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Latin America needs a new relationship between state, market and society

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Over the last decade, Latin American and Caribbean countries have benefited from dynamic growth, with significant progress in the social sphere – something that has been reflected in decreasing levels of poverty and inequality. Most societies in the region have placed the need for greater equality, understood as a guiding principle through which the state should guarantee citizens’ rights, as a priority on their agendas for social development.

These positive trends are attributable to a combination of factors: a favourable external growth context thanks to the dynamism of China and other emerging economies; stronger macro-economic policies; improved job market conditions, supported by enhanced labour and training policies; increased and sustained social spending; and innovative social initiatives and distributive policies led by governments, particularly with the expansion of Conditional Cash Transfer (CCT) programmes. By tying direct cash transfers to certain conditions, such as school attendance and medical check-ups, CCTs have acted as a gateway to social protection.

As a result, a significant share of the region’s population has been lifted out of poverty and has benefited from improved access to a more diversified basket of goods. Such a development is extremely positive and has been defined by various institutions and observers as the emergence of a “new Latin American middle class”. Although this is true to a certain extent, the Economic Commission for Latin America and the Caribbean (ECLAC), of the United Nations, urges caution.

Firstly, many people live just above the poverty line and are still vulnerable to falling back into penury as a consequence of external shock – a rise in food or energy prices, for instance. Additionally, though they may have access to a wider range of consumer goods, this is not always the case for key services such as education, health, citizen security and public transportation.

Despite improvements in some Latin American countries, there is still a sharp divide between high-quality goods and services provided by private providers to the wealthiest sectors of society, and low-quality goods and services available to lower-income and underprivileged sectors.

To address this gap, ECLAC considers that a new equation between state, market and civil society is required, in which public and private actors are called upon to collaborate on innovative partnerships. Latin America has significant assets in this respect.

Latin America needs a second generation of social and labour-market policies, which go beyond CCTs; policies that redesign education and training systems via productive collaborations between different levels of government, the private sector, civil society organizations and local communities.

It is well known that the region lags behind industrialized countries and other developing economies in terms of productive innovation, but that it surpasses them in the promotion of social innovation initiatives. Public, private and civil society actors have significantly changed over the last decade, and innovative approaches have already started to emerge thanks to the region's dynamism.

There are examples of new forms of collaboration all over Latin America. For instance, thanks to the establishment of public-private partnerships in specific agrifood sectors, various export industries are currently increasing their ability to measure their carbon and environmental footprints and, more importantly, beginning to increase their understanding of existing synergies between business competitiveness, production efficiency and environmental sustainability.

Another example can be found in Brazil, with the [ProUni programme \(University for All\)](#) which aims to promote access to tertiary education for low-income students. This is funded with the support of private tertiary institutions, incentivized by tax exemptions. From its beginning in 2005 until the first semester of 2013, the programme has provided more than 1.8 million scholarships.

A third interesting case is the Regional Broadband Dialogue, a forum for discussing and sharing experiences related to public policies and concrete initiatives aimed at lowering the cost and improving the quality of broadband provision in Latin America, to make the economic and social benefits available on a mass scale. This forum gathers representatives of 11 governments in the region, the main telecommunications firms, academic experts and international organizations working in the field.

Some Latin American governments have already engaged in new forms of policy-making and collaboration with other partners of society. Parts of the private sector are also becoming involved in social and sustainable development issues; they are devising new strategies and business models to add value in these areas. The academic sector is also a provider of new ideas, research and platforms. Finally, the role of other organizations has soared, including philanthropic foundations and social entrepreneurs, who are changing the way these issues are addressed.

The combination of specific skills and knowledge from all these different actors will help inform new policies that tackle economic, social and environmentally sustainable development. Governments of the region should work on building trust, providing incentives for collaboration and developing long-term common visions.

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