believe that a commission with such purpose could “develop an accurate historical record of conditions during the

Pinochet period and fulfill the demands of truth and justice about human rights abuses.¹⁰ The Commission was also criticized because it had no power and a limited scope. Because the Commission was created through an executive decree and not through an act of Congress, it had no power to subpoena witnesses and compel their testimony or to prosecute any of the crimes.¹¹ Regarding the scope, the Commission was mandated to investigate only disappearances and deaths. It would not investigate all other forms of human rights abuses such as forced exile or torture.

After nine months of work, the Commission concluded that 2,279 people had been assassinated during the military dictatorship.¹² The report also recommended symbolic and monetary compensations for the families of the victims. This led two years later to the enactment by Congress of a law that granted compensation to the families of the victims acknowledged by the Commission and created the National Corporation for Reparations.

On 11 March 1990, President Aylwin presented the conclusions of the Commission to the country and asked the Chilean people for forgiveness in the name of the State. He also indicated that all the information about individual responsibility—that had not been included in the report made by the Commission—had been sent to the courts and “called upon the judiciary to carry out ‘extensive investigations’ for which ‘the current amnesty law cannot be an obstacle.’”¹³

Courts had been sympathetic to the military government and—invoking the Amnesty Law—refused to investigate cases presented to them. From the return of democracy onwards, the attitude of the courts towards human rights violations and the Amnesty Law began to shift as they started investigating human rights violations to establish criminal responsibility before applying amnesty. Although from 1993 onwards, the courts started

convicting some of the perpetrators of human rights offenses, many criticized Aylwin for not trying more forcefully to get the Amnesty Law repealed.

As expected, the results of the Commission were not well received by the right-wing parties but especially not by Pinochet who denied all the facts. On 28 March 1991, Chile’s leading paper *El Mercurio* printed Pinochet’s opinion about the Commission as Commander in Chief of the Army: “The Chilean Army solemnly declares that it will not accept being placed as if on trial before the citizenry for having saved the freedom and sovereignty of the homeland at the insistence of the civilian population.”¹⁴

A situation that happened only twenty-eight days after the release of the Commission’s report exemplifies the conflicting and violent forces within the country at the time. On 1 April 1991, Jaime Guzmán—a right-wing senator and the mastermind of the 1980 Constitution—was assassinated. Public attention shifted from the Commission to concerns about left-wing violence.¹⁵

In March 1994, Aylwin’s government ended and because of the Constitution, Aylwin could not vie for reelection. Elections were held, and the Concertación’s new candidate, Eduardo Frei, won by 57.98 percent.

The Aftermath

In 2003, President Ricardo Lagos created a new commission to investigate the human rights violations that were not included in the Rettig Commission. The National Commission on Political Imprisonment and Torture, also named the Valech Commission after its head Sergio Valech, conducted investigations in 2003 and later in 2011. The Commission recognized that more than 40,000 people had been victims of human rights violations, and a total of 3,065 were assassinated or had disappeared.

Pinochet was never convicted for any human rights violation. From 1989 to March 1998, he was Commander in Chief of the Army. He then automatically became senator for life. In October 1998, Pinochet was arrested in London by the request of the Spanish judge Baltasar Garzón to face trial for crimes against humanity. He was in custody for fifteen months until the British government decided to deny Garzón's request and return Pinochet to Chile. Days after his return, Pinochet's immunity was lifted, and he had to declare before a Chilean judge about human rights violations. However, he was never tried for those crimes as the Supreme Court closed the case alleging that he could not stand trial due to incurable mental illness.¹⁶ Later, new cases were brought to trial, but Pinochet died in December 2006 at the age of ninety-one without having been convicted of any human rights violations.

The 1978 Amnesty Law was never amended or annulled. In September 2013, forty years after the coup, more than 25,000 people signed a petition put out by Amnesty International to eliminate that law. The Amnesty International press release also indicated that in recent years the courts had not applied the Amnesty Law, that 262 people had been convicted of human rights violations, and that there were more than 1,100 trials pending.¹⁷

Chile still has Pinochet's Constitution, but it has been amended on a number of occasions, most notably in 1989 after the referendum and in 2005 when the institution of designated senators was eliminated. In 2013, the then presidential candidate and today President of Chile, Michelle Bachelet, proposed replacing the current constitution as "the idea that runs through the current text, even with the amendments that have been made, is based on a mistrust of popular sovereignty."¹⁸

Conclusion

Why is this piece of history relevant today? It reminds us of the terrible human rights violations of Pinochet's authoritarian regime, but mainly, it highlights the tremendous costs that Chileans assumed to move Chile towards democracy.

The 2013 Polity IV index classifies Chile as one of the only two full democracies in South America¹⁹ and the 2014 Freedom House index gives Chile almost a perfect score.²⁰ These indexes portray Chile as a consolidated democracy. What they fail to show are all the compromises—some terrible—that Chileans made for the sake of democracy. They also fail to show how many years it has taken Chile to move towards a more consolidated democracy. It took five years since the triumph of the "No" option for the courts to convict the first person for human rights abuses.²¹ It took twelve years for a court to strip Pinochet of his immunity and initiate a trial against him.²² It took seventeen years to eliminate the institution of designated senators, and this year, twenty-seven years later, Congress voted to replace the binominal electoral system.²³

This history should compel both politicians and civil society to continually reaffirm the value of democracy and protection of human rights. It should not take a regime breakdown to compel them to do so; opportunities to reaffirm the commitment to democracy and human rights abound in everyday life.

Unfortunately, opportunities to weaken them also abound. Only last year, on 10 December 2014, a Congress member from the right-wing party Unión Demócrata Independiente (UDI) asked for a minute of silence in Congress to honor Pinochet on the anniversary of his death. Ironically, it was also the UN Human Rights Day. Although many Congress members left the chamber in protest, many right-wing members stayed behind to honor Pino-

chet. Regardless of the political opinion that right-wing parties have of Pinochet's regime, there cannot be two interpretations. Pinochet's regime killed and tortured thousands of Chileans, and because of that, Pinochet should never be honored in Congress.

Politicians are not the only ones that should continually reaffirm their commitment to democracy. Unlike what it did in the past, civil society needs to do so as well. Today in Chile, there is an increasing discontent with politicians. Comparing results from June–July 2005 to November 2014, there has been a nine percentage point increase in people that agree with the assertion that “most politicians are in politics solely due to the personal benefits that they can get out of it” and an eighteen percentage point decrease in people that agree with the assertion that “most of the time we can trust that people that work in government are doing the right thing.”²⁴ This trend could increase as in the first months of 2015 a series of corruption scandals have exploded, affecting the reputation of Chile's two main political coalitions. It is important for civil society to develop a more nuanced narrative where they hold politicians accountable while at the same time reaffirming the value of democratic institutions such as Congress.

Finally, human rights protection and democracy should not be reaffirmed only within the domestic realm. In the 60s and 70s, most of Latin America went through a wave of authoritarian regimes. By 1978, all but three countries were under authoritarian rule. As a reaction to that era, Latin American countries put in place regional mechanisms to protect democracy. For example, in 1991 the Organization of American States (OAS) passed Resolution 1080 to legitimize OAS intervention in the case of a democratic breakdown. This resolution has been the basis for interventions in several cases. In 1992, OAS also approved the Washington Protocol to enable the

General Assembly to suspend membership to a country that experiences a coup and to impose sanctions. Also, Mercosur countries—Brazil, Bolivia, Argentina, Uruguay, Paraguay, and Chile—agreed that a member would be expelled if democracy broke down.²⁵

In the international realm, it should also not be necessary to wait for a regime breakdown to speak out. The narrative from Latin American politicians should be unequivocal for the protection of human rights, regardless of their ideological preference. For example, in 2014 many NGOs, among them Human Rights Watch (HRW), documented human rights abuses in Venezuela. The HRW May 2014 report indicates that “[w]hat we found during our in-country investigation and subsequent research is a pattern of serious abuse. In forty-five cases, we found strong evidence of serious human rights violations committed by Venezuelan security forces, which included violations of the right to life; the prohibition on torture and cruel, inhuman, and degrading treatment; the rights to bodily integrity, security, and liberty; and due process rights.”²⁶

The situation in Venezuela has worsened since this report. Latin American presidents across the board must denounce human rights violations in Venezuela. We have come a long way as a region from the authoritarian 60s and 70s. But protecting and reaffirming democracy and human rights is a daily task that must be purposefully taken on, regardless of ideological affinity or political calculations.

Endnotes

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² *Ibid.*, 42–60.

³ Pamela Constable and Arturo Valenzuela, *A Nation of Enemies: Chile Under Pinochet* (New York: W.W. Norton & Company, 1993), 310.

⁴ "Concertación de Partidos por la Democracia, "Programa de Gobierno," *La Epoca*, 1989, 3.

⁵ Constable and Valenzuela, *A Nation of Enemies*, 317.

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⁸ Jorge Correa Sutil, "The Political Setting for the Transition," in *Transitional Justice: How Emerging Democracies Reckon with Former Regimes*, Volume II, *Country Studies*, ed. Neil J. Kritz (Washington, DC: United States Institute of Peace, 1995), 461.

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¹¹ *Ibid.*, 465.

¹² *Ibid.*, 471.

¹³ *Ibid.*

¹⁴ *Ibid.*, 476.

¹⁵ *Ibid.*, 474.

¹⁶ Fuentes, *El Pacto*, 81–82.

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²⁵ Scott Mainwaring and Aníbal Pérez-Liñán, "Latin American Democratization Since 1978: Democratic Transitions, Breakdowns, and Erosions," in *The Third Wave of Democratization in Latin America: Advances and Setbacks*, eds. Frances Hagopian and Scott P. Mainwaring (New York: Cambridge UP, 2005), 14–20, 38–47.

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Ayotzinapa and Human Rights

BY LETICIA BONIFAZ



Leticia Bonifaz obtained her undergraduate degree and a PhD in law from the National Autonomous University of Mexico and a postdoctoral fellowship at the University of Bologna, Italy. She has served in various departments and agencies of the federal government and the federal district in Mexico.

She has been professor in the faculty of law at the National Autonomous University of Mexico from 1982 to date. Her courses include Introduction to Law, Theory of Law, Philosophy of Law, and Legal Epistemology.

She served as part of the Counsel and Legal Services of the Federal District from 2006–2012.

She was director of the Division of Legal Studies of the Center for Economic Research and Teaching (CIDE) between 2013–2015. One of her main focuses there was research in gender and human rights.

She was assigned the role of general director for research. She also focused on the promotion and dissemination of human rights for the Supreme Court of Justice of the Nation in February 2015.

Abstract

The following article summarizes a series of events that shed light on the current human rights status of Mexico. It traces key events in the last two decades that show how the Mexican government has reacted to human rights violations and pays special attention to the recent disappearances of Mexican students and the lack of government involvement in these cases. Those affected have had to seek support from international institutions such as the UN and various NGOs.

HUMAN RIGHTS IN Mexico have been marked by collective tragedies such as Aguas Blancas, Acteal, Atenco, San Fernando, Tlatlaya, and Ayotzinapa, among other events. Indians, peasants, migrants, and students were victimized in these severe events, and there has always been a late institutional reaction without the guarantee of nonrepetition.

The slaughter of Aguas Blancas occurred on 28 June 1995 in the municipality of Coyuca de Benítez, Guerrero. Seventeen peasants of the Peasant Organization of the Southern Sierra died, and twenty-one were wounded. The National Human Rights Commission (CNDH), which was constitutionally established three years earlier, issued a recommendation to the governor of Guerrero, Ruben Figueroa, accusing him of serious human rights violations.¹

Two years later, in December 1997, forty-five Tzotzil Indians died in Acteal, which is in the municipality of Chenalhó, Chiapas. Paramilitary groups presumably participated in the slaughter. In 1998, the CNDH issued a recommendation to the governor and the Attorney General's office.² Fifteen indigenous of Chenalhó were incarcerated but were released seventeen years later when the Supreme Court of Justice of the Nation found serious violations of due process.³

In the first days of May 2006, there were two dead and more than two hundred arrests in the Atenco state of Mexico. The victims happened to be two farmers who opposed the construction of the airport in Texcoco near Mexico City. According to documents by the National Human Rights Commission, there were arbitrary arrests inside private homes without warrants, twenty-six sexual assaults on women, and ten arrests of minors. The entities responsible for this were the State Security Agency and the Federal Preventive Police authorities. The case was brought to the federal Secretary of Public Security, Edu-

ardo Medina Mora, and the then governor of the State of Mexico, Enrique Peña Nieto. Several years later, the case is currently being reviewed at the Inter-American Court of Human Rights (CID).⁴

However, one of the worst tragedies was to come four years later. On 23 August 2010, seventy-two corpses of executed migrants were found in San Fernando, Tamaulipas. During the examinations of the bodies, authorities determined that the victims included twenty-one Hondurans, fourteen Salvadorans, ten Guatemalans, one Ecuadorian, and four Brazilians. The research said that the perpetrators were part of the Zetas cartel.

In San Fernando in April 2011, 193 bodies were found in forty mass graves.

On 30 June 2014, in the municipality of Tlatlaya in the town of San Pedro Limón, twenty-two people were executed, including one woman. The media portrayed the incident as a confrontation, but on 8 July, the *Associated Press* released a note which claimed that there was no evidence of a confrontation. Weeks later, the magazine *Esquire Latin America* documented the testimony of one of the victims. The Attorney General's office began an investigation after eighty-five days, while the National Human Rights Commission issued a recommendation to the Secretary of Defense, the Attorney General's office, and the Governor of the State of Mexico, regarding serious human rights violations.⁵

In this incident, the most worrying fact is that the perpetrators were members of the 102nd Infantry Battalion of the Secretariat of National Defense, who are now subject to investigation.

In this spiral of violent events, forty-three students from the Raul Isidro Burgos Ayotzinapa Normal School in Iguala, Guerrero disappeared. In addition to the disappearance, there were also six people dead. The responsible members of these

incidents were the municipal police of Cocula and Iguala, Guerrero.

The global media effect of Ayotzinapa and the global solidarity that it generated placed the aforementioned case as one of the most controversial, especially since there were police involved, and for the first time, there was written evidence of enforced disappearance and not only kidnapping or other crimes. The responsibility of the state was different this time.

One might think that Ayotzinapa marks a watershed in the field of human rights. In reality, all that has changed thus far is the visibility of what is happening in Guerrero and the two neighboring states, Oaxaca and Michoacán, which has a geographical continuity of the Sierra Madre and is characterized by difficult access to certain areas and the isolation of some communities. Because of this, the area is also favorable for planting narcotics because of its terrain.

How did institutions react to the tragedy in Ayotzinapa? The response was erratic and again, delayed.

The National Human Rights Commission responded slowly and timidly under the possible reelection of its leader. The Raúl Plascencia management was characterized by not being a true counterweight as a watchman of state actions. However, the situation worsened, and the inaction caused the Inter-American Commission on Human Rights to receive many more issues related to Mexico. The little confidence held in the national body was reflected by the Inter-American Commission.

The Iguala events occurred on 26–27 September 2014. On September 30, before the National Human Rights Commission decided to take action, the Chamber of Deputies asked Plascencia to intervene.

The President called on the government of Guerrero to take responsibility and noted that the federal government cannot replace the responsibilities of local

executives. That was the initial position which was modified with time.

On 3 October, the Inter-American Commission on Human Rights requested precautionary measures to be undertaken by the Mexican government. For instance, it recommended that it “take the necessary measures to determine the whereabouts of the students; ensure the integrity of the injured students; specify the measures to be adopted with the beneficiaries and their representatives; and report on actions taken to investigate.”⁶

On 4 October, authorities began finding different mass graves, but nobody knew who the remains belonged to. On 22 October, the CNDH requested precautionary measures from the Attorney General’s office and the Secretariat of the Interior for the proper treatment of bodies located in the pits. By 25 October, thirty-eight bodies had been found in eleven mass graves.

The State Attorney reported that the municipal police of Iguala handed the students to organized crime members.

On 6 October, the President modified his initial stance and announced that the federal government would be intervening in the investigation of the Iguala case.

Not even a month had gone by when on 24 October, the governor of Guerrero, Ángel Aguirre, resigned. Two days later, a replacement was found. However, this person had not played an important role whatsoever in the case. The replacement of the governor also occurred after Aguas Blancas and Acteal. Although this helped lower the political pressure, in fact there was no significant change because there was a lack of responsibility.

On 20 October, the deputy representative of the UN High Commissioner for Human Rights, Jesus Palacios Peña, reported that in the first seventy-two hours after the armed aggression against the students of Ayotzinapa, sufficient elements could have been found to confirm the forced disappearance, but the Mexican

State did not implement the appropriate protocols for the search. In early December, Javier Hernández Valencia, representative of the UN High Commissioner for Human Rights in Mexico, said that determining whether the students were attacked by public servants is critical to determine not only the responsibility of the state but also the type of action to follow.

On 4 November, authorities arrested the mayor of Iguala and his wife. They joined other previous arrests. On 7 November, the prosecutor announced that during the statements of those arrested, three confessed that they killed the students, detailing how they threw them off a cliff and set them on fire. This version of the incidents has remained as the most credible one, according to the Attorney General's office.

On 13 November, a new President of the National Human Rights Commission was elected. Once in position, the president said that Ayotzinapa was a case of forced disappearance.

On 15 December 2014, the CNDH urged the federal government to accept the competence of the UN Committee on Enforced Disappearances; similarly, it called on the legislature to pass a law on forced disappearance.

On 28 December, the head of the CNDH noted that records were showing several lines of investigation into whether human rights were violated by act or omission.

By 14 January, it was reported that ninety-seven people were arrested. There had been 221 arrest warrants, 16 raids, and 385 ministerial statements. All the evidence suggests that the police of Iguala handed the students to members of organized crime. The students were subsequently killed, burned in a dustbin in Cocula, and had their ashes carried in bags to the river where samples only allowed the identification of one individual.

From the first days, there were peaceful demonstrations, and some that had more violent tones. The most violent protests have occurred in the state of Guerrero, where roads and toll booths have been closed, and public facilities have been taken by the Union of Education Workers of Guerrero. The Union joined the conflict after the constitutional reform on educational cohesion that a guild was able to put forth as a source of nonconformity.

With the situation more heated than ever in Guerrero, on 16 December, in the state of Michoacán, there was a clash between paramilitary groups and civilians that resulted in eleven deaths. The governor of this state, Fausto Vallejo, resigned citing that he had poor health. However, his son is being investigated on the claims that he had ties to the drug trafficking business.⁷ A substitute governor was appointed, and unlike in Guerrero and Tamaulipas, where there are serious problems of governance, a commissioner⁸ was sent to Michoacán. He spent a year trying to create peace between the state and those groups who had armed themselves against the state. The commissioner's role, which included tasks that lacked constitutional support, lasted a year without any results.

All this shows that the situation that Mexico is experiencing is very serious, and the state will have to start appropriately labeling certain acts and admitting cases of enforced disappearances. There are thousands of missing people who have been gone for many years now. It is known that they are victims of the drug war. President Calderón called them "collateral victims." The exact number of missing people is unknown because sources vary widely. The numbers range from 30,000 to over 100,000.

Ayotzinapa can help open the recent past. The global focus can serve this purpose. There is no doubt that the international community can help by placing eyes on Mexico, including those

of the UN, the Organization of American States, the European Parliament, and the CNHD, among others. It is important that these international institutions participate because they will serve as additional pressures on the Mexican government to act and not to evade their responsibilities. This will also force the government to realize the graveness of the daily violations of human rights in Mexico. NGOs can also play an important role. Among the ones that stand out are Amnesty International and Human Rights Watch.⁹

In February 2015, parents of the victims traveled to Geneva to present the case to the UN in the context of the assessment of Mexico regarding enforced disappearances. The CNDH took a separate stance to that of the government which was much more critical.

The outlook is bleak because in several states of the country (not only in Guerrero and Michoacán) citizens do not enjoy the minimum security requirements for normal development of their activities. The anxiety is permanent. Freedom of movement, freedom of expression, and the right to work are all rights that have been affected by the recent incidents.

Developments in the field of human rights in other places are unparalleled when compared to the spiral of violence occurring in Mexico. Constitutional changes and the work of the judiciary to ensure due process has not been enough because there have not been any significant changes so far.

Endnotes

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- ² The recommendation was addressed to the new governor, Roberto Albores Guillén, who succeeded Julio César Ruiz Ferro, the governor until December 1997; "Recomendación 1/1998," CNDH, 1998.
- ³ "Amparo Directo 8/2008, 9/2008, 10/2008, 16/2008, and 33/2008," First Chamber of the Supreme Court of Justice of the Nation, 12 August 2009.
- ⁴ "Recomendación 38/2006," CNDH, 3 May 2006.
- ⁵ "Recomendación 51/2014," CNDH, 21 October 2014.
- ⁶ "Resolucion 28/2014" IACHR, 3 October 2014.
- ⁷ Fausto Vallejo had several previous authorizations to be absent from the government. Jesús Reyna covered those periods, and he was also accused of being linked with drug trafficking organizations.
- ⁸ A commissioner was appointed by a presidential decree to address the security situation in Michoacán. The commissioner's responsibilities were in parallel with local institutions. There was not any precedent in the Mexican constitutional system to empower a commissioner to take those responsibilities. It was a way to break the federal scheme without any constitutional controversy promoted by local authorities. The commissioner's presence was tolerated until, a year later, the Secretary of the Interior ended the appointment because of the initiation of an electoral process.
- ⁹ Openly, Human Rights Watch accused Mexico's president of covering up human rights violations to protect his image on 8 October, and Amnesty International declared that Ayotzinapa was not an isolated episode. "Mexico: 'Disappearances' Response Falls Short," Human Rights Watch, 8 October 2014; "Ayotzinapa Justicia," Amnesty International.

Facing the Technological Revolution in Latin America

How to Keep the Pace?

An interview with Diego Molano Vega, Minister of Information Technologies and Communications of Colombia.

INTERVIEWED BY JULIANA URIBE VILLEGAS



Juliana Uribe Villegas, a Mason fellow and a Master in Public Administration at the John F. Kennedy School of Government at Harvard University, led this interview. Juliana works in the intersection of social innovation, international relations, and the digital age as a consultant and social entrepreneur. She is a senior strategist at Purpose.com and cofounder of Escala and Tech+Change.



Diego Molano Vega has been the Minister of Information Technologies and Communications of Colombia since 2010. In this interview, he reveals his perspective on one of the most challenging issues for the development of Latin America: keeping pace with the changes that new technologies are introducing to society.

LAPJ: *The Ministry has improved the technological infrastructure of the country, bringing high-speed Internet to 96 percent of cities and villages through the “Vive Digital Plan 1”. Beyond connectivity, how will the Internet have an impact on the lives of people in Colombia? And what comes next?*

MOLANO VEGA: We have a well-rounded policy approach to the technological development of the country. We see this as an ecosystem. That’s why our program includes four main issues: infrastructure, services, apps, and users. In the first four years of work, we focused on building the infrastructure to connect the people. Now, our priority is to provide the right conditions for a new software industry, based on developing apps that are tailored to the needs of the base of the pyramid. Just to give you an example, we organize hackathons that focus on creating specific solutions for local industries; recently, we had three hundred developers working for three days in Corabastos, the central market of Bogotá, creating apps for small agro businesses.

LAPJ: *For Michael Porter’s Competitive-class, we developed a study about the opportunities and challenges for the software cluster in Bogotá. One of the main issues we found is that there is no proper financial system to fully support the growth of tech startups in the country. We also found that there are not enough engineers graduating in Colombia and that can stall the growth of the industry. How are you facing these challenges?*

MOLANO VEGA: We have been working for four years with the Ministry of Education in developing talent for the industry. In Colombia, there is a deficit of 93,000 software engineers. This problem is not exclusive in our country; in the United States and Europe, the percentage of youngsters

joining engineering programs is decreasing, too.

LAPJ: *Why is this happening?*

MOLANO VEGA: In Colombia, and this might be true for the rest of Latin America, youngsters don’t choose a career in software or computer engineering because our education system does not provide them with the right quantitative skills. There is also a lack of understanding of how far you can go in your career as a software engineer, as people don’t acknowledge the access to managerial positions they could have. Universities don’t do good marketing, and career coaches don’t promote these programs. But there is also a trend among young people today to aim for careers where they can have an impact, and they have an appetite to leave a mark with their work. And it is not clear for them how they can do this through coding.

LAPJ: *Where does the local ecosystem find financial resources for its growth?*

MOLANO VEGA: The government has been investing important resources, and one of the successes we claim is having been able to involve governors and majors with the information technology sector in a more active way. We cofinance some projects to help them strengthen their local ecosystems. Sometimes, important funds come from investors like Google or Facebook, but we still need to involve the private sector more. We are still far from the deep transformation we need to have, but we are on the way.

LAPJ: *How is the government of Colombia using technology to improve the services it provides to its citizens?*

MOLANO VEGA: We are using technology to become more efficient. We work on two fronts, what I call the “front desk,” which is better known as e-government—the interface between citizens and govern-

ment—and “back office,” which includes all the processes that could be systematized within each institution. In fact, we just finished a major project where we built all the information architecture for the central government. We are also being more strategic on the technology procurement, centralizing it when possible, and providing technical advice.

In terms of public participation, Colombia ranks as number six in the world. We have a digital task force that works constantly to engage citizens in conversations with our Ministry. We have also trained regional governments on how to use social media, as we have been teaching majors in the smallest villages on how to use Twitter and Facebook as a tool to communicate with their constituencies.

LAPJ: *How is access to the Internet having an impact on the lives of people in Colombia? After this first stage of work, what significant trends have you identified?*

MOLANO VEGA: Social networks are powerful, and people now have more opportunities to participate in public conversations. However, the Internet is only a tool, and we are affected by the global trend of apathy and lack of participation. People don't want to engage in community matters as much as they did before. No one wants to sign up to be part of its building oversight board.

Nonetheless, one of the major strikes we have seen in the past years in Colombia, the agricultural strike or “paro agrario,” was powered and organized using social media. I went out to the streets, and people were telling me: “Thank you, Minister; without you and Twitter, we could have never been able to organize this strike.” You also see social entrepreneurs that design participation mechanisms. For example, Huecos Med is an app where you can report damages to the infrastructure of the streets in Medellín and automati-

cally send a request to the authorities to fix them. This improves transparency, but again, it is still affected by the apathy trend.

LAPJ: *What do you think about the impact that technology has in creating inequality, both within and among countries?*

MOLANO VEGA: We have to analyze the inequality issue from a global perspective. The current technological revolution can create unemployment at many levels. Kodak had 140,000 employees at some point; in 2013, after decades of seeing its business threatened by digital photography, it went to bankruptcy and was sold to a pension fund for only the value of its brand, \$650 million. In contrast, when Facebook bought Instagram for \$1,200 million, the startup had only fourteen employees. This is happening in Colombia, too. El mono legal, an app created to follow up on the status of your judiciary process in a courthouse, left 1,200 former “monos”—people who did this manually—without a job.

Technology can create inequality, but it also creates a lot of opportunities. Only one year ago, I traveled to a village close to Pasto, in the south of Colombia, and delivered the first computers to a school. I visited this village again recently and found not only that the school principal was using PowerPoint to present the results of the program but also the senior students had developed an app to create a digital class book. Now, they are selling the app to other schools. This might seem basic, but it shows how the access to technology can rapidly impact a community by creating business opportunities that were out of reach before.

LAPJ: *As Latin Americans, we come to universities like Harvard and MIT, and we are mesmerized by their scientific research, the unlimited resources, and the innovation centers. But at the same time,*

we get worried when we compare our local realities to this, asking ourselves how can a Latin American country compete globally in innovation and technology? Furthermore, how can we make these inventions arrive to our region more rapidly?

MOLANO VEGA: We need to apply technology to our reality by using it to improve our products but also by creating tailored technological solutions to our own problems. For people and companies from developed countries, it is not easy to identify and understand our needs. That constitutes a very high barrier to enter our markets. Our entrepreneurs have the opportunity to create products tailored not only for Colombia's base of the pyramid but also for the base of the pyramid of Latin America and the world.

LAPJ: *And what do we need to do to develop these ecosystems? Do we need technological transfers?*

MOLANO VEGA: I don't think we need to import. We need to develop our own ecosystems. The key success factors are private sector leadership, access to talent, and local scale. The role of the government in developing tech ecosystems, such as Silicon Valley, Boston, and Boulder, has been minimal. We have big companies with presence in Colombia. Google, Facebook, Dell, IBM, they are all here. But they have mainly sales teams. It would be interesting if these companies would further develop their local presence, participating more actively in the developers' ecosystem.

LAPJ: *How does the government of Colombia keep pace with the rapidly changing technological scene and be up-to-date in its policymaking and regulatory development?*

MOLANO VEGA: When it comes to Internet governance and privacy issues, we act in accordance to the international regula-

tions. To develop our local ecosystems, we have a free market approach. We want to give the space for innovation to happen, but we are open to have any debate when it is time for it. In many cases, technology is disruptive, and it rapidly changes the existing business and market equilibrium. We have seen challenging cases, such as Uber vs. taxis and the transmission of sports games on the Internet vs. cable companies.

What worries me the most in terms of policy is the flow of money out of the country. The big international companies sell millions of dollars in Colombia, but the money goes to the United States and Europe where headquarters and investors are. In many cases, they don't even pay taxes here. The balance of payments between Latin America and the United States, considering only transactions related to technology, has changed radically in the past fifteen years. We had a positive balance of \$3 billion dollars in 1999, and in 2014, we had a deficit for more or less the same \$3 billion dollars. The money is clearly not being reinvested in our tech ecosystems.

GUIDELINES FOR SUBMISSIONS

The *Latin American Policy Journal (LAPJ)* at the **John F. Kennedy School of Government at Harvard University** is now accepting submissions for its fifth edition, to be published in the spring of 2016.

The *LAPJ* is a student-managed publication that collects perspectives from academics and practitioners on contingent policy issues and gives them a platform to engage in constructive dialogue with each other in the search for best practices and collective learning. The *LAPJ* aims to present Latin American perspectives about Latin America, to a Latin American and US audience.

Our mission is to initiate respectful, thought-provoking debate between consolidated and emerging leaders across Latin American and their American counterparts. We envision a region where collaborative efforts between countries improve the quality and scope of policy making.

The *Latin American Policy Journal* is inclusive, nonpartisan, independent, and opinionated.

What to Submit

We are accepting pieces that fall within the following topics:

CASE STUDIES

- Strategies that work
- Examples of failure

ECONOMIC DEVELOPMENT

- Macroeconomic stability in Latin America
- Divergence or convergence of countries
- Economic integration in Latin America
- Infrastructure
- Natural resources
- Product diversity or complexity
- Innovation
- Entrepreneurship

SOCIAL DEVELOPMENT

- Human development indicators
- Social services and pensions
- Inequality and poverty
- Informality
- Indigenous peoples

POLITICS AND PUBLIC POLICY

- Rule of law and democracy
- Media
- Accountability, transparency, and corruption
- Political polarization
- Political parties and elections
- Political integration
- Foreign relationships
- Urban crime
- Drug trafficking



We strongly encourage submissions from writers of all backgrounds, including scholars, policymakers, civil servants, journalists, advocates, and organizers.

We are accepting pieces in the following formats:

ARTICLES

- Original and in accordance with the theme of this publication
- 6-10 double-spaced pages (1,800-3,000 words)
- All figures, tables, and charts must be submitted as entirely separate files
- Must include an abstract of no more than 100 words

COMMENTARIES, INTERVIEWS, OR SHORT ESSAYS

- 3-6 double-spaced pages (900-1,800 words)

BOOK REVIEWS

- 3-6 double-spaced pages (900-1,800 words)
- Include full citation for book, including publisher and year of publication
- Book reviews should critically assess recent books that innovate beyond the frontier of current thinking about Latin American politics and policy

ARTWORK

- Original and unpublished visual artwork related to the topics outlined before
- High-resolution digital images (300+ dpi) in .jpg files
- A description of the image title, author, year, and medium

LANGUAGE

- Articles can be submitted in English or Spanish. They will be professionally translated.

Selection Criteria

The best pieces will be chosen based on the following criteria:

- Relevance of the topic to Latin American policy issues and timeliness to current policy debates
- Originality, sophistication, and style of argument(s)
- Contribution to scholarship and policymaking on Latin American issues

All submissions must comply with the following in order to be considered:

- Work must be original and unpublished
- Citations should be formatted as endnotes according to the Chicago Manual of Style. Footnotes are not accepted
- Include a cover letter with the author's name, address, e-mail address, daytime phone number, and a brief biography (maximum of 300 words), and a picture
- Send the consent form signed by the author
- Authors are required to cooperate with editing and fact-checking, and to comply with journal-mandated deadlines
- Authors who fail to meet these requirements may not be published

Submissions will be considered for the print or online versions of the *Latin America Policy Journal*.

Process

Articles will be published on a rolling basis on the LAPJ's website.

Please email your submission to lapj@hks.harvard.edu by **October 30th, 2015**.

The *Latin America Policy Journal* will be launched in April-May 2016.