

# EU-Latin American policy dialogue for social cohesion

## Conference Proceedings

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**Writing staff:**

EUROSociAL, with the collaboration and authorization of the speakers and participants in EUROsociAL Meeting (Brussels, 24-25 march 2014)

**Design and layout:**

Cyan, Proyectos Editoriales S.A.

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[www.eurosoci-al-ii.eu](http://www.eurosoci-al-ii.eu)  
[info@eurosoci-al-ii.eu](mailto:info@eurosoci-al-ii.eu)



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## Introduction

This publication is a compilation of the speeches, discussion documents and papers presented within the framework of the EUROsociAL conference entitled *Supporting policies, connecting institutions: Euro-Latin American dialogue on public policies for social cohesion*, held in Brussels on the 24th and 25th March 2014 at the European Commission headquarters.

EUROsociAL, the cooperation programme between the EU and Latin America for promoting social cohesion, proposed this Conference to share thoughts on the future of the strategic bi-regional association in general, and on cooperation for development in particular, based on a shared strategic and long-term vision. All of us stakeholders in this Programme—both the members of the implementing consortium and the Latin American beneficiary institutions—are interested in promoting and contributing (with some inputs) to the discussion on the European cooperation agenda with Latin America. This is a heterogeneous region in which several countries have overcome some of the classic problems of development but are now facing other new ones linked to vulnerability factors related to what are known as “middle-income traps”. Some national European authorities were also invited to share in this exchange, such as Spain’s Secretary of State for Ibero-America and Spanish Cooperation, Italy’s Deputy Secretary of Foreign Relations and Germany’s Director of Regional Development Policy.



EUROsociAL offered its example for re-imagining the future of cooperation with middle-income countries. Different case studies showed that this programme acts as a “catalyst” for processes and an inspiration for changes in strategic public policies in the countries of the region. To do this, it uses a powerful but simple instrument: peer-to-peer learning between counterpart public agencies, which can mutually advise each other on how to realize the desired change by promoting a transfer of *know-how* aimed at real and practical change.

This publication consists of an executive summary and three thematic blocks. Each executive summary builds a “story” about the Conference. The main discussions that took place over these days are narrated as a chronicle. All the participants at the Conference—elected officials, experts, professionals from the cooperation sphere, civil servants from both sides of the Atlantic—have a voice in this story.

The first thematic block, *Europe-Latin America: strategic partners in the global scenario*, includes the following: the opening address of the EU Commissioner for Development, Andris Piebalgs; the discussion document on EU-Latin American relations and social cohesion presented by the

expert José Antonio Sanahuja, which served as a framework and springboard for the dialogue between Clarisa Hardy, the Chilean Minister of Planning (2006-2008), and Josep Borrell, President of the European Parliament (2004-2007); and, lastly, the speech by Catherine Grèze, Member of the Development Commission of the European Parliament and of the Euro-Latin American Assembly Delegation. In this manner, the European Commission's vision of European cooperation with Latin America is juxtaposed, through the Commissioner's speech, with that of the European Parliament, through the speech of the European Parliament member.

The second thematic block, *Cooperating with middle-income countries: inequality and new social gaps*, starts off with the discussion document presented by Clarisa Hardy, which places the accent on the construction of social cohesion as a pre-condition for economic development and political stability in Latin America. The document dismantles the hypothesis being put forth by various international bodies in recent years about how the region, in addition to joining the ranks of middle-income countries, is moving towards forming middle-class societies. This block also includes the papers by Iliana Olivié, a researcher at the Elcano Royal Institute, and Jonathan Glennie, research associate at the ODI. Both reinforced Hardy's arguments, framing inequality in the discussion on the current challenges of global development in the post-2015 agenda and highlighting EUROsociAL's approach, not only in cooperation with middle-income countries but also in development cooperation in general in other parts of the world.

The third thematic block, EUROsociAL, *an accelerator in public policy change processes*, contains a selection of the case studies presented in the Conference that best illustrate the distinctive features of the Programme: triangulation in the case of the start-up of the network of Public Employment Centres in Colombia; coordination of stakeholders and the intersectoral approach used to combat economic and financial crimes linked to corruption; the response to national problems with a regional approach in the case of attention to women victimized by violence in Honduras; the regional dimension through the work with regional and bi-regional networks. This block is introduced by a presentation on the Programme by its director, Inmaculada Zamora.

Lastly, in conclusion, it includes the closing address of Jolita Butkeviciene, Director of Latin America and Caribbean of the Directorate General of Development and Cooperation of the European Commission (DEVCO), which provides some pointers on the future of regional cooperation between the EU and Latin America in the new programming for the 2014-2020 period currently underway at the European Commission.

Pedro Flores  
Director of FIIAPP





*The discussions surrounding the relevance and scope of this strategic relationship between EU-Latin America and the Caribbean were structured around four logics or fundamental reasons which, as aptly pointed out by José Antonio Sanahuja (researcher at the Complutense Institute of International Studies–ICEI), moderator for the session entitled Europe-Latin America: strategic partners in the global scenario, all have social cohesion as an organizing principle: i) a common identity and shared values; ii) a shared global vision and coordinated action in fora and global agendas of mutual interest; iii) economic and internationalization interests in both regions; and iv) a broader and more advanced cooperation agenda in accordance with the new cooperation demands of middle-income countries.*

# “Supporting policies, Connecting institutions”

## *Euro-Latin American policy dialogue for social cohesion*

At the European Commission headquarters in Brussels on the 24th and 25th March, the EUROsociAL Programme brought together representatives of different European institutions (Commission, Parliament, Council and Committee of the Regions), representatives of the EU Member States, representatives of Latin American countries in Belgium, some European national officials, experts and institutions from the Programme’s executive Consortium, and prominent officials from Latin American institutions participating in EUROsociAL.

The **Commissioner for Development, Andris Piebalgs**, who opened the meeting, indicated that programmes like EUROsociAL show how EU-LAC partnership can “*take our cooperation to ever greater heights, enabling us together to take on the many global challenges of our modern, globalised world*”. He highlighted the innovative approach of the Programme and its potential for the future.

In this context, **Piebalgs** announced a significant increase in funding for regional programmes, from 556 million euros in the previous seven years to 925 million in the new programming for 2014-2020.

*Piebalgs: “EUROsociAL is an example of how regional programmes encompassing multi-country actions can achieve positive results by acting as catalysts and process facilitators”.*

## I. Where is the strategic EU-LAC relationship going: is it the end of a cycle?

The strategic bi-regional *partnership* between the European Union and Latin America and the Caribbean is now 15 years old. In a changing international context, with new stakeholders emerging and a vast process of redistribution of power and wealth underway on a global scale, it’s worth questioning the foundation, rationale and functions of the strategic partnership between the EU and Latin America and the Caribbean.

Can this strategic partnership be an agent of change? Is there any ‘relationship fatigue’? During the meeting it was clear, on both sides, that this strategic relationship is not only desirable but also necessary.

As the **Commissioner for Development** stated, “*Europe and Latin America share a special responsibility to fight inequality*”. **Clarisa Hardy, Minister of Planning in the first Bachelet**

**government**, and **Josep Borrell**, former President of the European Parliament, exchanged views on the current situation in Europe and Latin America in a discussion moderated by **José Antonio Sanahuja**, researcher at the Complutense Institute of International Studies (ICEI).

## The context in Latin America and Europe

### Latin America

**Clarisa Hardy** referred to the period of economic dynamism that Latin America is currently experiencing and indicated that the economic growth of the past decade is still below the average of OECD countries and currently trending downward. Progress in reducing poverty has not been translated into a reduction in inequality, and, unlike in European countries, “poverty and inequality are not following parallel processes”.

**Clarisa Hardy** stated that there are two factors that spurred Latin American governments to adopt social cohesion as the main axis for their policies: economic development and stability, both of which are threatened by inequality. We are seeing growing social demands and protests, especially from the sectors that have been called “middle classes”, but which are in reality non-poor and highly vulnerable. And it is at that Latin point that America looks to the European welfare state, coinciding with the European crisis.

In this sense, she made it clear that the Latin American reading of the crisis “is the failure of the Welfare States and not the impact of the financial crisis and how this has punished the Welfare States”. She asked Europe to export this debate to the region at this time in which some countries are discussing the construction of Latin American-style Welfare States. If this is not done from Europe, there is a risk that Latin America “will have unfinished business with inequality and turn into a social powder keg”, asserted the **ex-Minister**.

### Europe

**Josep Borrell** emphasized that “how terrible the crisis would have been if we had not had the safety net and the cushion mattress of the Welfare State as an instrument of massive

income transfer, which has maintained demand [...] and prevented a social catastrophe”. It wasn’t patients, pensioners or the unemployed who caused the hypertrophy of the banking system in Ireland or the real-estate bubble in Spain, he argued, “it was the excess, the lack of control and de-regulation of the financial system”. Therefore, the image that the Welfare State is the cause of the problem doesn’t correspond to



*Borrell: “The EU’s roots in a process of constructing a collective identity originate in an attempt to overcome past antagonisms, and this desire partly explains the success of the European project”.*



*Hardy: “Progressing from being a middle-income country to a developed one means addressing three challenges: achieving sustainable growth, reducing inequality and having institutional stability”.*



reality, and neither does it correspond to the prescriptions that financial bodies like the FMI and the WB are currently giving Latin America, placing the emphasis on inequality and lack of cohesion of Latin American societies.

Nevertheless, **Borrell** indicated some lessons learnt about what was done wrong, specifically highlighting two: building a monetary union without a lender of last resort, and a single market with freedom of movement of goods, capital and people, but without minimal harmonization of social and tax regulations. He indicated that “the basic hypothesis that underpins European society is that competitiveness and social cohesion are not antagonistic but rather complementary and mutually reinforcing”. Northern European countries are the best example of this. But Europe is as heterogeneous as Latin America, and Finland’s parameters have nothing to do with those of Greece.

### *Debate*

**Clarisa Hardy** replied to **Borrell** that the difference between Europe and Latin America is precisely that, within this heterogeneity, Northern Europe continues to be a reference for the rest of Europe. In contrast, Latin America has managed at best to move from exclusion phenomena to very unequal integration phenomena, and therefore the dialogue with Europe is fundamental, first to construct a “region” within this heterogeneity and then, within the region, to construct references that make learning possible. But **Josep Borrell** countered the argument by indicating that there were also counter-references. Currently in Europe there is a profound debate about whether or not to follow the German model, based on wage compression, to increase competitiveness and gain ground in exports. Instead of references, we should be talking about a contest between models, and there is no consensus on which road to take.

### *Bi-regional dialogue*

The moderator reoriented the discussion towards bi-regional dialogue. The crisis has contributed to rebalancing relations, and both regions share problems. In this sense, the question was raised of where bi-regional cooperation needs to go in the coming years and how to maintain social cohesion as the strategic axis of our relationship.

### *From Europe*

**Borrell** indicated that two parties cooperate if they share values, if they share the same vision of the world and common interests. Social cohesion is probably the backbone of these questions. “Do we share values? Where is the dividing line between rights and goods? Which do we leave to the market and which to collective action?”, he asked rhetorically. Latin America has more European roots in the social sense of the word “European” than any other region in the world. But, do we have interests in common to sit down at the negotiating table and advocate themes that benefit both regions? We probably have them in many areas. For example, one of the issues on which we should have a common position, he argued, is that of climate change. Europe and Latin America should go to the 2015 Paris Conference together. With respect to the theme of displacement of wealth and economic power, or *wealth shifting*, towards Asia, he mentioned that there are surely some differences. Currently Latin America is divided between the Atlantic facade and the Pacific one, which looks especially towards Asia, taking advantage of the increase in prices for raw materials.



#### *From Latin America*

**Clarisa Hardy** supported his arguments, proposing another theme in this debate, using the perceptions and subjective opinions of citizens. According to data from *Latinobarómetro*, 39% of Latin Americans are satisfied with democracy; according to Eurobarometer, the corresponding figure is 38%. In both regions, models of political representation are under discussion, and this is related to the quality of the democracy and the capacity to involve citizens themselves in the solutions. Therefore, both regions share the challenge of how to legitimize democratic institutions. In Latin America, the countries facing the greatest pressures are those in which a greater sense of citizenship has been constructed and in which the demand for rights has to do with these unequal inclusion processes referred to initially. Moreover, in the past decade, “second-class” citizens, stripped of rights, have started to be represented: women are reaching positions of power in different countries, there is a union organizer heading Brazil, and the indigenous component is present in the leadership of Bolivia. Therefore, the aspiration to attain the European social model is more present than ever.

*Inés Ayala, member of the Delegation for Relations with Central American and Mercosur Countries and of the Euro-Latin American Parliamentary Assembly, emphasized that in relations with Central America “while the economic pillar was the more urgent one, in the Socialist Group we’ve always maintained that it was necessary to advance in the cooperation and policy dialogue pillar”. She also emphasized that in the context of this situation of crisis, “a greater capacity for bilateral learning, of peer-to-peer learning, than in previous situations” is being noted in the EURO-LAT Assembly and that there is a more horizontal dialogue taking place now.*





*Jürgen Klute, member of the Delegation for relations with Mercosur countries and of the Euro-Latin American Parliamentary Assembly, advocated coherence in the EU's cooperation and trade policies with Latin America. "From my political party, the European Left, we propose negotiating agreements for the benefit of the people of Europe and Latin America and not for large corporations or markets. We want to have complementary trade relations".*

### European National Officials



Some European national officials joined this dialogue, and they added some comments to the themes already addressed, emphasizing certain elements which characterize their relationship with Latin America at a bilateral level. **Jesús Gracia, Spanish Secretary of State for Ibero-America and Cooperation**, spoke about how to connect Ibero-American concerns to the EU-LA relationship, highlighting the Ibero-American Summits as a space for discussing issues of common interest to the 22 Ibero-American countries. He indicated that from now on these summits will be alternated with EU-ECLAC Summits, and that they will be more focused on the elements that best define and most unite the countries in the Ibero-American space, such as culture, education, science and technology.

**Mario Giro, the Italian Under-Secretary for Foreign Affairs**, emphasized that in the past 10 years, Latin America has been a laboratory for innovative social policies that Europe can benefit from; Italy is already doing so, he added. In this sense, he highlighted the success of EUROsocial in promoting an exchange of experiences between the two regions.



**Klaus Kraemer, Director of regional development policy of the German Ministry of Economic Cooperation and Development**, indicated that cooperation with Latin America is a central pillar of German cooperation, and that the trend towards increasing ODA to the region is continuing. He highlighted two elements of Germany's bilateral cooperation with Latin America: on the one hand, the differentiated, country-by-country approach based on development needs, and the ownership and effort of the partners; and on the other, the promotion of triangular cooperation.

### Latin American National Officials

In addition, some Latin American ministers contributed to this debate. **Ekaterina Parrilla, Guatemalan Secretary of Planning**, and **Roberto Gallardo, Costa Rican Minister of Planning**, and **Olman Segura, Costa Rican Minister of Labour**, all coincided in highlighting the fact that the middle-income classification carries a very high opportunity cost in their respective countries, as structural barriers to reducing inequality and achieving inclusive development still exist.





“Being a middle-income country does not mean that all social gaps and inequalities have been overcome”, emphasized **Ekaterina Parrilla**, recalling that Guatemalan society is one of the most fragmented in Latin America.

An opinion that **Roberto Gallardo** explored more deeply: *“There is a pitfall in the classification of countries. In the case of Costa Rica, having become a middle-income country, with wide coverage by social services, has turned out to be a punishment”.*

The three pointed to the importance of European cooperation and the support this is receiving from EUROsociAL. **Roberto Gallardo** emphasized the need for “additional ways of redefining the terms of European-Latin American relations based on a recognition of the Latin American complexity and of the current situation in Europe”.

*The **Guatemalan Secretary of Planning** mentioned some of the more pressing challenges facing Guatemala: youth (70% of the population is under 30 years of age) and the challenges involved in education, health and employment; the territorial question, with little government presence in some of the territories and with intense urban development; social conflict, in particular that linked to that activities of extractive companies; and the great vulnerability of the country to climate change.*

## II. Cooperating with middle-income countries: Latin America and the inequality trap

### Challenges to social cohesion in Latin America

In her analysis of the social reality of Latin America, **Clarisa Hardy** identified some general trends that represent challenges to social cohesion common to the entire region, under the assumption that this is a heterogeneous region and that it requires unique action strategies consistent with the peculiarities of each country or group of similar countries. **Clarisa Hardy** tried to dismantle the hypothesis being put forth by various international bodies in recent years about how the region, in addition to joining the ranks of middle-income countries, is evolving to form middle-class societies. In her analysis, she uses national household surveys (ENH) by applying an innovative methodology based on the concept of “vulnerability” (which has been adopted by the World Bank) which takes into account the risk of falling into poverty, to demonstrate that 68% of the region’s total population is poor or at risk for becoming impoverished. Poverty is being reduced, but, with the exception of Argentina and Uruguay, middle classes are not becoming consolidated. What is erroneously being called the “emerging middle class” is actually made up of non-poor but vulnerable social classes.



But if they are growing and reducing poverty, why is the result economically insecure, precarious societies? What are the possible explanations for this phenomenon? An analysis of these social classes reveals that their behaviours and relationships are marked by inequality. Persistent inequality which, rooted in the workplace and an educational system that segregates the population based on its origin, is manifested in disparities in the distribution that separate households and workers according to their socioeconomic origin, and which are aggravated (cutting across societies transversally) by questions of gender, age and rurality.

*Some empirical evidence demonstrates this: 57.4% of the population has an informal job, and the consolidated middle strata account for nearly 40%; only 40% of the population enjoys access to higher education, with this being concentrated above all in the upper strata, a trend that is later echoed in labour markets; there is a gap in which the per capita household income of the richest sectors of society is 36.3 times higher than that of the poorest sectors, with this being 13.4 between the non-poor vulnerable strata and the highest strata; if we compare the middle-income strata to the rich strata, we find that family income going to the latter is 4.7 times higher than to the former, the same gap found in OECD countries between lower-income families and higher-incomes ones.*

Nevertheless, these aggregated data hide a more heterogeneous reality. Considering the relative weights of the social classes and their relationships, **Clarisa Hardy** builds a typology of countries which, depending on the degree of coverage or accessibility of social rights, are moving from exclusion to social integration, albeit unequally: Group I: Uruguay, Argentina and Chile (distantly), with low levels of poverty and significant consolidated middle classes. Group II: Costa Rica, Panama, Peru, Bolivia, Brazil, Colombia, Venezuela, Ecuador and Mexico, with levels of poverty that are still significant (although below the regional average) and with growing middle classes forming; this group is the one that best represents the social vulnerability of Latin America. Group III: Dominican Republic and El Salvador. And Group IV: Honduras, Nicaragua and Guatemala, with excessively high levels of poverty and incipient middle classes.

To these objective realities, **Clarisa Hardy** incorporates subjective ones (trust in institutions) as the basis for a possible new strategy in Latin America which makes inequality the challenge to conquer and social cohesion the goal to achieve.

In aiming for this goal, she emphasized three important challenges that the region must confront: building a rights-based social protection system to address inequality; promoting an agenda for women's equality; achieving the institutional, political and fiscal sustainability of social cohesion.

### Economic growth vs. social cohesion



**Mario Pezzini, Director of the OCDE Development Centre**, began his speech by affirming that the middle-income trap is not inevitable and emphasizing three elements for overcoming it. First, he indicated how a large proportion of the analyses point to low productivity to explain the region's failure to achieve sustained growth. In this sense and in comparison to the Asian tigers, he argued that the strong economic growth in recent years has not helped strengthen competitiveness and innovation (technological capacity) as it should have. Therefore, it is not so much a question of growth but rather the type of growth. Secondly, we have seen how a huge number of people have left extreme poverty and entered non-poor and highly vulnerable classes, as asserted by Clarisa Hardy. This vulnerability creates great stress because, with the expectations that come with having improved their situation, these classes hope for opportunities that do not always arrive. An effective fight against inequality also involves the question of how to intervene in the productive structure. Lastly, he emphasized that economic growth is a necessary but insufficient condition, and that we must concern ourselves with people's welfare. Cases like that of Tunisia demonstrate that social cohesion not only takes on a dimension independent of economic growth but is also necessary for achieving sustained economic growth.

*María Irigoyen, member of the Delegation of the EU-Chile Mixed Parliamentary Commission and of the Euro-Latin American Parliamentary Assembly: "Social cohesion involves social rights and equal opportunities. And with these principles, we must continue to defend the Welfare States in Europe (...). Behind austerity policies, there are people. Preservation of the Welfare State" inevitably requires the reinforcement of the principles of solidarity and social cohesion".*



### Economic policy for development

**Iliana Olivie, researcher at the Elcano Royal Institute**, focused her attention on two issues: the link between the pattern of social exclusion (explained by Clarisa Hardy) and the productive model itself of the countries, and "middle income" as an analytical category. Regarding the first, she argued that these specific (unequal) patterns of exclusion-integration correspond to a combination of very specific productive models: on the one hand, bloated branches of the service sector that employ the great majority of the population but with few productive gains; on the other, an extractive sector with very high levels of growth in a context of rising



prices for raw materials, but without possibilities for generating employment. This results in the expulsion of a great mass of population, potentially employable, from the labour market. Regarding the second, her experience as a researcher has demonstrated to her that the “middle income” category is increasingly less operative for classifying countries that have shared characteristics, and that talking about “middle-income traps” loses all meaning and responds to other factors that have nothing to do with being middle income and, therefore, is ineffective for diagnosing problems in the region. From her point of view, it is necessary adopt a broader perspective that is, above all, social and somewhat more political, and to include the productive structure. She concluded by pointing out that the region has been trying to engineer a structural change for years; the diagnoses are known but the underlying problem is a question of political economy.

### Governance is also important

*Glennie: “As countries increase their income, they find themselves less affected by absolute scarcity (although scarcity remains) and more by asymmetries and bottlenecks in their development processes”.*

To the classic trap associated with productive change, Jonathan Glennie, *research associate at the Overseas Development Institute (ODI)*, added two other traps related to macroeconomic management and international financial integration, and to social cohesion and institutional quality. The latter, he emphasized, is precisely the core of cooperation programmes like EUROsocial. He insisted that improving governance in a context of high inequality and social fragmentation is important if these countries hope to enjoy sustained economic growth.

Economic growth does not mean that institutions are going to automatically strengthen on their own. **Glennie** also indicated a fourth trap: ethnic discrimination. In countries with a sizeable indigenous population, inequality for ethnic reasons constitutes vulnerability. He concluded by arguing that the solution cannot be just political. Suitable policies are needed to reduce inequality, and therefore some countries must eradicate the control of “the oligarchy” over politics.

### Change of era

**Jorge Valdez, Executive Director of the EU-LAC Foundation**, pointed out that we are living through a change of epoch, a moment of insecurity and uncertainty, and that lack of social cohesion is making it more difficult to deal with this. The principles and values on which the strategic bi-regional partnership was founded are now universal, but social cohesion, the frame of reference for the European welfare model, makes us different from the rest.



*Valdez: “Abandoning social cohesion as the axis of the bi-regional strategic partnership means abandoning the strategic partnership itself”.*

### Cooperation with Latin America

Specifically in relation to European cooperation with Latin America, the panellists emphasized some important messages. **Clarisa Hardy** pointed out that if governments of different political stripes in Latin America are paying attention to inequality, this means that an opportunity to reduce it is opening up. The strategic relationship at stake in the European Union-Latin

American cooperation model is, precisely, the affirmation of social cohesion as the cornerstone of public policy.

**Iliana Olivié** emphasized that increased inequality is becoming a worldwide problem, not just a Latin American one. Sharing problems opens up an opportunity for cooperation; and she concluded by saying that the EUROsociAL approach, this form of cooperation with countries, has proven to be effective and produce positive results and, therefore, should be applied in other parts of the world.

**Mario Pezzini** emphasized that, from his point of view, EUROsociAL is leading construction of the policy dialogue between the EU and LA through platforms where it is possible to share experiences regarding public policies that have been implemented. In a globalized world like the ours, with a trend towards reduced funding for cooperation, emerging countries are increasingly demanding these types of platforms and collaboration mechanisms.

Lastly, **Glennie** stressed that, despite the fact that the ODA will be decreasing, these limitations cannot condition the future in the next 15 years. It's not just that middle-income countries need the support of the international community; the international community needs these countries to be successful if they want to achieve global development objectives. The fact that these countries do not need as much aid as before does not mean that this aid no longer represents an important contribution to their development. ODA will always be needed, and it will be necessary to continue thinking about reforming the international financial sector so that it can respond to these challenges.

### The new 2014-2020 European cooperation agenda

At the opening, **Commissioner Andris Piebalgs** revealed some elements for addressing this by announcing that development aid for the next programming period (2014-2020) will increase to €2.5B, with a firm commitment to a regional approach.

According to **Jolita Butkeviciene, Director of Latin America and Caribbean, Directorate General of Development and Europe-LA Cooperation of the European Commission**, these programmes make it possible to confront global problems and have proven to be very useful for bi-regional cooperation. This is illustrated by EUROsociAL, which represents "an opportunity to demonstrate that regional programmes can be results-oriented".

*Corinne Brunon Meunier, Deputy Director, Global Public Assets Division of the French Ministry of Foreign Affairs: "The EU is the number one donor to LA. My country (France) has a firm intention to ensure that the EU maintains this commitment with this key region for the 21st century. (...) Our two regions must join forces to have an impact together on international institutions."*

The new programming is structured around four priorities: Inclusive and sustainable economic growth; Governance, accountability and social equity; Security and strengthening of the rule of law; Environmental sustainability and climate change. It falls within the new approach to aid and, in general, to EU relations with its partners, which is understood in terms of shared interests and challenges.

Some critical voices pointed out the risks of this new agenda. **European Parliament member Catherine Grèze** pointed out the relative decrease of the budget set aside for cooperation with LA

(from 16% to 13% of the overall ICD budget), and the orientation of the programming (particularly the differentiation criterion): “The EC has decided to favour poor countries over poor populations”. She also highlighted the link between cooperation and climate change.

**For Paul Engel, European Centre for Development Policy Management (ECDPM)**, “all European aid is going to be “climatized”, a trend that, as **international expert Oscar Ce-trángolo** stressed, involves the risk of “neglecting” social cohesion. However, both **Jonathan Hatwell, Division Chief for Regional Affairs of the European External Action Service (EEAS)**, and **Jolita Butkeviciene**, stated that social cohesion continues to be the backbone of cooperation with Latin America, as it is present in the four priorities of the new programming. **Andris Piebalgs** pointed out that the two regions remain committed to social cohesion and that “the EUROsociAL programme is the practical product of this shared commitment.”

### III. EUROsociAL, an innovative approach to cooperation

#### A new form of cooperation

Bringing bi-regional commitments to bear on improving social cohesion is in fact EUROsociAL’s mission. But, beyond the tangible progress highlighted by the Latin American public officials, the meeting brought out the value added elements of the programme. For **Andris Piebalgs**, “EUROsociAL is a fine example of the modern, relevant cooperation that will take our relationship with Latin America forward... In the opinion of important stakeholders, future programmes should be like EUROsociAL”. A view shared by **Paul Engel**, who stressed that EUROsociAL, with its cooperation model, is ahead of its time.

*Inmaculada Zamora, Director of EUROsociAL: “The EUROsociAL Programme is building some interesting equilibriums. It is a programme of dialogue and debate, but above all one of action, of practical contribution to change. It is flexible, with the capacity to address the contexts and times of each country, and to take advantage of windows of opportunity, but with a strong regional dimension of collaborative work. It promotes South-South cooperation and leverages the experiences and success stories of certain European policies. And it has the capacity and ability to facilitate and promote the coordination of multi-sectoral stakeholders and of different levels of government.”*

*Paolo Reboani, President of Italia Lavoro: “This experience has been very important for sharing best practices in the area of employment, a central theme in cooperation between the two regions. But this is not merely a question of transferring experiences and technologies but of adapting them to the reality of each country. This is the distinctive feature of EUROsociAL.”*





One of the differentiating features is its working methodology, one of peer-to-peer learning: “much more than just a transfer of a model or of best practices, it is the result of a policy dialogue (...)”, emphasized **Luis Ernesto Gómez, Director General of the Public Employment Service of the Colombian Ministry of Labour**. A dialogue that makes it possible to progress towards real institutional partnerships with European institutions and also between Latin American institutions. “South-South” and triangular cooperation schemes are becoming increasingly important and have shown themselves to have a multiplier effect.

Another feature of the programme is that it is demand-driven: “EUROsociAL respects the sovereignty of the countries, basing itself on requests, and it does not ask for compensation but rather an indicator of compliance”, emphasized **Gonzalo Arias, Cooperation Director of the CIAT**, and its capacity for “listening” to adapt actions to the needs and idiosyncrasies of each country, as **Sandra Pérez, adviser to the Argentine Ministry of Labour, pointed out**.

The moderator in the second session, **Fabián Repetto, Director of the Centre for the Implementation of Public Policies for Equity and Growth (CIPPEC)**, illustrated this aptly: “it’s a question of not applying canned solutions”.



Differentiated solutions (adapted to each country) for common challenges, as the programme has a regional dimension. Knowing how to combine this dimension with an approach at the national level is precisely the complexity and great contribution of EUROsociAL. For **Karima Zouaoui, Director of Justice International Cooperation (Justice Coopération Internationale, JCI)**, this is no doubt one of the assets of the programme: “In this project (public defence of convicted persons), one especially noteworthy element should be highlighted: the commitment of countries at the regional level and legislative ownership at the national level. (...) For France, this collaboration has been very enriching because we weren’t familiar with the system of public defence and we have learned a great deal”.

*Paulo Pitanga, General Coordinator of Strategic Planning of the Brazilian Ministry of National Integration, raised the issue of the sustainability of the networks. Specifically, in relation to the Latin American Network of Public Policies for Regional Development, which Brazil has promoted, he argued that EUROsociAL supported the launch of the Network, but it is necessary to define a governance model that guarantees their institutionalization and, therefore, sustainability.*

To combine these two dimensions (national and regional), the networks have turned out to be a key tool: they serve as a platform for policy dialogue at the regional and bi-regional level that, in turn, drives changes or feeds processes at the national level, from a more operative dimension. The meeting highlighted the work of various networks that EUROsociAL supports, promotes or participates in and which represent “an opportunity for working collectively on the challenges facing the region”, as the Costa Rican **Deputy Minister of Finance, José Luis Araya**, pointed out. For her part, **Marisa Ramos, General Coordinator of the Conference of Ministries of Justice of the Ibero-American Countries (COMJIB)**, also underlined the importance networks have played in the transition between the first and second phase of EUROsociAL in leveraging the progress and providing continuity to the key themes and commitments adopted by the countries.



No less important is the programme's action framework, which supports strategic public policies. "The goal is to collaborate where the countries place the emphasis", recalled **Fabián Repetto**, a statement illustrated by **Rosa de Lourdes Paz Haslam, Magistrate of the Honduran Supreme Court of Justice**: "the two (EUROsociAL) projects are part of two important public policies. One of these is the "country vision-national plan" policy. Supporting strategic policies means working from (and facilitating) coordination between institutional stakeholders, a dimension that is very present in EUROsociAL, to address common intersectoral and inter-agency problems: "There is a clear need to think about multi-stakeholder work for strategic policies (...) as an element for fostering consensus and agreeing on specific results", indicated **Fabian Repetto**.



*Patricia Arriagada, Executive Director of the Latin American and Caribbean Organization of Supreme Audit Institutions – OLACEFS: "For us (OLACEFS), it's very important to start conversations and analyze policies with other networks (...). Corruption is cross-cutting: to solve the problem, it's not enough to just talk to our peers. The fight also has to be cross-cutting."*

### Social cohesion, a relevant objective

The speeches by the Latin American participants also made clear the relevance of the concept of social cohesion as an objective and guiding principle for policies. Elements that affect or guarantee inclusion, reducing social gaps, and citizen rights were highlighted through representative EUROsociAL cases. One of these is related to management models for public employment services as tools for youth employment, a priority for the region. In this regard, **Olman Segura, Costa Rican Minister of Labour**, stressed the problem of "NEETs", young people who are not in education, employment or training, and are more exposed to vulnerability.

Another case addressed was access to justice and rights for vulnerable groups. **Victor Ticona, Justice of the Peruvian Supreme Court**, highlighted the contribution of EUROsociAL in the reduction of barriers to access to justice for indigenous peoples; while **Patricia Soares, Director of the Brazilian Secretariat for Judicial Reform**, presented the programme of the Houses of Rights, which bring legal services to populations living in marginalized neighbourhoods. "This programme falls within the country's social justice strategy because it provides access to justice to people who have no way of getting to the institutions or pressing their demands (...). This is justice that reaches out to the citizen".



*Fernando Terán, Deputy Minister of Social Security and Social Mobility of Ecuador, pointed out that EUROsociAL is advising Ecuador on the establishment of a basic non-contributory social protection floor for the most vulnerable sectors of the population, that is, sectors living under the poverty line. "A minimum below which no Ecuadoran should be living and that would depend solely on a personal willingness to access these services".*

Fighting corruption and increasing the transparency of institutions are also important elements for social cohesion.

**Raúl Ferrada, Director General of the Chilean Council for Transparency**, stressed the challenge that confronting these issues represents: "it's a question of a transition from an opaque culture of government to a culture that puts the citizen at the centre (...), a citizen who demands a different type of civil servant, a different type of organization and mechanisms that guarantee fulfilment of this right". The last case addressed was policy dialogue in the area of taxes, undoubtedly the central question when it comes to ensuring social cohesion.



*Carlos Roberto Ocaso: "The rights of citizens to education, health, culture, a healthy environment, must be financed collectively by all citizens according to their respective income capacities."*



Along these lines, **Carlos Roberto Ocaso, Deputy Secretary of Taxation and Taxpayer Assistance of the Federal Revenue of Brazil**, indicated that: "The exchange of experiences between tax agencies in Latin America is fundamental for identifying initiatives that can influence public policies that support social cohesion in our countries".

*Julia Cori, Adviser to the Peruvian Anti-Corruption Commission: "To fight corruption, it's not only necessary to have coherence among public-sector institutions but also the participation of civil society and the business sector. The involvement of the highest authorities is fundamental".*







*Roberto Solorzano, Deputy Minister of Finance of El Salvador. "With the support of EUROsociAL and the Federal Administration of Public Revenue of Argentina, (...), tax education was included in the strategic plans of the Ministry of Finance and became a public policy".*

In the structured debate that followed, other questions that are also important for social cohesion were raised: health equity, with the challenge of "moving from equity being a policy guiding principle to being an operative criterion", in the words of **Elena Clavell, General Director of the Uruguayan Integrated National Health System**; the importance of **social dialogue** to reduce social conflict and ensure public policies are framed in a country vision, as both the **President of the Guatemalan CES, Gustavo Porras**, and the **Honduran Deputy Minister of Labour, Ramón Carranza**, explained.



### Critical elements for future strategies

The discussions also made clear some critical elements for devising social cohesion strategies and, ultimately, for devising cooperation strategies in this area. In the first place, the question of the sustainability and financing of public policies. Cooperation might be a drop in the ocean, but the resources have to come from the countries themselves. In this sense, ensuring inclusive and sustainable tax systems must be a priority for progressing in social cohesion and making it possible for citizens to enjoy their rights.



*Danielle Mazzonis, EUROsociAL Coordinator in FORMEZ, emphasized that the experience of the partnership between Guatemala and Italy in the area of Regional Development is a challenge for EUROsociAL, as it is framed in a comprehensive action aimed at reviewing every one of the elements that make up the territorial structure of the State.*

In the second place, the sustainability of public services, which requires the construction of stable regulatory frameworks. A question that is, moreover, closely linked to the question of territory (of the territorial nature of the public services that must reach citizens). The importance of implementation and of scaling-up also emerged forcefully in the debates: going from pilot plans or programmes to large-scale public policies no doubt remains a challenge. In this regard, the example of EUROsociAL is striking: it acts as a catalyst for processes and small changes that can, in turn, boost or sustain deeper reforms: “EUROsociAL gets aboard a moving train”, as **Jerónimo Roca, Deputy Director of the Uruguayan Office of Planning and Budgeting**, aptly put it. He also highlighted another critical element: information and measurement systems.

Lastly, a reflection on the “mark made by EUROsociAL II” and, in general, on the continuity and sustainability of co-operation programmes. The majority of the policies supported require maturation times that not only extend beyond governing cycles but also beyond cooperation cycles. The challenge, on which EUROsociAL places special emphasis, is therefore ensuring ownership on the part of the countries.



*Jerónimo Roca: “What cannot be measured, cannot be known; and if something can’t be known, it can’t be controlled (which is what monitoring does) and can’t be explained.”*

**European Union –  
Latin America:**  
strategic partners  
in the global scenario



# The future of European Union development policy with Latin America



**ANDRIS PIEBALGS**

*EU Commissioner for Development (2009-2014)*

## *The Bi-regional Strategic Partnership; EU cooperation and its impact*

(Excerpt from the speech by Commissioner Andris Piebalgs during the roundtable on the future of the development policy)

It's true to say that the relationship between Latin America and the European Union is flourishing, thanks to our Bi-regional Strategic Partnership, which celebrates 15 years this year and has been going from strength to strength.

Alongside political engagement, trade and investment and sectoral dialogues, EU development cooperation has been a crucial building block in that partnership and has certainly yielded some lasting results on the ground. Take the AL-INVEST programme, which assisted 30 thousand small and medium enterprises in Latin America in their internationalisation processes between 2009 and 2013. In Central America and Mexico alone, AL-INVEST helped create new business worth more than 77 million euro. Abstract figures and concepts, you might say. Well perhaps so – but they are important nonetheless, for they point to our commitment to help our partners in Latin America. And behind them there are stories of transformed fortunes and changed lives. They are the stories of the 450 people in a rural area in Costa Rica who have found employment; of the craftspeople in Peru who have benefited from the programme; of the small-scale farmers in Nicaragua and the 300 indigenous cacao producers in the Talamanca area who have been able to earn better incomes for their families.

And there's more. The EURO-SOLAR programme has been instrumental in giving more than 300 thousand people in 8 of Latin America's most disadvantaged countries access to electricity. Meanwhile, the ALFA Project KID has helped eight thousand women find employment.

These are just three of many examples that show how our regional cooperation is making a real difference to real people.

I'm delighted that we have been able to make a modest contribution to the impressive progress that Latin America has achieved over the last decade. The figures speak for themselves. Since 2002, 60 million people from a total population of 580 million have been lifted out of poverty, giving the continent an historic opportunity to eradicate poverty, in particular extreme poverty, for good.

In the ongoing global debate on a post-2015 framework we have repeatedly said that the world as a whole has the resources to eradicate poverty in our lifetime. We want the help we give to our partner countries everywhere to be as relevant as possible. For it is not just Latin America that has changed; in a matter of years the world as a whole has become a very different place.

To remain relevant and effective, the European Union's development policy needs to reflect these huge global shifts. The result is a new policy framework based on a blueprint in the form of our Agenda for Change.

The Agenda for Change underpins the aims of eradicating poverty while securing sustainable development. It focuses on good governance, inclusive and sustainable growth and human development. It is about getting more impact from our policy with the resources we have, targeting them where they are most needed, have a comparative advantage and bring real added value, so that people, in particular the weakest, can move out of poverty and stay out of it.

I am immensely proud that, with the Agenda for Change, the European Union has once again listened carefully before acting appropriately. We have listened to Europeans at home, who support what we are doing in vast numbers but are right to expect us to spend their money as responsibly and effectively as possible. We have listened to our partner countries, responding better to their specific needs and building relevant partnerships with them. And we have listened to people in our partner countries, whose development is held back because they lack the basic opportunities we take for granted – robust, accountable public institutions, adequate nutrition, health and education opportunities, decent jobs and access to energy to name but a few.

So we will focus effective, targeted aid on those countries which need it most. Here in Latin America, bilateral cooperation with countries facing the greatest challenges will remain significant. But let me be crystal clear here: there is no question of us walking away from partner countries or regions where we have discontinued bilateral development cooperation. We will now be free to engage in a more strategic relationship with Latin America, in which we seek solutions on matters of common concern via meaningful regional cooperation, thematic programmes and new financial instruments. In short, we are opening a new chapter in our development partnership with you.

## **The future for development cooperation and Latin America**

And I can tell you today that, to mark this new chapter, the funding we set aside for regional programming between now and 2020 will see a huge increase, from 556 million euro for the previous seven years to 925 million euro for the next seven. That, I believe, is the strongest signal we could give of our intention to continue supporting Latin America's development efforts.

This bigger and better regional cooperation in which we engage should seek solutions to key challenges which continue to hinder the continent's political and socio-economic development. To this end our regional cooperation will focus on a number of strategic priority areas

which, for the first time, we have identified together with our partner countries in Latin America. I'm delighted that we have made this a more collaborative exercise. I look forward to seeing our Latin American partners take a more proactive and leading role in implementing our regional actions.

These priority areas include:

- inclusive and sustainable economic growth, addressing structural weaknesses, the informal economy, acute economic inequality and over-reliance on extraction of natural resources;
- reconciling environmental sustainability with continued development in a region that is highly vulnerable to climate change and natural disasters;
- capacity-building of state institutions responsible for security and rule of law, so as to enhance human rights and gender equality, build public trust and strengthen the social contract needed for development to succeed. In this regard we will help promote region-wide exchanges of best practice and specific solutions; and
- improvements in governance, accountability and tax collection and spending, so as to support government efforts at removing bottlenecks that undermine good governance, to tackle inequality, to increase social cohesion and to respond to growing social demand for quality public services.

## Inequality, social cohesion and EUROsociAL inequality

It's widely agreed that one of the greatest barriers to development in any country, rich or poor, is inequality. Seven out of ten people in the world today live in countries where inequality has increased over the past three decades. Inequality and exclusion can do great damage. A recent IMF study has confirmed the strong link between lower inequality and faster, more sustainable growth. Therefore, addressing inequality must be a prime concern for us all.

Europe and Latin America share a special responsibility in fighting inequality. The European Union because it is the region with the most developed welfare systems, based on a strong belief in the need for everyone in society to be able to help create growth that lasts and benefits everyone. And Latin America because, while remaining the most unequal continent in the world in terms of income distribution, it is the only region in the world where social inclusion as measured by the Gini coefficient has in fact improved over the last decade. Many Latin American countries are pursuing ambitious agendas to develop broader and stronger social policies.

Ladies and Gentlemen, Latin America has become the continent of hope for social inclusion.

More than ever, governments in Europe and Latin America are united in their firm commitment to social cohesion. The EUROsociAL programme that brings us together today is the practical product of this shared commitment.

EUROsociAL is demand-driven, as the beneficiary governments themselves define the actions to be implemented. It actively fosters South-South cooperation in Latin America – spending on which is expected to top 10 million euro during the programme's lifetime. And it is results-based, supporting only actions that have clearly formulated goals and are part of broader public policies.

EUROsociAL takes an innovative approach that produces measurable outputs and outcomes. Impressively, it does so on a relatively small budget divided among 18 partner countries in 10



thematic areas. For instance, its four-year second phase has received EU funding worth 40 million euro. And I'm very pleased to say that it has already delivered some excellent tangible results across various sectors and countries. It has supported reform of the labour information system in Colombia to better match labour market demand and supply. It has contributed to the introduction of a new law for handicapped people in Honduras and a new policy on fiscal education in Brazil. Meanwhile, it fostered many regional initiatives in Latin America, in areas as diverse as tax administration, regional development, justice and social and economic dialogue.

In my view it's clear that EUROsociAL is a fine example of the modern, relevant cooperation that will take our relationship with Latin America forward. And I'm glad to see that, thanks to its success, its life is likely to be extended into 2015. The real future challenge for EUROsociAL now is to ensure that gains lead to public policy changes in our partner countries.

## Conclusion

Programmes like EUROsociAL show how we can take our cooperation to ever greater heights, enabling us together to take on the many global challenges of our modern, globalised world. These challenges require global solutions. To find those solutions, the European Union wants to forge meaningful global partnerships that will make a real difference to our world and bring prosperity and sustainable development to the entire planet.

It goes without saying that any genuine partnership must be a two-way street. None of us has answers or ready-made solutions to everything. That's why we are seeking a partnership between the European Union and Latin America that fosters proper exchanges of workable solutions, useful expertise and valuable experience within and between our regions. We have much to learn from each other.

For the European Union, Latin America is a key partner for the future. We are not turning our back on this great continent. On the contrary, we are looking forward with it.

In the words of Mexico's great Nobel prize-winning poet and diplomat, Octavio Paz, "America isn't so much a tradition to continue as a future to realise." [*"América no es tanto una tradición que continuar como un futuro que realizar."*] Let's realise that future together.

# EU-Latin American Relations and Review and Future Perspectives



*In an international context like the current one, it's worth asking ourselves again about the foundations, rationality and functions of the strategic partnership between the EU and Latin America and the Caribbean*

**JOSÉ ANTONIO SANAHUJA**  
*Complutense Institute of International  
Studies (ICEI)*

## A review of bi-regional relations

For several decades, based on the common body of values and interests shared by the two regions, bi-regional relations between the EU and Latin America and the Caribbean have consistently maintained objectives related to peace, democracy and the effectiveness of human rights and the rule of law, sustainable development, social cohesion and the fight against poverty, and the strengthening of multilateralism. On the other hand, they have adapted to a changing international context: they originated in the eighties, providing a successful response to the challenges of democratic transitions, peace and the negotiated solution to conflicts in the region. In the nineties, in the more favourable scenario of the post-Cold War, the increase in Latin American regionalism, and the development of the CFSP, the EU put in place an inter-regional strategy that responded differently to the new map of Latin American integration. This strategy led to high-level bi-regional political dialogue through the Summits held between the EU and Latin America and the Caribbean. It also included a broader and more diversified form of development cooperation, as well as the proposal for a network of bilateral or multilateral Association Agreements covering the whole of Latin America and the Caribbean.

It has been difficult to make these goals a reality, and there are still outstanding tasks, such as the EU-Mercosur negotiations, but in retrospect the results have been notable. Both regions

# Social Cohesion:

maintain a political dialogue that contributes to harmonizing positions in international fora and emphasizes the role of both parties as global stakeholders. Mechanisms open to civil society and to business sectors also exist, and a parliamentary dialogue has become institutionalized through the Eurolat Assembly formed in 2006. Association Agreements have been signed between the EU and Mexico (2000), Chile (2002), and Central America (2010), as well as two free trade agreements with Peru and Colombia (2010), with negotiations for an EU-Mercosur Association Agreement restarting last year. The EU also signed a broad Economic Partnership Agreement with the 13 Cariforum countries. In the area of development cooperation, the EU and its Member States provide more than 60% of the ODA received by the region, with EU institutions being the third most important donor, providing 12% of the total. It is worth highlighting the signing of science and technology cooperation agreements, which allow the participation of some countries in joint scientific and technological research projects through the EU Framework Programme, and which represent an advanced cooperation mode of great importance to the Middle-Income countries of the region.

In a changing international context, with new stakeholders emerging and a vast process of redistribution of power and wealth underway on a global scale, it's worth questioning the foundations, rationale and functions of the strategic association between the EU and Latin America and the Caribbean. To address these questions, on which the existence, relevance and scope of this relationship depend, we can examine four key rationales or arguments that highlight the relevance of social cohesion as the axis of bi-regional relations:

*"Both regions share many of the principles and assumptions of liberal internationalism, particularly, democratic principles, open economies, a commitment to multilateralism, and the rule of law".*

## The rationale of identity. Shared values regarding democracy and social cohesion

In an international context with increasingly "post-Western" characteristics, where emerging countries do not always share the values on which the EU-Latin America and Caribbean relationship is based, defining both regions as "Western" has been, and largely still is, a singular feature of their identity and political practice, and a source of legitimacy and international influence. Both regions share many of the principles and assumptions of liberal internationalism, particularly: democratic principles, open economies, a commitment to multilateralism, and the rule of law as the cornerstone of the political system and the social contract. But to these principles, which can be found in other Western countries, both regions have added purely Latin American and European components, such as support for regional integration,



Latin American aspirations of equity and social inclusion, and the defence of the European social model. The commitment to social cohesion is, in fact, a distinctive feature of the interests, values and identity on which internal and international policies are based, both in Latin America and the Caribbean and the European Union. Beyond their importance as an axis of cooperation policies, they constitute a distinctive element of their international action, and with it, a source of legitimacy and influence—or “soft power”—for stakeholders that, as happens in both regions, stand as value-based “normative powers” when it comes to shaping the new rules that will define the more pluralistic and diverse “post-Western” international system taking shape.

Nevertheless, the consensus around shared values cannot be taken for granted. (Re)constituting the bi-regional strategic association as a community of values requires more than a generic invocation. Above all, this is because these values are today under debate in both places: democracy, public action for the regulation of markets and the scope and significance of social cohesion are questions today open to discussion, where there was once agreement.

*“The consensus around shared values can no longer be taken for granted. (Re)constituting the bi-regional strategic association as a community of values requires more than a generic invocation”.*

In the EU, the scope of democratic and citizen rights in issues such as gender equality and violence against women, immigrants, and other social groups exposed to or at risk for exclusion is being debated. But it is the economic crisis that has in large measure confronted the EU with the visible contradictions inherent in the vindication, on the one hand, of the “European social model”, of the rights set out in the Charter of Fundamental Rights of the EU, and of the objectives of social cohesion included in treaties; and on the other,

the imposition of austerity policies adopted to address the economic crisis and the bailout programmes adopted since 2010. These problems are the backdrop for the new social movements that have appeared in some EU member states, as well as in the disturbing rise of populisms and ultra-nationalist and xenophobic parties in some EU member states, which is expressed in the rise of Euro-scepticism in the European Parliament itself, among other things.

The migratory issue also seems to confront the EU internally and externally with its values and identity. In the decade of the 2000s, it was not possible to develop a common migratory policy, at the same time as the shortcomings of national immigration policies and the different models of social integration adopted by the member states were revealed. With the economic crisis, these problems were aggravated, and the rejection of immigration, and xenophobia, both in relation to nationals of third countries and citizens of the EU itself, has imposed itself in the political debate to the point of calling into question the rights of freedom of movement and residence contemplated by the EU.

In Latin America, the democratic agenda of the region is today dominated by the challenges of making the rights of civil and social citizenship a reality. The favourable cycle of economic growth has contributed to the improvement in employment and rates of poverty and inequality, which also owes much to broader and more inclusive social policies, and in particular to governments’ conditional cash transfer programmes, wage policies, and the expansion of secondary education. All of this has made it possible to reduce poverty to a

fourth of the population in the region<sup>1</sup>, and a visible expansion of the middle classes has also been registered. In short, the region has made important progress with respect to social inclusion and the expansion of the concept of citizenship beyond the right to vote and other political rights.

But in this positive scenario, we must not forget the fact that the region overall, and some countries in particular, continue to have the worst inequality indicators in the world. Gender inequality and issues such as violence against women and the scope of reproductive rights are at the centre of the social and political agenda in many countries in the region. No less important is the growing citizen demand for the recognition of associated rights and the inherent diversity of Latin American and Caribbean societies, in particular in terms of cultural and ethnic identity, and, increasingly, sexual orientation and disability. All of this means a significant expansion of the social cohesion agenda and a demand for broader, more inclusive and better quality public policies.

It is the rise of the middle classes—perhaps the most important process of social change in recent decades—that represents the greatest challenge in terms of the agendas of democratic governance, redefinition of the social contract, and social cohesion. From the socio-political standpoint, this increase may mean a strengthening of democracy, civil society, tolerance, diversity and entrepreneurship, and the transition to a broad-based service economy. But it may also give rise to higher expectations of social mobility and an increase in collective demands, as well as a questioning of the governance structures at the local, national and global level. It is no wonder that these emerging social groups have played a leading role in some of the largest social mobilizations ever experienced by the region and that they have expressed this growing “uneasiness with democracy” that characterizes it. The demands of Chilean students for an accessible and quality university education, of Brazilian citizens for better public services and an end to corruption; or the citizen demonstrations against public insecurity in Buenos Aires, Mexico City and many other Latin American cities point in same direction, and they seem to be finding an echo, despite their differences, in the social movements that have appeared in the EU and other countries and regions, both advanced and developing.

*“The ascendancy of middle classes represents the greatest challenge to these agendas for democratic governance, redefinition of the social contract and social cohesion”.*

Some immediate challenges can be found in the less than favourable economic scenario that seems to lie ahead. Both the “non-poor” and part of the rising middle class, with incomes barely above the “poverty line”, are characterized by their vulnerability to potential external shocks or a recession associated with the “middle income trap” that might affect countries in the region in the event of a global economic slowdown. This poses important challenges in terms of cohesion and social inclusion in aspects such as counter-cyclical policies to address these risks in the short term, and those that in the long term must allow growth, beyond the bonanza of raw materials, through productive investment and the improvement of the region’s productivity. No less important is a greater mobilization of tax resources given that,

1. Using the World Bank’s poverty line, as the per capita income adjusted to the purchasing power parity of four dollars a day.

despite improvements in recent years, tax collection rates are still low and characterized by low progressivity.

Nevertheless, the challenges for social cohesion posed by the rise of the middle classes are of much larger scope. It means growing demands on governments to provide public goods, address distributive conflicts, regulate markets by protecting consumers and the territory and environment, and to manage public services. As is happening in the EU with the social and economic pressures that the middle classes are under, they are demanding a broad redefinition of the social contract that links them to the State with the rights and responsibilities that this involves. A significant part of the tax burden falls on these social strata and yet they do not receive quality public services. They have remained outside the coverage of health and public education policies, as well as of social programmes “targeting” the poorest citizens that the governments of the region have promoted in the past two decades. This new social contract should be based, on the one hand, on a broad tax reform that expands the tax base by reducing the high levels of informality; that increases the progressivity of taxable income by improving the effectiveness of the tax agency and, as with

*“The ascendancy of middle classes means growing demands on governments to provide public goods, address distributive conflicts, regulate markets by protecting consumers and the territory and environment, and to manage public services”.*

the EU, that improves international regulation to address what the OECD calls the erosion of the tax base. On the other hand, the viability and legitimacy of these reforms will depend on whether they manage to make better use of resources, tackling corruption and expanding the coverage and quality of public services to address social demands, and, in particular those posed by the middle classes and their aspirations for progress—public education, health and social security, and citizen security—without the support of which these reforms will lack legitimacy.

In summary, a “strong” grounding in bi-regional relations based on common values and a commitment to democracy, citizen rights and social cohesion confronts both regions with their own reality and contradictions and aspirations. Confronting these contradictions not only involves the individual agendas of each region, at a national and regional scale. It also involves an “external agenda” that affects their foreign relations and cooperation policy. In particular, it requires ongoing political dialogue, in addition to agencies and mechanisms of consensus building, socialization and reciprocal learning that will enable shared reconstruction of these values as an expression of political will and bi-regional commitment to the collective aspirations of democracy and social inclusion. With this political support, it also requires agile and effective cooperation mechanisms in the area of public policies that enable reciprocal learning and the transfer of good practices.

## **The cosmopolitan rationale and the governance of globalization**

This cosmopolitan rationale would explain bi-regional relations based on the need to provide joint responses to the challenges of global governance in a transnationalized and interdependent world. Faced with the processes of globalization, the great question is how to organize effective international collective action, and how to create rules and

representative, legitimate institutions to adequately confront “global risks”. In light of these, a “new multilateralism” capable of democratizing international organizations, improving their legitimacy, representativeness and effectiveness is more necessary than ever. The political dialogue between the two regions should contribute to defining a shared global vision and a more coordinated action in multilateral fora and global agendas of mutual interest.

The question is especially relevant from the standpoint of “global risks”—such as climate change—and of economic and social development and the conditions and policies on which social cohesion depends and the social model to which both regions aspire. Economic growth, the dynamics of employment and the structure of the job market, the scope of social protection and the policies that make up the welfare state, as well as the tax policies they depend on to sustain them, and even citizen security, are increasingly becoming transnational processes derived from the networks of interdependencies that have given rise to the process of globalization. This is being dramatically highlighted by the economic crisis triggered in 2008, and the growing role of transnational criminal networks in the wave of violence affecting Latin America. The validity and content of democracy as a system of rights and guarantees (entitlements), the social contract itself in short, increasingly depends on contingencies associated with this globalization process, on adequate management of global risks and on global collective action, more than on the social compacts defined within each State, or even within the framework of regional integration processes.

Hence the importance of situating social cohesion in the emerging structures of global governance, such as the G20, and of constructing and/or reconstructing the economic governance of each regionally integrated group. Equally relevant would be cooperation to jointly address transnational dynamics that affect the security and welfare of the societies of both regions—such as drug trafficking, international organized crime and international migration—and cooperation to promote international development goals, beyond the Millennium Development Goals (MDG), based on the reform of European development policy and on the specificity and potential of middle-income countries (MIC) and their growing involvement in South-South Cooperation.

In summary, the process of globalization place development processes in an increasingly transnational framework, which limits the scope of national policies for poverty-reduction, socio-economic development, environmental sustainability and the management of global risks. In this context, international cooperation policies for promoting social cohesion can no longer be limited to the classic international aid and the model of North-South relations on which, in large measure, they are based, and must transcend the mere transfer of ODA resources North-South. More than aid policies, they represent policies for multilateral governance of global development, and the latter, to be effective, must be repositioned in broader international cooperation frameworks with the capacity to mobilize collective action and ensure the provision of global and/or regional public goods.

## **The pragmatic rationale: economic interests and social cohesion**

Linked to economic interests, this is a process that requires action to improve the international integration of all stakeholders so that the two regions cooperate to achieve better international integration in response to the process of displacement of economic power



towards the Asia-Pacific area. Bi-regional relationships can play a decisive role in achieving this goal. For Latin America, the EU continues to be a very important partner for promoting investment and quality employment through technology transfer and advanced economic cooperation in fields that are relevant to competitiveness agendas, such as higher education and national R&D&I programmes. Secondly, the rise of Latin America and the Caribbean, within the context of recession in the advanced nations, makes it more attractive as a destination for exports and FDI flows. With respect to the latter, it is worth noting the rise of the “Multilatinas” and the fact that the region is no longer just a receptor. Thirdly, through “mega-agreement” proposals like the Transpacific Partnership (TPP) and the Transatlantic Trade and Investment Partnership (TTIP), there is a significant potential for economic triangulation that vindicates the strategy set out by both regions of promoting a network of Association Agreements.

*“For Latin America, the EU continues to be a very important partner for promoting investment and quality employment through technology transfer and advanced economic cooperation”.*

The coverage of these agreements extends to matters not usually linked to commerce, such as the environmental and employment regulations of each country, protection of intellectual property and personal data in the digital environment, public enterprises or controls on capital movements and the possibility of applying capital controls, with advanced standards more favourable to the activity of multinationals. All of this could represent an important loss of autonomy for development

policies, both in the participating countries and third countries, and in particular for Latin America and the Caribbean, for which these standards would be much more demanding. In the EU in particular, the TTIP has raised a broad debate about its implications for employment, environmental and consumer-protection regulations; for activities protected for environmental, social and cultural reasons; for public health and education services provided by the State; and with respect to the protection of data in the digital environment, to name a few of the more controversial aspects.

On the other hand, the phenomenon of mega-regionalism—as free trade agreements have done in the past—pose both regions with the challenge of deepening and, above all, re-orienting their own integration processes. From the perspective of Latin America and the Caribbean, regardless of whether strategies fostering openness like the Transpacific Partnership or the “post-liberal” ones of Mercosur are adopted, regionalism and integration must be an instrument for developing active policies for improvement of international competitiveness, such as those related to regional infrastructure to improve energy supply, transport and communications; facilitation of trade; and regional policies to support innovation and training, and promoting SMEs; and the generation of regional and sub-regional value chains.

In this context, an expanded dialogue is needed about social and environmental standards in trade agreements; about rules that ensure quality social and environmental investment; and about the search for formulas and the exchange of experiences and best practices with respect to the links between employment, social protection and environmental sustainability, and the development of transnational value chains associated with this process of economic internationalization and reciprocal flows of trade and investment.

## The functional rationale: social cohesion in bi-regional cooperation agendas

This rationale addresses the demands for sectoral cooperation based on shared interests and interdependencies with reciprocal costs, which, increasingly, require a broad agenda of advanced thematic cooperation in line with the new cooperation demands coming from middle-income countries in Latin America and the Caribbean. In this regard, the following agendas covered by Association Agreements in are relevant:

- Promotion of trade and quality social and environmental investment, of competitiveness policies, of measures to address the asymmetries and costs of the adjustment, and of support for institutional reform and the improvement of regulatory frameworks.
- Social cohesion policies, with an emphasis on tax policies, the improvement of access to and efficiency in the provision of public services, decent employment, social policies, human rights and actions in favour of equality in terms of gender, ethnic group or any other discrimination factor.
- Support for regional integration, which is increasingly taking shape as an important instrument for improving international competitiveness, through support for the adoption of common standards and policies, the improvement of physical infrastructure and connectivity, as well as for the coordination of policies and the provision of regional public goods.
- Cooperation in the area of knowledge and the establishment of a “EU-LA Knowledge Space” in science and technology, innovation and technology transfer to the productive sector, and the formation of a common higher education and vocational education space.

Preservation of the environment, sustainability, the fight against climate change, energy efficiency and the improvement of the energy grid through the development of renewable energies.

Cooperation to jointly confront transnational dynamics that affect the security and welfare of the societies of both regions, such as illegal drug trafficking, international organized crime and international migration.

In addition, it is worth mentioning that in a context of rapid change and great intensity in the international system and global development agendas, Latin America and the Caribbean are facing more complex and differentiated development challenges which do not respond well to the agenda defined by the United Nations in the Millennium Development Goals (MDG), which expire in 2015. The progress registered for the region seems to leave behind or reduce the importance of certain classic Latin American development problems, but it poses other new ones typical of middle-income countries (MIC), the risk of the so-called middle income traps and of transnational problems and global risks, such as financial stability, energy security, climate change and food markets.

Because a significant proportion of their population was living in extreme poverty, the MDGs and their poverty-reduction goals were relevant for Latin America and the Caribbean. However, in Latin America, where poverty is not a consequence of a lack of resources but rather of inequality and exclusion, institutional weaknesses and a “political economy of bad government” benefiting traditional elites, this agenda was partial and limited. In this context, it is worth highlighting the relevance of cooperation agendas with middle-income countries that, faced with a reductionist view of international development goals and the MDGs, would bring new a rationale to cooperation with the region and a broader framework for the debate about aid effectiveness.

In recent years, the power shifting processes in the international system, the rebalancing of the bi-regional relationship and the transformations that European and Latin American regionalism are undergoing have brought up the need to update relations between the EU and Latin America and the Caribbean, and to find a sense of purpose and a convincing and motivating “narrative” that makes it possible to overcome the “relationship fatigue” that seems to be affecting both sides. The four rationales indicated above would be the ones that should provide a “strong” rationale for the bi-regional relationship to continue to be desirable and necessary. Social cohesion lies at the heart of these four rationales, and based on the explanations above, a bi-regional relationship that does not make this issue one of the centres of its policy dialogue, of its inter-regional cooperation, and of its international visibility in a world in transformation seems inconceivable.

# The European Union's development cooperation in Latin America (2014-2020): the perspective from the European Parliament



*Speech by European Parliament Member Catherine Grèze during the roundtable on cooperation between Europe and Latin America*

**CATHERINE GRÈZE**

*Member of the European Parliament from the Green Party, coordinator of the Development Commission, Vice President of the Eurolat Economic Affairs Commission*

I have been asked to present the new cooperation agenda between the European Union and Latin America for the period 2014 - 2020, as seen by the European Parliament. More precisely, my speech will focus on cooperation *for development* by the European Union in Latin America.

Rather than a list of facts, I have chosen to provide you with a few reflections in order to encourage debate. The end of this Parliament's term is also conducive to stepping back and taking stock.

Let us start with the financing instrument for development cooperation, voted by the European Parliament three months ago. The DCI is a general framework that conditions European development aid.

## The DCI and its budget

In budgetary terms, the 2014-2020 DCI provisions are similar to the programming period which has just ended. This may seem trivial, but it is not the case.



Pursuant to the Lisbon Treaty the European Parliament had, for the first time, the power to accept or reject the European Union's overall budget for 2014-2020.

The initial demand of the Parliament was clear: increase it by 5%. Why? To deal with the crisis but also to reinforce European external action in the fight against poverty and for human rights.

You know what happened next: the Parliament's major political groups gave up when faced with the intransigence of the Member States. And so a more ambitious budget, notably for development aid, was not possible.

If I begin by talking about budgetary restraints, it is to remind you of its importance. Europe is in crisis. Making savings is a major concern. As is the need for being more efficient.

It is this efficiency, together with the concern for improving the impact of development aid, which have led to the main rule changes for the DCI in 2014-2020.

## The new DCI rules

From that basis derives the DCI's most important new development: the principle of differentiation.

This principle reflects the will to concentrate bilateral development aid on the poorest countries, where it has a very strong impact.

The result? With the same budget, the number of countries eligible for European bilateral aid has been reduced by half. And Latin America is paying the highest price.

On several occasions, the European Parliament has asked for the criteria for establishing the recipient countries to be increased in number, and be more varied.

Just because the GDP of a country is 1% above world GDP it does not mean that its entire population benefits from "middle income"!

Latin America is proof of this. A deeply inegalitarian continent, a third of its population lives below the poverty line, and 10 countries in the region are on the list of the world's 15 most unequal countries.

The Commission has chosen to favour poor countries over poor populations. This is a choice. However for Latin America, this interpretation is not entirely suitable.

Based on this observation, the Members of Parliament took action and were granted an exception for Peru, Ecuador and Colombia. For the last time, these three countries will therefore benefit from bilateral aid, whose budget will be three times less than that of the previous period...

Indeed, with differentiation, the entire budget specifically allocated to Latin America is diminishing. The DCI budget share for this continent will go from 16 to 13%.

There will be less development aid for Latin-Americans in 2014-2020.

## The new perspective of development aid

Faced with this, legislative texts are insisting on the need to implement progressive exit strategies for countries that are now no longer eligible.

On reading the first programming document for Latin America, I can indeed see that there is an overall change of direction...

Between 2007 and 2013, the European Union's regional strategy objectives towards Latin America were as follows: social and territorial cohesion, regional integration, human resources and common understanding.

For 2014 - 2020, it will be lasting and inclusive growth, environmental durability and vulnerability, good governance and social equity, and a link between development and security.

The change in rhetoric is, I am sure you will agree, notable to say the least.

The environment is mentioned, and I welcome that.

However there is also talk of growth, the importance of the private sector, the need to improve the "trade environment", the competitiveness of businesses and - this is my favourite - "sustainable trade".

In Peru, the Commission says that its "key interest is a smooth implementation of the free trade agreement". In Ecuador, growth and trade are the priorities. In Colombia, they will look to encourage "sustainable economic development".

I know that the European Union has signed trade agreements with Peru, Colombia and Central America. It wishes to do the same with the MERCOSUR countries and Ecuador.

Would this explain this new leaning of development aid towards more economical subjects and towards more entrepreneurial audiences?

## The "blending" question

Not content with benefiting from less aid, the "middle-income" countries of Latin America will also be the special target of new aid allocation methods.

The Commission say it wants to carry out "blending", this "mix of types" between grants and loans, a "key instrument for the first two priorities of the regional programme". i.e. potentially 70% of the funding.

I suspect that we will not go that far but we Members of Parliament are worried as we have not received any exact figures from the Commission.

According to its supporters, "blending" helps to attract additional investment for large infrastructure projects or even to facilitate dialogue between the private sector, international institutions and governments.

I am sure that is the case.

But we must not lose sight of the initial objective of development aid: the eradication of poverty.

Last year several organisations, referring to practical cases in Latin-America, published very critical reports about “blending”. They demonstrate that these new mechanisms do not contribute to development objectives, totally lack transparency and could even constitute a waste of development aid which, I must stress, is already dropping for the continent.

One thing is sure: we are staking a lot on this “new trend”, without necessarily knowing where it will take us, or without having carried out the required impact studies.

What is the ultimate aim of European development aid? What are we looking for? Less poverty? More growth? Support for our external trade policy?

## The role of the European Parliament

In June 2012, the European Parliament took a very clear stance on cooperation with Latin America, via an own-initiative report passed by an overwhelming majority.

The report claims that even when it is inclusive and sustainable, growth is not automatically linked to a reduction in poverty. It also says that policy coherence with regards to development, and not trade, must be the primary objective.

In a 2011 resolution on the impact of European development policy, the European Parliament asked the Commission to provide clear information on the way in which projects financed by “blending” will contribute to development objectives.

Although there has been an improvement, the Development commission still only has very little room for manoeuvre to ensure the monitoring of and a right to inspect programming, fund allocation methods or project selection.

This is even more striking with “blending”, where the Commission and the Member States do not seem willing to associate the Parliament in the selection or monitoring of projects.

## Conclusion

During my exchanges with Latin-American civil society, I have seen that these new directions are causing concern. For my part, I question the real aims of development aid.

As a representative of the Parliament, I wish to share with you our determination to carry out an in-depth examination of the consequences of these new directions.

For this portfolio cannot prefer “business” to the eradication of poverty, our absolute priority.

# Cooperating with middle-income countries: inequality and new social gaps



# Challenges to social cohesion in Latin America<sup>1</sup>



CLARISA HARDY

*International consultant and member  
of the EUROsociAL Steering Committee*

*The lack of social cohesion is a determining factor that threatens growth in countries once they overcome the condition of being poor or low-income countries*

*The analysis of this paper is based on the contents of a book which is soon to be published, whose empirical sources are household surveys from 18 Latin American countries, almost all of which were updated in 2011. (Clarisa Hardy **Social Stratification in Latin America. Challenges to Social Cohesion**. Ediciones LOM. Chile).*

*The book refers to social stratification in the countries constructed on a methodology based on the concept of vulnerability which was created by two UNDP economists (F. López-Calva and E. Ortiz-Juárez) and has been adopted by the World Bank. The book examines the size and characteristics of social classes (poor class; not poor or middle vulnerable class, in other words, with a high probability of falling into poverty; middle class with greater economic security and a low probability of falling into poverty in risk situations; and upper class); it presents a typology of countries based on the national composition of these classes; and, following from this evidence, it provides an in-depth exploration of the social cohesion of these societies.*

## Introduction. A new concern for inequality

Although the concern for inequality in Latin America is an old one, it was always politically aligned with the left and stigmatised by other political powers. By the same token, until very recently there was no political legitimacy or widespread social support for tackling inequality as the region's greatest problem.

In this scenario, the adherence of all the Latin American countries to the Millennium Development Goals (MDG) made it possible to avoid the debate on inequality and to focus solely on reducing poverty. In practice, social cohesion only recently became a priority in Latin American countries' priorities.

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1. Presentation in the panel "Cooperating with Middle-Income Countries: Inequality and New Social Disparities" in the *EUROsociAL Conference: Euro-Latin American Dialogue on Public Policies for Social Cohesion*. 24<sup>th</sup> and 25<sup>th</sup> of March 2014. European Commission, Brussels.

The dominance of neoliberal concepts from the Washington Consensus spread throughout the nineties and continued to weigh in at the beginning of the new millennium in much of Latin America. In fact, there has been a prevalence of the road characterised by adhesion to the supposed automatic action of growth towards social development and, therefore, of the subsidiarity of the State - which may only intervene where the market does not do so and on behalf of the most poverty stricken.

However, there are two considerations that change this situation. The first of these is of an economic nature and manifests itself as concern regarding the limited economic development of many countries in the region under the current model. Under the well-known dilemma of the "middle-income trap", political leaders and experts are asking themselves about the obstacles that hold back economies and threaten countries with mediocre growth when, having emerged from poverty and low income, they do not manage to progress, but rather stagnate and even regress. In the balance of limiting factors, lack of social cohesion is a determining factor<sup>2</sup>.

According to this approach, it is inequality that holds back growth once a certain threshold is reached, which is substantially different from the neoliberal viewpoint.

The other factor behind the rethink of the positions of the neoliberal Washington consensus is of a political nature. In effect, Latin American countries have been systematically reducing poverty in recent years, after two frustrating decades, but far from achieving political stability, these countries are experiencing growing social demands and protest which are manifesting in widespread mobilisations, an increasingly demanding civil society and a discredited political system. This stems from the fact that reducing poverty does not equate to reducing inequality in its different dimensions and economic insecurity continues to threaten families.<sup>3</sup>

Thus, the absence of social cohesion in Latin American societies explains the disaffection and distrust felt towards political institutions, which are responsible for the poor quality of democracy.

We have been called to this meeting to strengthen the need for strategic reflection on European Union links with Latin America. As the conference document reminds us, social cohesion - which should be the backbone of the relationship between both regions - has gained ground in the Latin American discourse and is a European Legacy. As I have already pointed out, concern for the functioning of the economy and political instability have prompted governments to ask themselves about the social problems in their respective countries, in that, the more poverty, the more persistent the accompanying inequality.

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2. This is examined very well in the book by the chancellor of Michelle Bachelet's government between 2006 and 2009., which looks at the problems experienced in middle-income countries on three continents of the planet. These challenges were the subject of study when he became the Ministry of Foreign Affairs, during that time he shared some of the observations with his counterparts in countries similar to Chile. This book describes the middle-income country trap as the difficulty experienced by middle-income countries to sustain growth of more than 5% for more than half a decade, accompanied by less inequality and improvements to demographic institutions. In short, the author identifies the following factors: 1) Deceleration of growth due to the inability to achieve continuous improvements to productivity. 2) Low quality education and slow transference of knowledge and innovative ideas (which affects precisely the aforementioned factor). 3) Excessive inequality and lack of protection for vulnerable groups (which also impacts the first factor). 4) The inability of institutions to provide stability (which is an effect of the previous factors). Alejandro Foxley (2012) *The middle-income trap. The Challenge of this Decade for Latin America*. CIEPLAN. Chile.

3. As shown by the recurring contents of different citizen protests, protests against inequality take different guises: for the elimination of discrimination and privilege; for better salaries and working conditions; for an end to price fixing and private borrowing; to demand quality services; for women's rights, rights of indigenous people and those with different sexual orientations; for finding solutions to insecurity and violence.

This concern has been present in recent years in Latin and Ibero-American meetings which, with the participation of all countries in the region, have started to adopt approaches that prioritise social cohesion.

In this regard, it is worth mentioning the meeting corresponding to the ECLAC Sessions in Uruguay in 2006, where there was a call to generate more cohesive societies and where ECLAC underlined the pressing need to provide social protection based on rights to focus the fight against poverty and inequality in Latin America.

This approach has been adopted and strengthened in subsequent regional meetings organised to define cohesion strategies for Latin America. The Ibero-American Summit on Social Cohesion 2007 is an outstanding example of these. This Summit, held in Santiago de Chile, was attended by all the Latin American countries as well as Spain and Portugal and defined its objective as that of achieving more inclusive societies. The meeting gave priority to public policies in the social, labour, productive and employment areas. For the first time at a meeting of this type, which was attended by heads of government, the Washington Consensus was called into question and social cohesion became an explicit regional commitment, enshrined in the Santiago Declaration. This Declaration would prompt the Ibero-American General Secretary, Enrique Iglesias, to say that “it is the outcome of the Summit that has borne the most fruit in 17 years”.<sup>4</sup>

Recently, there has been significant international impetus in this area, with the proposal for the Social Protection Floor approved by the United Nations in 2011. This appears in a report coordinated by the International Labour Organisation (ILO) with support from the World Health Organisation (WHO), which was led by the current president of Chile, Michelle Bachelet.<sup>5</sup>

However, it must be recognised that this commitment is more a question of rhetoric than of effective action in countries and that, in the majority of cases, the intentions declared by the governments do not materialise, as evidenced by the persistence of inequality, albeit with less poverty, in the region.

There is no doubt that the reasons for this are many and that resistance from the groups in power - whether economic, political or social - are among the greatest obstacles on the road towards societies of cohesion. These groups possess hegemonic value positions that normalise inequality and reject distribution policies.

This also applies to unsuitable decisions and malpractice. Similarly, one must not underestimate the impact of the absence of knowledge and documented information on the reality of the respective societies and on the main factors underlying inequality phenomena which have the multidimensional effect of segregating Latin American societies, to a greater or lesser extent. Without this knowledge and without adequate information, bad decisions and mistaken practices which translate into inefficient public policies are understandable.

With regard to the latter, this paper endeavours to examine the social reality in Latin America by identifying some general trends, which comprise the challenges to social cohesion common to the entire region, with the understanding that ours is a heterogeneous continent and that it

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4. [www.segib.org](http://www.segib.org)

5. ILO (2011) *The Social Protection Floor*. Geneva.

requires unique action strategies consistent with the peculiarities of each country or group of similar countries.

### I. The stratified social reality in Latin America

Poverty is no longer the dominant situation in a significant part of Latin American countries and there has been a sustained trend toward its reduction in the last decade, unlike the deterioration and stagnation suffered by the poor classes during the previous two decades.

This fact, together with the modest but constant increase in gross national product of most of the region's countries, has prompted several international organisations to suggest that Latin America, as well as joining the league of middle-income countries, is moving towards the formation of middle-class societies.

However, a closer look at the situation in Latin American situation reveals a very different reality. A scenario of discontinuous growth<sup>6</sup> in which the poor classes are moving up towards new social classes which, although not in poverty, have fragile economies that make them highly vulnerable to both national and international risks. These emerging sectors of society, inappropriately known as "new middle classes", make up the most widespread social situation in the region.

With comparative information on 18 countries in Latin America, of the total Latin American population, 30.1% are in poverty, while 37.9% of the population are not in poverty but are vulnerable. The total 68% of the population of Latin America who live in poverty and who are vulnerable, live alongside 29.9% of those in the middle class who have more financial security and with a small 2.1% rich class made up of those with the highest income in Latin American societies.<sup>7</sup>

The point in question is that, in effect, poverty is on the wane, but Latin America, (with the exception of a couple of countries, Uruguay and Argentina) is not consolidating middle classes or secure societies. Quite the contrary, these are precarious societies.

We might ask ourselves why this is happening. If they are growing and reducing poverty, why is the result economically insecure, precarious societies? An analysis of these social classes reveals that their behaviours and relationships are marked by inequality.

This is persistent inequality which is located in the labour area and an educational system that segregates the population on the basis of their origin. This results in distribution disparities that separate households and workers according to their social and economic origin, and which are aggravated by questions of gender, age and rurality.

In relation to the labour area, although Latin America has a generally low rate of employment, this is distributed unevenly according to people's social class. Labour force participation and employment are considerably higher in the middle class, but especially in the upper classes.

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6. A recent report says that in 2013 the region saw discreet growth of 2.6% in contrast with 3.1% in 2012, a slow-down that started in 2011, but at different speeds in different countries. While Paraguay, Panama, Bolivia and Peru grew by more than 5%, Argentina, Chile, Colombia, Nicaragua and Uruguay grew between 4% and 5%, there was low growth in Brazil (2.4%), as well as in Mexico and the Dominican Republic, both at 1.3%. (ECLAC (2013) *Preliminary Overview of the Economies of Latin America and the Caribbean*. [www.eclac.org](http://www.eclac.org))

7. See table 1. *Social Stratification in Latin America*.



Something similar occurs with the quality of work in highly informal regions which tends to be concentrated in poor, vulnerable classes. Even in the countries which have advanced in terms of formalising employment, up to a third of workers are casual and most of them come from the classes with the lowest income. Likewise, social security continues to be deficient for a significant proportion of workers and, as might be expected, primarily affects vulnerable workers whose precarious work situation is reflected in their pension situation at the end of their active working lives.

In all quality-of-work related factors, gender and age are an aggravating factor: women and young people are those with the lowest job placement rate, the highest rate of unemployment and the lowest salaries.<sup>8</sup>

However, inequality is most evident in the disparity between household incomes and salaries. It is important to stress that, while there is a problematically high disparity between poor and rich, there is also a generalised inequality of income and salaries among all social classes and the richest sectors of Latin American countries. This reveals that the region's income is highly concentrated.

So much so that, between the upper classes of society and the poor, the difference in per capita income in the household is 36.3 times and 13.4 time between the non-poor vulnerable and upper classes. In terms of earned income, the salary earned by upper class workers is 13.1 times that paid to poor workers and 8.5 times that paid to workers who are not poor but who are vulnerable.

If we compare the middle class to the rich, the family income of the rich is 4.7 times that of middle class workers, the same disparity as that between high and low income families in OECD countries. This four-fold difference also applies to the hourly wages paid to workers in the middle and upper classes.<sup>9</sup>

Underlying this employment and income situation is a segregated educational situation, in which social class determines access to education and educational quality.

Although primary education is universal in Latin America, there are still difficulties with secondary education schooling and, above all, with early years or pre-school education, as well as higher education. Access to these is distributed unequally according to social and economic origin.<sup>10</sup>

These inequalities explain why the growth of the region cannot overcome poverty in a sustainable manner and why the statistical reduction in poverty is associated with the construction of highly vulnerable societies where increasing sections of society have surpassed the threshold of their basic needs, but find themselves vulnerable to economic instability. This is, by far, the worst of the traps facing middle-income countries.

## II. Typology of countries in a diverse Latin America

The presentation of aggregated data from Latin America, although offering an overall view of a diverse regional situation, nevertheless masks the heterogeneous situations in the region.

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8. See table 2. *Labour Statistics by Social Strata in Latin America*.

9. See table 3. *Disparities in Family Income in Latin America*; and table 4. *Differences in Hourly wages in Latin America*.

10. See table 5. *School Coverage by Social Strata in Latin America*; and table 6. *School Coverage by Level of Education by Country Group Typology*.

Considering the relative weights of social classes and their relationships it is possible to build a typology that identifies four groups of countries which, according to the degree of coverage or accessibility of social rights, oscillate between exclusion and integration, although unequally<sup>11</sup>. Group I and Group IV countries are those with the most disparate integration-exclusion positions, while Group II and Group III find themselves in intermediate positions.

From the countries of Group I with low poverty and large middle sectors, to Group IV countries with excessively high levels of poverty and nascent middle classes, all the countries in the typology - even when they differ in the degree of access to social rights - have social structures marked by differing degrees of inequality, depending on the country.

The second group, comprising nine countries, is particularly noteworthy because it is the one which best represents Latin American society. The level of poverty is still significant (albeit below its regional average) and a middle class is forming, but this is mostly vulnerable. This second group of countries best represents social vulnerability in Latin America.

There is correlation in the typology of countries between the relative weight of poor, vulnerable and medium classes, and the levels of education achieved in the respective societies, the weight of informality in the labour world, social security coverage afforded to their workers and the urban and rural nature of the social stratification.

However, although there is a correlation between levels of integration in this typology - exclusion with the levels of access to social rights - it also a clear warning of the lack of correspondence between poverty and inequality, these being two phenomena that coexist in different ways in all countries.

Notwithstanding the differences among the countries grouped together in the typology, they share the factors that weigh in the social stratification, such as social and economic origin, gender, age and where people are born, educated and work, all of which continue to be causes of inequality that are cross-cutting in all Latin American societies.

In other words, access to social rights marks the level of integration-exclusion achieved and differentiates the different types of countries, but the differences in income between classes (aggravated by gender and age) are present in all countries to some degree.

An issue that reveals that Latin America is transforming from social exclusion to integration, but unequally. Therefore, inclusive development is a challenge outstanding in all the societies of all eighteen countries analysed.

Even in the case of the country with the lowest level of distributive inequality in Latin America, Uruguay, which is part of the Group I typology, inequality there is high in comparison to that in OECD countries. Chile is also part of Group I and, although it shares very high levels in the provision of rights and services with Uruguay, in contrast, it has the medium-high levels of inequality typical of Latin America.<sup>12</sup>

The impact of rurality on exclusion from rights, as seen in the relationship between processes of urban development, the pace at which poverty is falling and greater access to rights, is

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11. See Latin American Country Typologies. Group I, Group II, Group III and Group IV.

12. See table 7. *Income Disparities between Different Social Strata. Group I (Argentina, Chile, Uruguay)*.

significant. The typology takes account of this reality: Groups I and II are the most highly built-up countries and have the highest levels of social integration, whilst Groups III and IV are those with the largest rural populations and have the highest rates of exclusion.

It is interesting to note that countries with a combination of low poverty and a larger, consolidated middle class suffer from less inequality than the other countries. Examples of these are Uruguay and Argentina, the only two countries in Latin America in this situation.

In contrast, the combination of very high poverty and an almost total absence of a consolidated middle class leads to high levels of inequality, as is the case of the three countries in Group IV of the typology: Guatemala, Nicaragua and Honduras.

Despite the differences between the groups of countries that make up the typology, gender inequality is cross-cutting throughout the region, seemingly in response to cultural patterns that are resistant to social and economic transformation and which, for that very reason, are difficult to eliminate. Gender discrimination has not been taken up by public policies in countries which, with some exceptions, do not consider that early care from infancy is the role of the state and continue to delegate domestic tasks and child raising to mothers, thus excluding them from the labour market and from independence.

Moreover, a new youth phenomenon is also spreading, although more markedly in countries with higher levels of exclusion (Groups III and IV), which is also significant in countries with more advanced processes of unequal social integration (Groups I and II). This phenomenon consists of the so-called NEETs, young people who neither work nor study which is appearing in spite of the increase in the rate of education in all countries. These NEETs account for approximately one fifth of all young people in Latin America and a quarter of this segment in Group IV countries.<sup>13</sup>

Finally, it is important to highlight the link that appears between greater social integration and urban development, on the one hand, and ageing societies, on the other. The countries in Group I of the typology have a level of longevity comparable with that seen in developed countries, and they are closely followed by the countries in Group II. These changes in demographic profiles, although present as a trend throughout Latin America and which must be considered due to their impact on healthcare and pension systems, are still incipient in Group IV countries and somewhat more advanced in Group III.

### III. Challenges to social cohesion

In contrast to what has been presented in recent studies, this analysis of social stratification leads to the conclusion that Latin America is not transforming from a middle-income region to a middle class region, but into societies marked by economic instability based on inequality that segregates its citizens.

The success achieved reducing poverty in the last decade is revealing the structural problem of inequality in Latin America, which appears to be a major pending challenge.

In other words, inequality has prevented economic growth from being a lever to emerge from poverty and to consolidate secure economic conditions in most Latin American societies.

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13. See table 8. NEET youngsters by Country Group Typology in Latin America

Social protests in recent years reveal the state of unrest in numerous countries, particularly those which have been more efficient at reducing poverty and where the new vulnerable medium-income class has grown.<sup>14</sup> The social mobilisation of populations which, having left poverty behind, now have expectations of inclusion that clash with the limiting reality of economic instability. However, not only the new vulnerable middle class have protested, but also a better established middle class which, in spite of its improved economic security, faces barriers against access to the promised society of opportunities which, as is often seen, continues to be the realm of a small social and economic elite benefitting from the best opportunities and quality of life.

The extent of the unrest, which differs from country to country, depending on the characteristics of their societies, cannot be explained by the absence of improvements in relative wellbeing in households, but rather in the unequal distribution for reasons of origin (social and economic, ethnic and of gender) rather than effort and merits. This, as well as dampening expectations, is interpreted as deception on the part of governments who are offering social mobility linked to education and growth.

This has the effect of adding to mistrust in political institutions<sup>15</sup> and discredits certain purportedly unquestionable truths which have dominated political powers, such as the “trickle down” of economic growth and the benefits of the subsidiary state.

A new subjectivity is the result, then, of having changed the pattern of historic relations in the continent, that of social relationships based on “normalised” inequality. The phenomenon is more marked the more progress is made towards overcoming poverty and reaching the longed-for middle class, only to realise, once you arrive, that the opportunities you expected are fading away.

The belief that inequality is the result of the natural order of things is on the wane. Instead, the perception that inequality is the result of the way that power is generated and reproduced in the economy, in politics and in society is growing.

So that not only objective but also subjective realities are the basis for a possible new strategy in Latin America which makes inequality the challenge to conquer and social cohesion the goal to achieve.

Today’s challenge is to move, therefore, from a new rhetoric which has legitimised the value of social cohesion, towards the construction of policies that make it possible to transform this into a concrete reality for the millions of citizens of this region. In this context, the role of the European Union may be decisive because it has implemented different models of the Welfare State and faced redefinitions and readjustments of these before and during the crisis, without renouncing them.

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14. The first warning signs were the Chilean student uprisings in 2011, which have been followed by other social protests since that time. Colombia and Mexico soon followed suit, then Argentina and, more recently, Venezuela.

15. Of all the institutions, political parties are those least trusted by citizens, followed by the parliament, according to numerous national opinion surveys and the findings of the latest *Latinobarómetro* poll, taken in 18 Latin American countries. This poll also reveals the opinion that democracy is falling short due to corruption, in the first place, and social injustice, in second place ([www.Latinobarometro.org](http://www.Latinobarometro.org)).



In the search for cohesion for Latin America it is possible to identify three major areas of change:

*a) The first area or challenge of social cohesion is the construction of a System of Social Protection founded on rights as a mechanism for tackling inequalities.*

The base to build inclusive societies in Latin America is a community of citizens with the same rights. This is to ensure that they cannot continue to promote, as is the case at the moment, policies for the poor (really, for a part of them) and policies for the rest of society which ultimately bring about the social segregations that divide our societies.

With this universal perspective of social protection that includes society as a whole, we can achieve a currently non-existent social identity, creating the basis for formulating projects that can be assumed collectively, increasing the value of cooperation and solidarity without which it would be impossible to make progress on social cohesion.

The current restrictive frameworks in which the so-called Conditional Transfer Programmes operate for the poorest hinder social protection from resolving the problems of these segments in their entirety, due to limits on coverage, but also, because monetary transfers and the social services provided are insufficient and of low quality.

Social protection systems which should cover the life cycle of people in an integral manner, currently have evident gaps, as we have already seen, in early childhood, in youth, in worker vulnerability and weak protection for older adults.

But this is so not only in unprotected stages of the life cycle, but also in areas of social protection which do not consistently follow on from social and labour policies, when what these social policies are doing is compensating for the inequalities in the labour market. So long as the quality of work and labour relations are not included on social protection agendas and are not part of the Social Protection System itself, we will not be in a position to tackle the inequalities that social policies try to offset, neither will there be possibilities for the contributory dimensions of social protection to prosper.

*2) The second area or challenge to social cohesion is the need to push forward an agenda of equality for women.*

In all areas of inequality, gender is present as a cross-cutting and permanently asymmetric dimension. Gender inequality, which overrides other types of inequality, makes more than half of the population of Latin Americans into second-class citizens. This hinders economic development, limits coexistence and is an obstacle to building identities and a sense of community in our societies.

National strategies to overcome inequality are part of the solution to tackling gender inequities but they are insufficient if they do not address the singularities of gender equality. This requires eliminating social and economic, political and cultural inequality - which has normalised the subordination of women in all Latin American countries - with programmatic and legislative initiatives.

European experiences in this realm may provide valuable lessons with the progress been achieved with laws on quotas or affirmative action strategies in the areas of the economy and politics; with the advances made in child protection and parents' rights that enable employment of women and their independence with respect to domestic chores and child-raising, among the most important initiatives.

*3) Finally, the third challenge is that of the institutional, political and fiscal sustainability of social cohesion.*

Although democratic political life has normalised in Latin America, with governments completing their terms in office and with democratically elected parliaments, and, at the same time, professionalism of the civil service and horizontal learning in tax processes have spread, the truth is that there still is no institutional framework as such for social protection policies, not even in the tax area, to ensure their progression in time.

With respect to the former, in spite of advances in decentralisation and regionalisation processes in Latin America, these are still insufficient. Achieving an adequate combination of centralised policies and investments and decentralised policies and investments is crucial, especially in social services, as well as in activities to encourage productivity and entrepreneurship.

To take a leap forward in the challenge of equality the search for political and social agreements in countries that will enable this to happen is essential. Progress will be impossible without social and political agreement to sustain the institutional and solidarity model. Of course, this comes at a price, because redistributing power, knowledge, information and resources, means devolving and socialising it. This is only feasible with agreements and pacts, institutionalised through mandatory laws that eventually build, through their practices, new relations in society and a more equitable culture. Debates on new constitutions, electoral systems and political regime reform, as well as initiatives for the strengthening of civil society and an increase in civic participation, are part of these future tasks.

But this is not enough. It also means giving fiscal sustainability to social cohesion.

There is sufficient evidence that direct state intervention through monetary transfers with a certain weight and tax structure has a decisive effect on the distribution of income. If we analyse what happens in OECD countries and compare them with those in Latin America, it can be observed that in the former there are significant differences in distribution before and after transfers and taxes, whilst in the Latin American case there are almost no differences before and after.<sup>16</sup>

Tackling taxation, as part of these concluding remarks, does not mean taking a technical approach to the topic, even by tax experts or tax specialists, but taking into account the role of tax policies in social cohesion in a region devastated by poverty and inequality.

The equation with which tax policy is discussed and programme priorities designed for Latin America needs to be changed. Unlike what usually happens, when the tax policy defines the scope of public policies, it is a question of inverting this conception so that the debates on the type of society wanted should determine the tax framework required. For the same reason, this is not a technical, but rather a political debate on development strategies.

With regard to this, both dimensions of tax policy must be taken into consideration: on the one hand, the tax resources available to tackle social cohesion policies and on the other, the orientation and use of these resources. In other words, on the one hand, to have sufficient tax income and a progressive tax composition and, on the other, to ensure that the resources collected have a progressive impact.

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16. The Gini coefficient in the OECD before transfers and taxes is 0.45, which becomes 0.31 after the State redistributive action, a change that does not occur in Latin America. Examples quoted in ECLAC (2010) *Time for Equality*.

Social cohesion is not a government programme but a project for a democratically managed society, which means institutionalising social protection systems with explicit policies of guaranteed rights, with secure funding which is not subject to fluctuations in the economy nor circumstantial political will, nor to purely technical rationality. That is what a political and tax agreement for social cohesion consists of.

In line with this argument, cooperation relationships between the European Union and Latin America need to be long-term and strategic and not fall in line with the technical assistance model found in other channels of cooperation and which are already practised horizontally between Latin American countries themselves. The strategic relationship found in the European Union-Latin American model is, precisely, the basis of social cohesion as the kingpin of public policies.

**Table 1. Social stratification in Latin America**

Countries	Extreme poverty strata	Moderate poverty strata	Total poverty strata	Vulnerable strata	Intermediate strata with econom. seg	Higher-income strata
Argentina	4.2	6.6	10.8	31.4	54.4	3.4
Bolivia	12.3	13.8	26.1	44.6	28.7	0.6
Brazil	12.6	11.9	24.5	37.3	34.8	3.4
Chile	2.9	7.0	9.9	40.5	44.0	5.6
Colombia	12.7	13.0	25.6	37.5	33.2	3.7
Costa Rica	8.1	11.5	19.6	39.7	37.2	3.4
Ecuador	13.6	16.0	29.5	43.0	26.6	0.9
El Salvador	22.0	19.8	41.7	41.1	16.8	0.4
Guatemala	41.1	22.0	63.1	27.4	9.0	0.5
Honduras	37.4	19.0	56.4	29.9	12.8	0.8
Mexico	12.5	15.4	28.0	44.2	26.4	1.4
Nicaragua	36.2	22.2	58.4	32.5	8.8	0.4
Panama	11.6	9.6	21.2	36.1	38.9	3.7
Paraguay	18.4	14.3	32.8	40.5	25.5	1.3
Peru	11.9	12.3	24.2	40.0	34.3	1.5
Dominican Rep.	14.0	19.4	33.3	42.3	23.2	1.1
Uruguay	2.6	5.4	8.1	26.4	60.2	5.4
Venezuela	12.4	16.6	29.0	47.7	23.1	0.2
Lat Am.	15.9	14.2	30.1	37.9	29.9	2.1

Clarisa Hardy (2014) op.cit

**Table 2. Labour statistics by social strata in Latin America**

	Extreme poverty strata	Moderate poverty strata	Total poverty strata	Vulnerable strata	Intermediate strata with econom. seg	Higher-income strata	Latin America
Labour Participation Rate	40.5	44.4	42.6	52.6	63.1	69.6	53.7
Rate of Employment	35.5	40.9	38.5	49.7	61.3	68.6	50.9
Hours worked/ week	35.9	40.6	38.14	43.7	45.1	45.7	42.8
Hourly wage (\$ PPP)	US\$ 1.6	US\$ 2.1	US\$ 1.8	US\$ 3.0	US\$ 5.9	US\$ 24.7	US\$ 4.4
Casual Workers	83.6	70.8	77.0	56.4	36.6	21.1	54.7
Workers under contract	22.7	33.6	28.2	51.4	71.3	81.3	49.3
Work. Right to Pension	20.6	33.8	27.9	50.6	69.7	81.3	51.8

**Table 3. Disparity in household income per capita (dollars ppp) in Latin America**

	Vulnerable strata	Medium Strata	Higher-income strata
Poor Strata	2.7 times	7.6 times	36.3 times
Vulnerable strata		2.8 times	13.4 times
Intermediate Strata			4.7 times

**Table 4. Disparity in pay per hour (dollars ppp) in Latin America**

	Vulnerable strata	Medium Strata	Higher-income strata
Poor Strata	1.7 times	3.3 times	13.1
Vulnerable strata		2.0 times	8.5 times
Medium Strata			4.2 times

Clarisa Hardy (2014) op.cit

**Table 5. School coverage by social strata in Latin America**

	Extreme poverty strata	Moderate poverty strata	Total poverty strata	Vulnerable strata	Intermediate strata with econom. seg	High-income strata	TOTAL
6-12 Years	95.0	97.1	95.9	97.7	98.3	98.5	97.1
13-17 Years	74.8	79.7	77.2	85.5	88.9	91.5	82.5
18-23 Years	26.4	29.1	27.8	33.9	51.2	69.1	38.4

**Cuadro 6. School coverage by level of education by country group typology**

Levels of education Group I	Argentina	Chile	Uruguay
0-3 years of age	11.5	26.0	94.7
4-5 years of age	86.5	84.3	96.2
6-12 years of age	99.3	99.3	98.3
13-17 years of age	90.7	94.8	85.9
18-23 years of age	48.1	46.5	47.2



Levels of education Group II	Brazil	Colombia	Mexico	Peru
0-3 years of age	20.7	30.1	33.6	51.4
4-5 years of age	77.2	61.9	90.6	86.6
6-12 years of age	98.5	96.2	97.8	98.8
13-17 years of age	89.1	82.2	75.7	84.4
18-23 years of age	30.9	33.1	32.5	38.9

Levels of education	GROUP III Dom. Repub.	GROUP IV Guatemala
0-3 years of age	no info	1.2
4-5 years of age	65.6	34.2
6-12 years of age	97.5	91.7
13-17 years of age	89.8	65.9
18-23 years of age	47.1	24.1

Clarisa Hardy (2014) op.cit

#### Typology of countries in Latin America Group I. Countries with low poverty and large intermediate sectors

	Poor sectors			Intermediate sectors			Disparity ranking	
	TOTAL Poverty	Extreme Poverty	Moderate Poverty	TOTAL Intermediate. Sect.	Not Poor Vulnerable	Sect. Medium Seg. Econom	Family Income	Salary Income
Uruguay	8.1	2.6	5.4	86.5	26.4	60.2	2	2
Argentina	10.8	4.2	6.6	85.9	31.4	54.4	3	1
Chile	9.9	2.9	7.0	84.5	40.5	44.0	11	6

Clarisa Hardy (2014) op.cit

#### Typology of countries in Latin America Group II. Countries with intermediate poverty and emerging intermediate sectors

	Poor sectors			Intermediate sectors			Disparity ranking	
	TOTAL Poverty	Extreme Poverty	Moderate Poverty	TOTAL Intermediate. Sect.	Not Poor Vulnerable	Sect. Medium Seg. Econom	Family Income	Salary Income
Costa Rica	19.6	8.1	11.5	76.9	39.7	37.2	9	4
Panama	21.2	11.6	9.6	75.0	36.1	38.9	12	8
Peru	24.2	11.9	12.3	74.3	40.0	34.3	6	10
Brazil	24.5	12.6	11.9	72.0	37.3	34.8	13	14
Colombia	25.6	12.7	13.0	70.6	37.5	33.2	14	12
Bolivia	26.1	12.3	13.8	73.3	44.6	28.7	4	9
Mexico	28.0	12.5	15.4	70.6	44.2	26.4	10	11
Venezuela	29.0	12.4	16.6	70.8	47.7	23.1	n/d	n/d
Ecuador	29.5	13.6	16.0	69.6	43.0	26.6	8	7

**Typology of countries in Latin America Group III. Countries with low poverty and weak intermediate sectors**

	Poor sectors			Intermediate sectors			Disparity ranking	
	TOTAL Poverty	Extreme Poverty	Moderate Poverty	TOTAL Intermediate. Sect.	Not Poor Vulnerable	Sect. Medium Seg. Econom	Family Income	Salary Income
Paraguay	32.8	18.4	14.3	66.0	40.5	25.5	15	15
Dom. Republic	33.3	14.0	19.4	65.6	42.3	23.2	5	3
El Salvador	41.7	22.0	19.8	57.9	41.1	16.8	1	5

Clarisa Hardy (2014) op.cit

**Typology of countries in Latin America Group IV. Countries with excessive poverty and nascent middle sectors**

	Poor sectors			Medium sectors			Disparity ranking	
	TOTAL Poverty	Extreme Poverty	Moderate Poverty	TOTAL Medium. Sect.	Not Poor Vulnerable	Sect. Medium Seg. Econom	Family Income	Salary Income
Honduras	56.4	37.4	19.0	42.8	29.9	12.8	16	17
Nicaragua	58.4	36.2	22.2	41.2	32.5	8.8	7	13
Guatemala	63.1	41.0	22.0	36.4	27.4	9.0	17	16

**Table 7. Income disparities between different social strata Group I**

	Argentina	Chile	Uruguay
<b>Disparity Poor - Rich Strata</b>			
Hourly Wage	6,3	9,6	7,7
Total Remuneration	9,2	15,9	11,5
Family income per capita	28,3	33,3	27,5
Total Family Income	11,1	20,5	10,9
<b>Disparity Vulnerable - Rich</b>			
Hourly Wage	4,1	6,9	5,5
Total Remuneration	10,6	8,5	6,3
Family income per capita	4,7	13,5	11,3
Total Family Income		9,1	5,7
<b>Disparity Medium - Rich Strata</b>			
Hourly Wage	2,3	4,0	2,9
Total Remuneration	2,4	4,2	2,9
Family income per capita	3,7	4,8	3,6
Total Family Income	2,4	4,0	2,6
<b>Disparity Poor - Vulnerable Strata</b>			
Hourly Wage	1,5	1,4	1,4
Total Remuneration	2,0	1,9	1,8
Family income per capita	2,7	2,5	2,4
Total Family Income	2,4	2,2	1,9
<b>Disparity Poor - Medium Strata</b>			
Hourly Wage	2,7	2,4	2,7
Total Remuneration	3,8	3,8	3,9
Family income per capita	7,7	6,9	7,7
Total Family Income	4,7	5,2	4,3
<b>Disparity Vulnerable - Medium Strata</b>			
Hourly Wage	1,8	1,7	1,9
Total Remuneration	1,9	2,0	2,1
Family income per capita	2,9	2,3	3,2
Total Family Income	2,0	2,3	2,2

Clarisa Hardy (2014) op.cit

**Table 8. NEET youngsters (not in employment, education or training) by country typology group**

<b>Group I</b>	<b>Argentina</b>	<b>Chile</b>	<b>Uruguay</b>
Poor Strata % NEETs	30.9	34.8	40.3
Vulnerable strata % NEETs	22.0	26.7	22.4
Medium Strata % NEETs	11.8	13.3	8.3
High strata % NEETs	1.7	5.0	3.1
% NEETs	18.0	20.6	15.3

Clarisa Hardy (2014) op.cit

<b>Group II</b>	<b>Brazil</b>	<b>Colombia</b>	<b>Mexico</b>	<b>Peru</b>
Poor Strata % NEETs	31.9	32.8	36.2	17.1
Vulnerable strata % NEETs	19.1	22.4	22.6	17.2
Medium Strata % NEETs	9.3	10.3	10.6	11.9
High strata % NEETs	8.3	11.1	7.9	16.0
% NEETs	19.1	22.6	22.6	15.3

	<b>GROUP III Dom. Republic</b>	<b>GROUP IV Guatemala</b>
Poor Strata % NEETs	29.4	31.1
Vulnerable strata % NEETs	18,9	18.4
Medium Strata % NEETs	10.7	12.3
High strata % NEETs	0.0	8.2
% NEETs	20.1	25.1

# Inequality and development cooperation in Latin America: Old problems and old debates... old answers?



ILIANA OLIVIE

*Elcano Royal Institute and Complutense  
University of Madrid*

*It's important to analyze poverty and inequality in the Latin America region and other developing regions in greater depth as the patterns of exclusion mutate and evolve*

## Inequality is on trend

There is a broad consensus that the Millennium Development Goals (MDG) represented one of the most important events in the history of the global development agenda because of their concreteness—specific and measurable goals—; the political support accompanying them—the fact that they are almost universally accepted—; the agreement, partly implicit, on the definition of development—with this being understood to be, in large measure, the final goal of social welfare—; the enormous boost represented by the flows of official development aid (ODA)—admittedly in a context of worldwide economic growth and an increase in international liquidity.

However, and despite the advantages and benefits attributable to this cooperation roadmap, already when they were starting to be adopted at the beginning of the past decade, there were numerous voices pointing out an important deficiency. And that is, for different ideological and/or political reasons, the MDGs completely ignored the problem of inequality—with the exception perhaps of some of the possible dimensions that gender inequality might adopt. This was true despite the fact that, at that time, inequality was one of the characteristic features of developing countries as a whole and, to a great extent, also of developed ones<sup>1</sup>.

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1. The references are countless. As an example, see the analysis of Vandemoortele, Jan (2010), "Changing the Course of MDGs by Changing the Discourse" *ARI* 132/2010, Elcano Royal Institute, September.

Exiled at the beginning of the past decade from the mainstream rhetoric and agenda, inequality has reared its head again recently in the debate concerning the current challenges of global development. This debate is now framed in the post-2015 agenda which will replace the MDGs still in effect. What is remarkable is, perhaps, that inequality has installed itself in the debate only at the very end of the discussion of the agenda. Despite the fact that inequality was becoming more evident as large regional or global powers were re(emerging) (with growing inequality) in the past decade or that more recently, Western Europe and the United States fell into a financial, fiscal and productive crisis (generating growing inequality there as well), a little more than a year ago, the panel of eminent persons for the post-2015 development agenda—a high-level panel formed at the request of the Secretary-General of the United Nations—issued a report destined to be the base document for the post-MDG agenda that made practically no mention whatsoever of the problem of inequality<sup>2</sup>.

Why this change in the debate on global development? Possibly because the recent changes in the map of world development and poverty distribution, which could be summarized as a reduction in the number of poor people and their relocation to middle-income countries from lower income and less advanced countries<sup>3</sup>, makes it practically impossible to ignore the ‘elephant in the room’ that is the growth of inequality, if not as a global phenomenon, certainly as a problem shared by rich, poor, emerging, impoverished, developing and under-developed countries alike.

Although the debate about inequality translates, as it does in so many other debates about development, into a true war of figures, if we stick to the data and the analysis of Milanovic<sup>4</sup>, what has happened in recent decades is an increase in inequality between countries, without taking into account their internal populations (inequality concept 1 as expressed by the same author). This trend, however, would have reverted in the decade of the 2000s to later start rising again in recent years. If we consider the population of each country (inequality concept 2), on the other hand, inequality would have decreased since the end of the Second World War, which can be explained in good measure by the dramatic changes in the levels of welfare in large emerging countries like China and India (graphic 1).

Moreover, in parallel with these global trends, an increase in inequality between co-citizens has been observed in a good number of countries. Of the 59 countries for which the United Nations Development Programme (UNDP) has data on the Gini income coefficient for more than one year (in the 1980-2010 period), 366 register a decrease in inequality between the first and last year for which records exist in this period. Nevertheless, the other 23 are experiencing a growth in inequality, and these include countries as populated as China, Russia, South Africa and Indonesia.

*"Inequality has reappeared recently in the debate on the current challenges facing global development. This debate is now framed in the post-2015 agenda, which will replace the MDGs still in effect".*

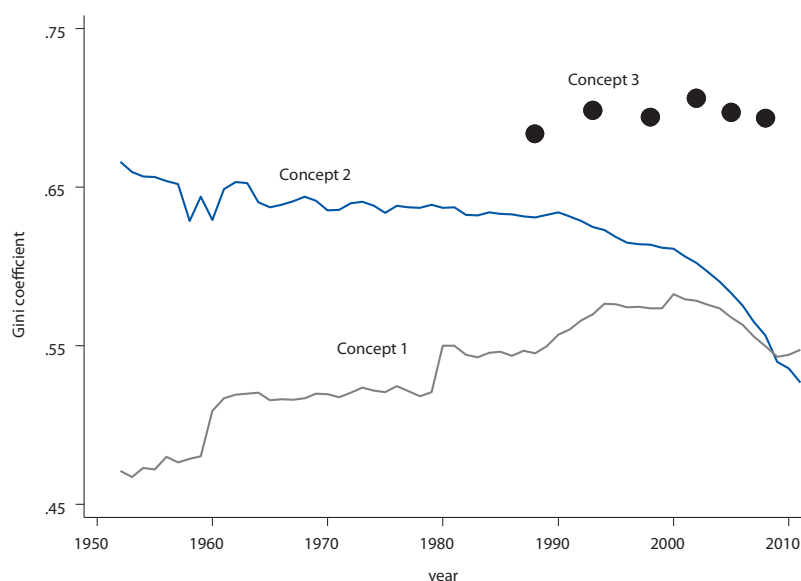
Similarly, according to Eurostat data, of the 28 member states of the European Union, 17 saw an increase in the 20/20 ratio—that is, the coefficient between the proportion of income received by the richest quintile of the population

2. <http://www.un.org/sg/management/hlppost2015.shtml>

3. Domínguez, Rafael and Iliana Olivé (2014), "Retos para la cooperación al desarrollo en el post-2015", *Estudios de Economía Aplicada*, forthcoming.

4. Milanovic, Branko (2013), "Global Income Inequality in Numbers: in History and Now", *Global Policy* 4(2), May.



**Graphic 1. International and global inequality: 1950-2011**

Source: Milanovic (2013)

and that received by the poorest—between the mid- to late-1990s and the present day. In two of them, inequality measured in this way maintained stable levels (France and Malta), and in only nine was there an improvement in equality levels. It is also worth noting that some of the countries that worsened their income distribution are the traditional ‘champions’ of social equity like Sweden and Denmark—in the latter, the 20/20 ratio took off, rising from 2.9 in 1995 to 4.5 in 2013. On the other hand, in four of the nine countries, Germany, Belgium, Italy and Luxembourg—which reduced their inequality between the beginning and end of the period—what we see is a V-shaped trend. After a few early years with a significant reduction of inequality—for example, a drop of the 20/20 ratio in Germany from 4.6 in 1995 to 3.6 in 2001—there was a period, coinciding with the creation of the Euro, of growing income inequality—following the same example, the German 20/20 ratio grows further, reaching 4.5 in 2011 only to drop to 4.3 one year later.

Clearly, after a period of economic growth and abundant liquidity and a subsequent world crisis, in terms of poverty and inequality, the apparent balance left would be a drop in the number of poor people and a redistribution of these, but also a persistence—or even an increase—of equality in countries—regardless, moreover, it would seem, of their level of economic and social welfare.

## How is inequality produced?

It depends. There is, for example, the inequality produced in some countries on the periphery of Europe like Spain, where the period of the triple boom in the construction, real-estate and financial sectors left behind an increase in the 20/20 ratio from 5.1 in 2002 to 6.4 in 2009, according to Eurostat data. There is also the increase in inequality as a result of the subsequent crisis and massive destruction of jobs that, in this same country, resulted in an escalation of the same 20/20 ratio to 7.2 in 2012.

*"In recent years, a good portion of Latin America has created a middle class that currently finds itself in a situation of vulnerability and therefore could evaporate when the high growth rates cool down".*

The pattern of inequality in Latin America seems to be different. In the first place, unlike what occurred in Europe, according to data from the UNDP, inequality, measured using the Gini coefficient, tended to decrease. That would be the case in Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Honduras, Mexico, Panama, Peru, the Dominican Republic and Venezuela, but not in Costa Rica, Guatemala, Paraguay or Uruguay. Nevertheless, as is well known, this reduction occurs starting from ex-

traordinarily high levels of inequality compared to those of other developing, emerging or developed regions. An example of this is that, after years of decreasing inequality in Brazil and increasing inequality in China, the Brazilian Gini coefficient rose to 54.7 in 2009 while the Chinese one was under 43 in 2005, the last year for which data are available.

According to data provided and analyzed by Hardy<sup>5</sup>, this reduction in inequality would have been accompanied by lower poverty levels. With all this, according to the same author, up to 68% of the Latin American population would be in a situation of poverty and/or vulnerability. Thus, in recent years in a good part of Latin America, a middle class would have been created which, nevertheless, is in a situation of vulnerability that could become volatile as soon as the high growth rates—resulting in part from growth in the external demand for Latin American primary production—cool down (Hardy, 2014).

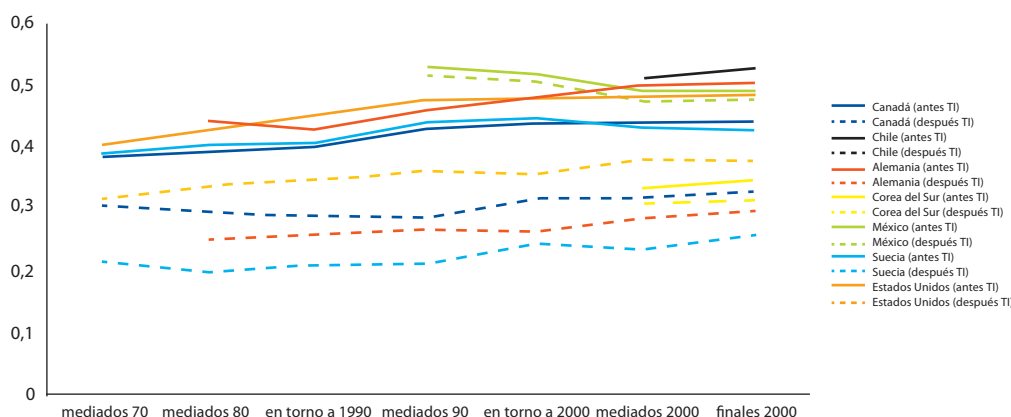
Although the author profiles the pattern of poverty in Latin American in greater detail, revealing the specifics of each country or group of countries in the region, it is possible to observe common denominators. To summarize, it is worth noting, on the one hand, that formal employment is an activity characteristic of the highest incomes and, on the other hand, that income inequality is notable within the highest income strata of the region. Although it would take deeper investigation to link this profile of poverty and inequality to different development models, the possibility that this pattern is explained—at least in part—by a 'Latin American' productive model in which (1) a primary sector predominates that contributes modestly to GNP and little to formal employment but which has considerable weight in the export pattern; (2) a bloated tertiary sector with low productivity, but which constitutes a good part of employment and contributes significantly to total production; and (3) a relatively small industrial sector, compared, for example, to different emerging Asian economies.

## So, what should be done? Some notes

To start with, it is important to deepen the analysis—already historic and extensive—of poverty and inequality in the Latin American region, but also in other developing, emerging and developed regions, as the patterns of exclusion mutate and evolve based on different productive specialties, export patterns and periods of growth and recession.

Nevertheless, it is equally important to assume the limits of this approach. The data on the high levels of inequality, persistent poverty and low tax collection rates in Latin America have

5. Hardy, Clarisa (2014), "Retos de la cohesión social en América Latina", document presented in the EUROsocial Conference: Euro-Latin American Dialogue on Public Policies for Social Cohesion, 24<sup>th</sup> and 25<sup>th</sup> March, European Commission, Brussels.

**Graphic 2. Gini coefficient before and after taxes**

Source: OECD.Stat

literally been on the desks of researchers, analysts, international and Latin American officials and local elected officials for decades. This phenomenon is not the fruit of ignorance. In the words of Hardy, there would be “resistance by the groups in power—whether these be economic, political or social” (Hardy, 2014: 4) which could explain the persistence of inequality.

Thus, in the second place, redistribution is necessary. Nevertheless, on this point, once again, it is important to be aware of the limitations of the tax apparatus. Graphic 2 shows the values of the Gini coefficient before and after taxes for a selection (arbitrary) of countries. In the majority of these, what we see is a parallel growth in inequality before and after taxes and transfers. One possible reading of this tendency is that tax policy cannot work miracles. In other words, regardless of the fact that tax policy is more effective in certain countries (Germany or Sweden) than in others (Chile or Mexico)—something that can be measured using the size of the gap between the Gini coefficient before and after taxes and transfers—, for all countries, there is a similarity between the inequality trend before and after the State’s redistributive work. Tax policy cannot completely reverse, in the majority of cases, what the productive structure generates in terms of inequality. Thus, in general, if there is a trend towards growing inequality before tax policy intervenes, it is possible for this upward trend to also reproduce itself after taxes and transfers.

Therefore, in the third place, it is important to address the phenomenon in its entirety, arresting the trend towards analyzing—and thus addressing and trying to palliate—inequality as a social and/or tax question. Inequality, like any other social phenomenon, is a cause and a consequence of the economic context in which it occurs. The variety of policies to be considered to reduce inequality thus involves social, tax, educational and health policies, but also ones that alter the productive matrix, such as industrial, monetary or currency-related ones.

Then, in the fourth place, with respect to the role of international development cooperation in reducing inequality, the changes in the roadmap of development, poverty and inequality reveal the importance of programmes that aim to promote social cohesion. Considering that the fight against inequality transcends, amply, the strictly technical plane, policy dialogue becomes a key element of these programmes.

Lastly, although it is important to analyze the specific profile of inequality and of poverty in each context, as we have seen, inequality seems to be becoming a problem that is increasingly shared and widespread. Traditionally, Latin America has registered higher levels of inequality than other developing regions, but this does not mean that it is a problem exclusive to the region. The Gini coefficient of Morocco is at 40.9, that of Senegal is at 39.2 and that of Tunisia is at 41.4. Why not think about adapting this old form of development cooperation to provide a response to this old problem in a new context?

## Reflections on EUROsociAL and the future of Euro-Latin development cooperation



**JONATHAN GLENNIE**  
*Researcher associated with  
the Overseas Development  
Institute (ODI)*

*Inequality and cohesion are receiving increasing attention in the international agenda, which gives Latin America the opportunity to place their main challenges in the centre of international cooperation efforts*

In the EUROsociAL meeting in Brussels in March 2014, Clarissa Hardy, a member of EUROsociAL's council, delivered a keynote analysis of the challenges faced by Latin America in terms of social cohesion. It was a tour de force laying out quite clearly the reasons why it has been so hard for the continent to achieve the kind of shared prosperity that its income levels imply should be possible.

There is a feeling of great hope and opportunity on the continent, but also the shame that so many live in poverty and insecurity, not because there is not enough for them, but because, for various reasons, the continent has not achieved a better distribution of what there is.

Hardy identifies three main challenges for Latin America in the area of social cohesion, namely the construction of a rights-based social protection system, pushing an agenda for women's equality, and institutional, political and fiscal sustainability. It is a sensible list, to which I would add ethnic equality as a major theme. Income differentials in most Latin American countries follow quite clear racial boundaries, and lazy racism is still predominant in powerful political circles, possibly even moreso than the historic macho culture that has for so long sought to keep women in their place.

### The international context is changing

After 15 years of focus on extreme poverty, the themes of inequality and cohesion are moving up the international agenda fast, providing Latin America with an opportunity to place its main



challenges at the centre of international cooperation efforts. While domestic policy will always be the most important component in achieving fairer and more dynamic societies, the regional and global context are also critical, in terms of providing both an “enabling environment” and active development cooperation in all its increasing variety.

Interestingly, Europe and the US are also debating inequality in a way not seen for decades, prompted by provocative analyses such as Thomas Piketty’s new book, *Capital*, and a variety of Oxfam reports comparing the wealth at the top of the pile with the bottom.

While the problem of inequality is discussed in terms of “economics”, the modern discipline of which has sometimes sought to steer clear of the dirty field of politics, but the problem is eminently political. When 5 families in UK own more than 20% of the population (10 million people) the problem is political. When the problem was caused by bankers deliberately left unregulated by politicians, but the response is an austerity which hits most forcefully the poor, unemployed and disabled, the problem is political. Historically, and quite predictably, the wealthy tend to close ranks when their unfair advantages are challenged – that has often led to violence from either side of the wealth divide, a violence that continues in a formal sense in Colombia and an informal sense throughout much of the rest of the continent.

So there is much talk of inequality, and many players in the interminable post-2015 discussions are working hard to ensure that it is firmly positioned as a central plank of the new international development framework to replace the MDGs. But we are yet to see clarity about the kind of policies required to deal with inequality – people bemoan inequality and then produce the traditional set of policy measures to counter extreme poverty, rather than inequality per se – policies that are welcome, of course, but somewhat different. Nevertheless, the shifting rhetoric, with even previously neoliberal bastions like the World Bank and IMF now recognizing the fundamental importance of relatively more equal societies if growth and development are to take place at their fullest potential, after decades of policy-based evidence-making by which research and evidence was presented to justify policies that entrenched power and advantage.

## Aid and “Middle Income Countries”

As countries grow economically the nature of the benefits they require from the international community will evolve, as they become more serious competitors in the international market. In particular, special trade treatment of can change, more is expected in terms of reduced carbon emissions, and favourable access to international public finance may decrease.

The terms “low, medium and high income” have become descriptors of countries according to per capita income, which is seen as an indicator of their level of development. However, the term “middle income” now applied to more than 100 countries, is no longer useful, and may be doing more harm than good if the international community implies that this group of countries no longer needs international support.

Some make the case that middle-income countries have the means to tackle poverty, if it were only better allocate resources, and it is true that inequality is severe in many countries. But the international community is in danger of putting too much emphasis on a very stingy definition of poverty, intended to identify the neediest people on the planet, not to illustrate an acceptable standard of living.

- Guatemala, an established country middle income, has the third highest rate of chronic malnutrition in the world, at 54%.
- Over a third of the world's malnourished children live in India, where the prevalence is twice that in sub-Saharan Africa. India has been a middle-income country since 2007.
- Meanwhile, South Sudan emerged on the international scene as a middle-income country in 2011, despite facing serious poverty. In 2012 it was "Low Income" again as oil exports fell and the war broke out.

Even if middle income countries had the means to deal with \$ 1.25 a day poverty thresholds closer to \$ 5 or \$ 10 per day would be more appropriate. And besides, the political viability of the redistribution of wealth and income is over-estimated in such scenarios. India, for example, like many developing countries (either low or middle income) has a Gini coefficient on par with most developed countries (and well below that of the United States); although desirable, there is no reason to expect radical redistribution in the short or even medium term.

*"Even if it were true that some countries might be able to eliminate poverty on their own right now, they could also probably do it faster and more effectively with international financial aid".*

International public finance, including "aid", and development cooperation more generally remains an important complement to national and foreign private sources of financing for development in middle income countries to help respond to i) very high and persistent levels of material poverty and ii) infrastructure needs to support structural transformation, especially if that transformation is to be "green". Prioritizing scarce resources for the poorest countries should not confuse needs analyses of those countries which are marginally richer.

Aid as a small proportion of GDP can be an important intervention for development. In addition to filling in gaps in recurrent funding it can help promote improvements in policies and politics, it can support non-governmental actors, leverage and add value to private finance, finance training (both institutional and individual level, and hedge risks, including around environmental disasters and financial shocks.

Even if it were true that some countries could theoretically now eliminate poverty (using a generous definition) independently, so it is not for most countries, it is probably also the case that could do so faster and more effectively with international financial support. This implies that the reduction of assistance to middle-income countries is not a consequence of a correct analysis of their needs, but rather of the limited pot of money being made available by the world's richest countries linked to the reduction in the size of their own treasures since the 2007 crash and economic competition with emerging economies.

## South-North/North-South cooperation

One of the strong aspects of the EUROsociAL meeting and way of working, and a reason it provides an exceptionally interesting model for future development cooperation activities, is the horizontality of the exchange between the two continents of Europe and Latin America. As Latin growth rates continue to impress, compared to recession in much of Europe, the tables have very much turned in terms of who the leading development partner might be. Clearly the accumulated wealth of Europe is still far greater than its Latin counterpart, but problems now being faced in many of Europe's regions are similar to those with which Latin countries have long contended.

So South-North cooperation will inevitably be an increasing ingredient in international development cooperation – indeed such distinctions are probably now a thing of the past. All countries are developing, and all need to learn from the successes and mistakes of others – EUROsociAL needs to enhance the mutuality aspect of its work to demonstrate what is really possible in terms of mutual cooperation in the 21st century. Demonstrating the benefits for Europe from such a cooperative relationship should win more public and political support for the initiative.

## **An enabling environment for sustainable development**

The most important means by which Europe can support sustainable, green, development and social cohesion in Latin America are not about financial transfers or other forms of development cooperation activities, but are to do with the enabling environment it creates in its trading and other relationships with the continent, which should be designed to support endogenous growth and institutional strengthening. Development cooperation must not be allowed to become a distraction from these fundamentals, as it has been in the past, a kind of sweetener for unfair trade deals or failure to reach promised levels of climate gas reductions.

But aid and development cooperation are an important complement to these more fundamental, structural, concerns. The two main avenues of development cooperation that Europe can use to help Latin America are sharing experiences and transferring resources.

## **Technical and policy support**

The first of those is universally agreed. Many European countries have successfully invested in public services and spaces in ways that even other developed countries (such as the United States) may be envious, let alone countries further south. Distribution of income (after tax) in Europe is significantly better than most other regions, and it is worth learning the lessons (both technical and political) of how that was achieved. (Having said that, Europe today faces some of the same problems as Latin America, in terms of ensuring that the rich are contributing to public goods, rather than turning exaggeratedly to private options.)

Europe is also engaged on a groundbreaking, if often turbulent, journey towards regional integration, which has led to manifold benefits for member states, particularly the less wealthy ones, including via some very large intra-regional financial transfers – Poland was allocated EUR60bn over the last five years. The sharing of technological progress with Latin America (and the rest of the world) could also be facilitated better.

Overall, the impact of European economic and political thinking is crucial to progress in Latin America – since Bolivar kept Rousseau on his bedside table, European ideas have influenced Latin leaders for good or ill.

## **Financial transfers from North to South**

But is there still a place for money transfers from Europe, going through economic crisis, to Latin America, a middle income continent. That is a more controversial question. In my view the answer is yes.

*“The two main avenues for development cooperation that Europe can use to help Latin America are experience exchanges and resource transfers”.*

While the primary responsibility for poverty reduction and sustainable development is with countries themselves, the reality of the political constraints, captured by Hardy’s analysis, are so great that it may take decades before the appropriate monies are being invested in these progressive objectives. What should the international community do in the meantime? Stand back and watch.

No. It should invest in social cohesion, whether through social programmes, job creation, green infrastructure or myriad other means. In Colombia, costly projects such as the Medellin ski-lifts, have brought great social benefits to the city.

One radical example of where international public finance for sustainable development could make an impact is in keeping fossil fuels in the ground. The story of the Yasuni oil-field in Ecuador is controversial, with some questioning President Rafael Correa’s handling of the situation, but the idea remains fascinating i.e. the international community pays countries not to develop oil, thus reducing carbon emissions and helping to stem climate change.

The EU’s own Structural and Regional Cohesion programmes demonstrate that large-scale financial investments in relatively well-off countries can bring important development dividends. It could be precisely the low levels of such aid relative to the size of the recipient economy that makes it effective, as it doesn’t have the negative effects often associated with aid such as conditionality and dependence and necessarily follows the recipient country’s own lead, as it is not significant enough to dictate strategies. The same would be true in most of Latin America, where aid is very small proportion of the economy. Why should Portugal benefit and not Peru? The EU has led progressive thinking on regionalism and it should now has to do same for globalism.

In the same way as social programmes are only a small part of what is required to embed equality in a country, so aid is just a small part of the international support needed. But it is still important. The forces backing the unjust status quo are strong, and financial aid, strategically allocated, can tip the balance in favour of poor and marginalized communities. This is an inevitably a political endeavour – while attacking extreme poverty can hide behind the rhetoric of charity, such is not the case for attacking inequality, an inherently political and provocative issue.

## Reasons for optimism

In 2013 I travelled to South Korea with my wife, who is Colombian. Our enduring reflection on the trip is a sense of frustration over how a country that was far less developed in the 1950s is now so much more wealthy and dynamic, having solved many of the social, political and economic problems that still plague Colombia and much of Latin America, and seem to be entrenched, without hope of resolution.

It is easy to be pessimistic about the scale of task. But let’s remember that at the turn of the 19th century, public spending in Europe was very low – in the UK it was only 15% of GDP, compared to 40% today. In Spain that increase was made in just twenty years, the first two decades of democracy. That should serve as an important inspiration to progressives in Latin countries, and to those in Europe seeking to support efforts towards social cohesion.





**EUROsociAL,**  
an accelerator in public policy  
change processes

# EUROsociAL: working with Latin America for social cohesion



**INMA ZAMORA**  
*Director of EUROsociAL Programme*

*The EUROsociAL programme has established itself as a practical and successful common working method between Latin America and Europe in the pursuit of a shared goal: the construction of more egalitarian and cohesive societies*

## 1. The programme

The common concern about inequality was explicitly manifested at the LAC-EU Heads of State and Government Summit in Guadalajara in 2005. As a result, social cohesion stands out as a priority element in the bi-regional strategic association and, for the first time, the EUROsociAL Programme was adopted to promote it through exchanges of experiences, specialized knowledge and good practices between the two regions and between their public institutions (peer-to-peer).

To this ambitious political mandate, which was renewed at subsequent summits, other recommendations and orientations based on the lessons learnt in the previous phase are added in a second phase of the Programme in 2011. The aim is to guarantee the link between the instrument (exchange of experiences) and its goal (social cohesion), by ensuring that the exchanges do not remain merely exercises in mutual understanding but rather turn into learning experiences that will be transformative and take shape in action oriented towards public policy change that eventually will contribute to improving social cohesion.

These principles are the following:

1. Demand focused: to support the change processes already underway, with ownership by the countries, and to ensure they are relevant. To this effect, EUROsociAL can contribute some added value through the exchange of experiences. EUROsociAL does not introduce any agenda or impose outside models but rather presents cases and other policies to serve as inspiration.

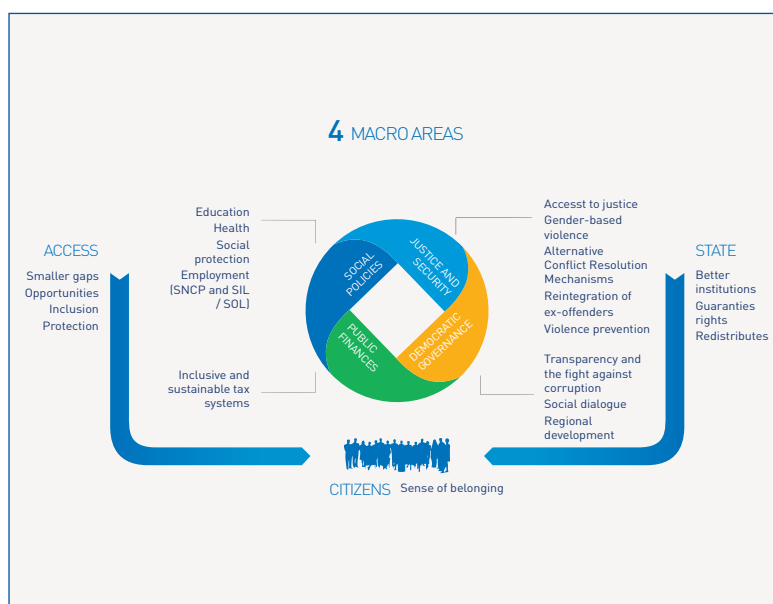
2. Results focused (tangible): EUROsociAL's contribution to these change processes should be effective, documentable and demonstrable, to ensure that its participation provides some innovative element to the process, to the change and eventually to social cohesion.
3. Prioritize its regional dimension.
4. Inter-sectoral, so that the actions address comprehensive sets of problems and not isolated sectoral needs.

All of this makes EUROsociAL a programme aligned with the agenda of aid quality and efficiency, in addition to being a privileged instrument for policy dialogue in its most pragmatic sense: policy dialogue directed at action.

## 2. Themes and actions

From the above, it can be deduced that the mandate is complex and, faced with this complexity, the **response** of the Programme is complex, as reflected, first and foremost, in the themes it addresses. All of the aforementioned principles, through complicated balancing acts, have been weaving together the network of themes in which EUROsociAL works, all of them imbued with the spirit and the main goal of the Programme: the promotion of social cohesion. This concept, so elusive and multi-dimensional, is at the same time intelligent, comprehensive and all-encompassing, clearly a symbol of societies brought together around a common project.

The degree of social cohesion is, of course, a result of historic and geographical conditioning factors, but is also influenced by public policies: those that work or have worked to improve universal access to rights and services, without discrimination; to reduce the gaps between individuals, groups and territories; to grant equal opportunities and to protect vulnerable populations. The construction of social cohesion also depends and, in turn, conditions the institutional framework in which it operates; and that is the importance of having strong, high quality, legitimate institutions that respond to these challenges facing citizens, who, as a result, feel they are part and parcel of this common project.



From this focus and, above all, taking into account the common priorities and preferences of the countries, come the themes or actions that EUROsociAL addresses, a total of 14 of them grouped in four major areas (Social Policies, Public Finance, Governability, and Justice-Security). The simplicity of this classification does not reflect the multiple dimensions addressed in the majority of them, often in an intersectoral manner. For example, in Governability, one of the working themes is the fight against corruption which is being addressed through the involvement of the private sector, the promotion of transparency in public administrations, the promotion of coordination between the executive and judicial power to prosecute financial crimes, etc. Under the heading of "Social Policy", there is also a reflection about the financing and

sustainability of welfare systems, specifically healthcare systems. Clearly the sectoral labels hide great complexities.

### 3. Institutional architecture

The response is also complex but effective with respect to the institutional architecture, with a large implementing consortium comprised of coordinating partners (with cross-cutting functions) and operational partners (with sectoral and executive functions). It is noteworthy that the Programme has a Steering Committee as its strategic adviser, made up of independent experts and international bodies such as ECLAC, the OECD Development Centre and the EU-LAC Foundation, which supports the construction of the Programme's vision and strategy.

Thus the consortium includes a broad spectrum of institutions with a high capacity for dialogue and a wide range of specialization. It is worth noting that Brazil, Colombia, Central America, France, Italy, Germany and Spain are the coordinating countries, through a public institution, and that their function is invaluable in the goal of constructing a common vision.

These 40-plus institutions have an additional multiplier effect, which extends to more than 100 European and 100 Latin America institutions that are mobilized by the partners. And all of them put their know-how and their expertise at the disposal of other (114) institutions, the main stakeholders, the Latin American institutions (receptors) committed to change for social cohesion. All of this represents, in and of itself, a great partnership between the institutions of the two regions, connecting them in a common space.

### 4. EUROsociAL in numbers

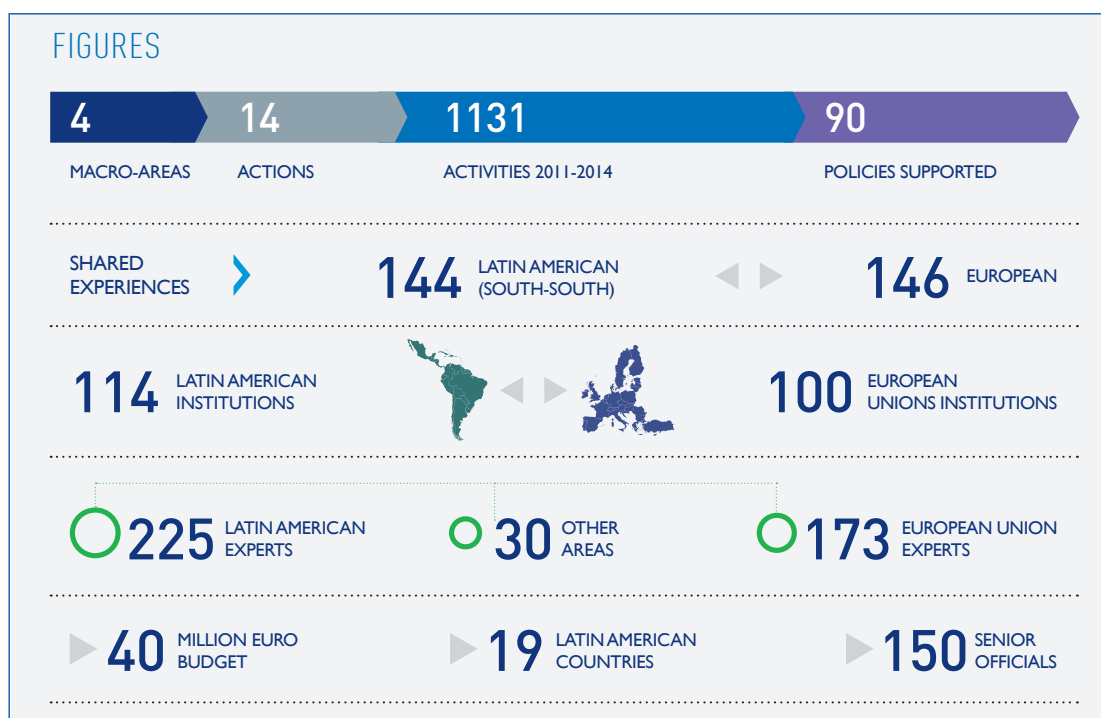
Another idea of the complexity and magnitude is reflected in its numbers: the number of actions, areas and activities.

It should be explained that, despite the number of activities (calculated at 1130 at the end of 2014), consisting of studies, seminars, exchange visits, advising, etc., these comprise a small number of organized groups, each of them configuring a very coherent and specific roadmap of support. What might seem at first like dispersion becomes concentration. It is calculated that by the end of the period, just under 90 objectives/results will have been addressed and achieved, around which these activities are organized and structured.

It is also worth noting the number of experiences shared in these activities to date: 146 European and 144 Latin American. This figure provides an idea of the magnitude of the South-South cooperation promoted by EUROsociAL and of the interest sparked among the countries in Latin America by the steps taken or being taken by their nearby neighbours in their own region. The Programme thus becomes not only a Programme that connects the two regions but also a Programme that supports the common Latin American space.

And lastly, we shouldn't overlook the number of Latin American public officials, who, committed to their own reforms and changes, have seen in the Programme an opportunity to improve their own national processes and have taken onboard its objectives and instruments.

All of this makes EUROsociAL a special programme, unique, but at the same time diverse and multi-faceted. Beyond the multiplicity of actions, partners, themes, institutions, etc., it



maintains a single horizon and objective. It shares a common language with respect to a unified system at both the conceptual level (related to social cohesion) and the methodological level (related to peer-to-peer learning). This implicit language organizes and gives consistency to all actions, linking them with a common aquis of values, principles and orientations, clearly giving the programme a single vision.

## 5. The regional dimension approach

This single vision, recognizing the heterogeneity of the region and the existence of many Latin Americas, also assumes that there are interests, problems and challenges common to certain countries which can be most effectively approached using joint initiatives. This is where EUROSOCIAL contributes all of its added value, by joining these initiatives or promoting them.

The most noteworthy regional actions are taken in partnership with consolidated networks, and even emerging ones, as well as outside formal networks. In any case, it promotes policy dialogue and collective learning through not only reflection and debate but also by supporting progress in the construction of common responses, such as the adoption of agreements, joint statements or guidelines, or the creation of protocols and other common deliverables, or individual responses at a national level. These might include, for example, the implementation of these agreements and also the application and the creative adaptation in one country of elements or practices from other countries identified in regional exchanges. In any case, the generation of collective knowledge inspires and encourages the mingling of experiences and leads, therefore, to innovation.

Regional cooperation makes it possible to bring to light and promote crucial themes in the regional agenda and within its networks, and to favour South-South cooperation; but it also makes it possible to benefit from the European experience more globally and even to combine both by triangulating so that European contributions in one country can be extended to others in the region.



Many of the networks with which EUROsociAL collaborates are Latin American regional initiatives (OLACEFS, Tax Education, Regional Development), while others are natural partners of the Programme (COMJIB, OEI). And, lastly, many are supported and/or led by our strategic partners: the ECLAC, which contributes invaluable inputs with its regional studies; and the OECD, which, among other important contributions, conducts stimulating peer-to-peer reviews, for example in the area of regional development.

## 6. Objectives and results at the country level

Although the regional focus is being consolidated, public policies are designed and implemented at the national level; therefore, to respond to its results-oriented mandate, the Programme is concentrating to a large extent on providing concrete support to change processes for national public policies<sup>1</sup>.

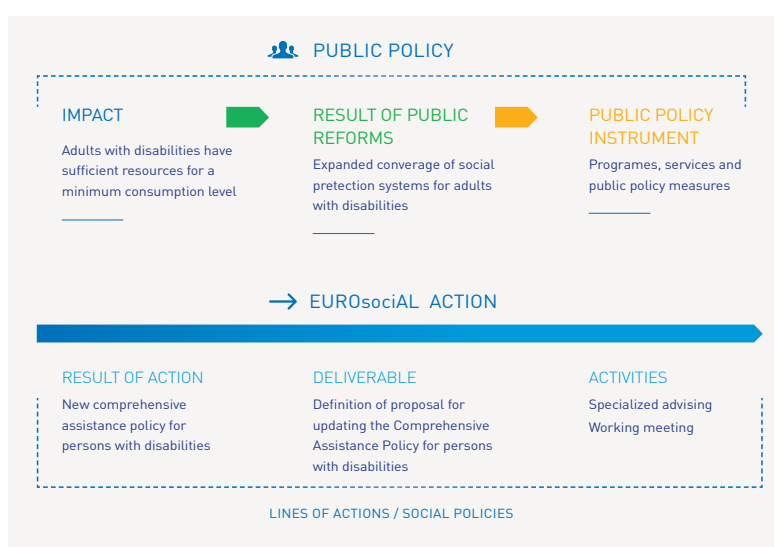
In this sense, another of the added values of the Programme is its flexibility and capacity to adapt itself, to adjust its assistance to the specific context of each country, to its timeframes and the policy phase it is in, which can be very different for the same themes. Certain countries may be in the beginning stages of political and social consensus for the design of a policy, others in the stage of deciding to pass a law or issue a decree to implement it, or even in a stage of improving management to amplify the desired effect (regarding social cohesion) of the policy.

Considering the cases the Programme has at the national level, it is worthwhile to highlight another characteristic that is becoming consolidated as an added value: EUROsociAL acts in many cases as a catalyst for national initiatives that require coordination of stakeholders and an intersectoral and inter-agency approach.

Not all countries participate in all the themes, but in general each theme is worked on both at the regional level and the national level with each country in its context, in its stage and in its process. The regional dimension and the national dimension feed each other in EUROsociAL: the regional dialogue leads to national action and vice versa.

## 7. Target beneficiaries

Being a programme that accompanies public policies and, at times, systemic changes, it is often complicated to identify the target beneficiaries. How and how much does what EUROsociAL contribute affect people's daily life? How many people might benefit from, for example, the adoption of a law, of a strategy, or better coordination between public administrations? But, despite this, on many occasions it is easy to identify its real or potential



1. A key in the implementation of the Programme is its *results orientation*, a management strategy centered on achieving results that mean substantial and sustainable improvements in the policy reform processes that EUROsociAL is supporting. This commitment to results is consistent with the implementation of a decentralized management model such as the one that characterizes the Programme, in which partners from different countries and sectors assume responsibilities in pursuit of a common goal, but at the same time allowing the participating institutions to define the best way of achieving it in a determined context. This goal is found at the end of an "effect chain".

ultimate beneficiaries. Some examples can be cited: like the nearly three hundred thousand beneficiaries of the new employment services of Colombia, or the ten thousand people who have seen the Tax Education television programmes, or the over ten thousand women who will be able to receive attention from the more than five hundred thousand civil servants for whom a guide to gender violence was created, etc. Although EUROsociAL cannot take the credit for these and many other impacts, which depend exclusively on national policies and institutions, it is fair to say that it has contributed in a solid and documentable way to these results with certain inputs.

## 8. Conclusion

To conclude, it is worth highlighting some of the “assets” of this programme that were mentioned. The objective, social cohesion, is pertinent. The instrument, “peer-to-peer” cooperation is suitable and, compared to the more traditional advising by international consultants, very

well received by the institutions. Moreover, the Programme is constructed on the basis of interesting balances. It is a programme of dialogue and debate, but above all one of action, of practical contribution to change. It is flexible, with the capacity to address the contexts and timeframes of each country and to take advantage of windows of opportunity, but with a strong regional dimension of collaborative work. It promotes South-South cooperation and leverages the experiences and success stories of certain European policies. In addition, it has the capacity and ability to promote coordination of multi-sectoral stakeholders at different levels of government.

Clearly, by facilitating a quality dialogue between European and Latin American public institutions, it is constructing and consolidating the trust necessary to support change processes and contribute both to small operational changes in national public policies as well as to more strategic approaches of a national, regional or bi-regional nature.

EUROsociAL has demonstrated that it is an innovative and suitable programme, an instrument midway between traditional cooperation instruments and other more advanced ones based on mutual support. It can be a useful tool as an input for policy dialogue. Its cooperation modality has turned out to be highly appropriate for cooperating with middle-income countries, particularly in Latin America, a region that has placed concern for social inclusion and equality at the centre of its public agenda.

### Summary

#### ■ What does EUROsociAL aspire to?

EUROsociAL aspires to contribute to the design, reform and/or implementation of public policies in Latin America that have an impact on social cohesion.

#### ■ How does it work?

By making available to the institutions immersed in these processes, similar experiences, knowledge and know-how of “peer” institutions from other Latin American, and also European countries, which may contribute innovative elements in these reforms.

#### ■ What tools does it use?

Facilitating policy dialogue, collaborative peer-to-peer work and advising between Latin American and European public institutions: Technical Assistance, Internships, Exchange Visits, Workshops, Seminars, Training, etc.

## EUROsociAL promotes coordination of stakeholders in the fight against economic and financial crimes linked to corruption

Latin America has diverse institutionalized channels for **combating economic and financial crimes linked to corruption** which translate into **different specialized agencies, as well as differentiated logics of actions and operational practises**. Inter-agency coordination for addressing these problems is one of the working lines EUROsociAL has prioritized in the action on transparency and the fight against corruption. Although responsibility for its execution was assigned to the Conference of Ministers of Justice of Ibero-American Countries (COMJIB), **three areas of the Programme —Democratic Institutions, Public Finance and Justice—** are involved, **thereby promoting its intersectoral nature**.

Inter-agency coordination requires decisive actions to facilitate information flows between agencies and development of joint activities, generating synergies between them and thus strengthening the entire system. In the fight against economic and financial crimes, to coordinate as effectively and efficiently as possible, the work of the public ministries, judiciaries, ministries of justice, tax agencies, comptroller's offices (or courts of auditors) and superintendencies of banking and insurance (among other stakeholders) **needs to apply coordination and co-operation mechanisms** that go beyond the implementation of inter-agency committees, the signing of cooperation conventions or the sharing of common databases.

In EUROsociAL, this action is being approached with a dual dimension. **At the national level**, technical assistance is being provided to five countries (Colombia, Costa Rica, Ecuador, Honduras and Peru) for the design and/or strengthening of inter-agency coordination mechanisms, which include tax agencies, financial intelligence units, finance ministries, the judiciary or comptroller's offices. **At the regional level**, support is being provided to networks representative of the different sectors involved in the fight against corruption operating in the Latin American context: Ibero-American Association of Public Ministries (AIAMP); Inter-American Centre for Tax Administrations (CIAT); Conference of Ministers of Justice of Ibero-American Countries (COMJIB); Ibero-American Judicial Summit (CJI); and the Latin American and Caribbean Organization of Supreme Audit Institutions (OLACEFS). The linking of these networks is being carried out by a joint working group that was specifically created for this purpose. The aim of this work is to reach agreement on common lines to be adopted by all the networks and all the participating countries which would have a real impact on coordination and, ultimately, on control of these types of corruption-related crimes.



## Contributions from Europe and Latin America for the implementation of a network of Publicly-funded Employment Centres in Colombia

EUROsociAL is supporting the Colombian Ministry of Labour in the **creation of a new employment management system that integrates the labour mediation function with services related to active employment policies** (information, employment counselling, vocational training...). The key to this reform process is to channel services appropriate for the different populations (users) that need attention.

This new approach on the part of the Publicly-funded Employment Services means, on the one hand, defining a new model that precisely describes the basic services that each Employment Centre must provide to users on a mandatory basis; on the other, it means forming and expanding the network of stakeholders who participate in the provision of employment services, drawing in both public sector and private sector stakeholders. The intention, therefore, is to attend to the greatest number of beneficiaries possible with consistent quality standards across the entire national territory, which will **enable job placement for the most vulnerable groups and improved functioning of the labour market.**

EUROsociAL contributed not only to defining this new employment services model but also to implementing the necessary tools for it to function. In addition to collaborating in the creation of an operations manual that defines how the Employment Centres will function, the services being offered and the beneficiaries of these services, **support is being provided for the adaptation and implementation of a computer platform** which will enable the stakeholders in the network to provide the services to users and administer employment policies.

Part of this EUROsociAL collaboration is being channelled through the **Argentine Ministry of Labour, Employment and Social Security**, which transferred its experience with the *Employment Services Network Computer Platform*, supporting Colombia during the platform design and implementation process. This platform makes it possible to relate the supply and demand of jobs and monitor the functioning of the Employment Centres. Argentina has a successful eight-year track record of implementing this management platform and currently has a network of 550 centres up and running. Another part of the support programme was carried out through the **Italian Ministry of Labour**, which had originally transferred this platform to Argentina. Italy's technical cooperation in this action, through Italia Lavoro, was key as it also handled training the staff of the Colombian Ministry of Labour on how to use the platform.

It is worth noting that, due to the positive results obtained in Colombia, the same platform will also be adapted and transferred to Costa Rica to improve and drive innovation in the *Empléate* Programme.

With regards to the impact of this new model, it should be noted that three months after it was launched in Colombia, **the number of offices in operation increased from 33 to 192** and that in the ten months it has been in place, **925,000 people** have signed up, 125,000 of whom have found work.



## Combining a regional approach and a national response to a priority problem: the case of attention to women who are victims of violence in Honduras

**Gender violence** is a **central problem in the public agenda in Honduras** and a priority for the current government. Official figures indicate that a woman is murdered every 13 hours, in the majority of these cases in a domestic setting; 95% of these crimes go unpunished. Although a legal framework protecting women does exist, effective exercise of their rights is limited.

To address this problem, a process has been started to create an inter-agency and intersectoral structure, which also includes organizations from civil society, coordinated by the Judiciary. This is an important stage in the **realization of the national policy on access to justice**, in particular for **women who are victims of domestic or interfamily violence**.

As a product of this structuring process, in 2014 the first **Centre for Attention and Protection of the Rights of Women** (CAPRODEM) was opened as a result of the collaboration between EUROsocial and the Honduran Judiciary. This Centre is a **pilot project** which aims to strengthen the public policy on access to Law and **bring justice to women survivors of gender violence** through attention and a comprehensive, immediate and no-cost approach, avoiding the process of re-victimization they are subject to given the geographic dispersion of the different institutions that exist to attend to them. This centre attempts to give **women victims a rapid response**, guide them to the most appropriate service and offer legal advice to enable them to exercise their rights effectively.

**EUROsocial followed the roadmap** for the creation of the CAPRODEM in all its stages. In addition, the programme supported the creation of an **action protocol** for access to justice for women in situations of domestic violence which was approved by the different institutions that provide attention to victims. In coming months, EUROsocial will continue accompanying the process for the consolidation of the model and its systematic implementation in other cities in the country, thereby strengthening the national policy on access to justice.

This intervention illustrates **in a paradigmatic way the regional dimension of EUROsocial** and how it makes **the regional logic converge with the national logic**. In effect, the action protocol for victims created and approved in Honduras represents the establishment, at the national level, of a regional protocol for coordinating stakeholders to favour access to justice. It also reflects the **support being given to strategic policies** that have priority in government agendas, and, as Rosa de Lourdes Paz Haslam, Supreme Court Magistrate, aptly put it, these policies favour the consolidation of a **“country-vision”**. Lastly, it is an integrated intervention model in which the different partners (IDLO, FCGAE, FCI) and several EUROsocial actions (access to legal recourse and justice) converge with their different approaches to address a multi-dimensional problem.





## Partnerships with networks, opportunities for policy dialogue and collective learning

The most notable EUROsociAL regional actions are **partnerships with networks** which make it possible to address challenges shared by several countries on a collective basis. The networks serve as a **platform for policy dialogue and collective learning at the regional level**, which in turn **promotes change or fuels processes at the national level**. They can also be key factors for coordinating stakeholders and harmonizing processes at the regional level. In any case, they enable **progress towards the construction of common responses**, such as the adoption of agreements, declarations, joint lines or the creation of protocols; **or individual responses**, at the national level, which may consist of implementation of these agreements, but also of the application or creative adaptation in a country of elements or practises from other countries that are detected in regional exchanges.

In some networks, EUROsociAL assumes the role of **“facilitator” of the dialogue** between different countries and utilizes the network to identify sources of support at the national level. This is the case of the support to the Latin American Regional Development Network, where EUROsociAL, jointly with the OECD Development Centre and ECLAC, is providing a mechanism for dialogue on regional development policies and acting as a vehicle for collecting the technical cooperation needs among peers.

In others, EUROsociAL is providing guidance on the **institutionalization and consolidation of the work** of the network, as in the case of the Economic and Social Councils Network for Latin America and the Caribbean or of the Tax Education Network; or on strengthening their work and **promoting the incorporation of new countries or institutions**, as in the case of the Transparency and Access to Information Network (RTA).

Another channel for collaborating with the networks is to **contribute to their agendas and provide support for their establishment at a national or regional level** through EUROsociAL. The actions of the **justice-related networks** are particularly notable, as the programme has supported the creation of protocols or guidelines and their approval at the regional level (within the framework of the networks); and their implementation at the national level, especially with the Inter-American Association of Public Defenders (AIDEF), the Ibero-American Association of Public Ministries (AIAMP) or the Conference of Ministers of Justice of Ibero-American Countries (COMJIB).

Lastly, it should be noted that **some networks are “natural” allies** of EUROsociAL, as they participate as partners in the programme: the Inter-American Centre for Tax Administrations (CIAT), the Organization of Ibero-American States for Education, Science and Culture (OEI), the COMJIB, EFUS and the OLACEFS (collaborating institution).



# The future of European regional cooperation: the importance of EUROsociAL in this context



*Closing speech for the  
EUROsociAL meeting  
at European Commission  
headquarters in Brussels*

**JOLITA BUTKEVICIENE**

*Director of Latin America and Caribbean,  
Directorate General of Development and  
Cooperation of the European Commission*

The debates held in the framework of this meeting were very rich and profound but, in closing, I would like to focus on the following three issues:

## 1. The future of EUROsociAL

After a slow start with some delays, EUROsociAL has reached cruising speed in 2013. During this event, we have seen that there are many actions underway, a strong commitment on the part of all the stakeholders and plans for the future. We have received a lot of positive feedback on the programme from Latin America.

So it is very good news for all of you to hear that the current phase of EUROsociAL is going to be extended for at least one more year. That means that the programme will continue its work until at least end of 2015. I am convinced that this extension will give us an opportunity to consolidate the progress shown and conclude most of the actions currently underway.

## 2. The future of European regional cooperation: what will be the future beyond 2015

The aid package for Latin America announced by European Development Commissioner, Andris Piebalgs, confirms the commitment of the EU to continuing to support the region's

*“Several priority strategic areas have been defined for the EU’s regional cooperation with Latin America, pending consultation with the countries in question”.*

development efforts. As the Commissioner has emphasized “we are not turning our back on this continent; we are looking forward with it, together”.

The European Commission is currently in the middle of the programming exercise for the years 2014-2020 and, as the Commissioner said, has just presented an ambitious proposal for regional cooperation with Latin America to the European Parliament. Nonetheless, we are going to wait for the European Parliament to share with us their own ideas; however, in the interventions of the members of European Parliament have

made clear that the European Parliament is also convinced of the importance of revising bi-regional cooperation, given the importance of the relation between two regions.

Allow me to highlight what are the main strategic priority areas that the Commission is proposing, which have been identified in consultation with the Latin American partner countries:

1. inclusive and sustainable economic growth, addressing structural weaknesses, acute economic inequality and over-reliance on extraction of natural resources;
2. reconciling environmental sustainability with continued development in a region that is highly vulnerable to climate change and natural disasters;
3. capacity-building of state institutions responsible for security and rule of law, so as to enhance human rights and gender equality, build public trust and strengthen the social contract needed for development to succeed; and
4. improvements in governance, accountability and tax collection and spending, so as to tackle inequality, increase social cohesion and respond to growing social demand for quality public services.

#### **These four sectors are kept together by a common theme: social cohesion**

So, when we talk about inclusive and sustainable economic growth, we are not talking about some abstract *trickle-down effect*; we are talking about direct impact at the level of micro and small enterprises.

When we talk about inclusive economic growth, we are also talking about education, and therefore we have included an important vocational training programme in the economic section. Universalization of secondary education is one of the challenges that Latin America has to address, and one aspect that can have a direct impact on poverty is technical education and vocational training.

When we talk about sustainability and environmental vulnerability, we are talking about the potential impact of natural disasters on the poorest part of the population. We are talking about creating conditions that will allow them to improve their well-being.

When we talk about good governance and social equity, we talk about how to improve service delivery to the population.

So, what really keeps this programme together is its orientation towards social cohesion.

The proposal of the Commissioner to the European Parliament includes a strong regional programme for Latin America. In fact, it has been proposed to increase funding by approximately 30% with respect to the last programming period. All Latin American countries will continue to benefit from our regional programme regardless of whether or not they are middle-income countries.

I would like to highlight the great effort we have made to coordinate this programme with our Latin American partners. Back in October 2013, this issue was discussed within the framework of the CELAC meeting in Brussels. In February I met with all the Latin American ambassadors here, in Brussels; and just two weeks ago, together with my team, we visited Lima to meet with representatives of all the Latin American governments. I am deeply grateful for the important contributions and inputs we received. They have been extremely important for us and will ensure that our regional programmes truly correspond to the priorities of Latin American countries.

*“The discussions in this meeting have shown that relations between Europe and Latin America have undergone a profound change, as have the expectations our cooperation awakens”.*

Why do we increase funding for the regional programme so much? The discussions held in this meeting have demonstrated that relations between Europe and Latin America have undergone a profound change, as have the expectations our cooperation generates.

The focus on development has shifted radically. No one in Brazil, Chile or Mexico expects us to continue building schools or highways. What is expected of us is that we share our experiences; that we enter into a real exchange of ideas; that we cooperate in issues of shared concern based on common value.

Therefore, not only we will continue cooperating substantially with the countries that most need it, we will also promote new forms of cooperation with middle-income countries, whose remaining challenges represent an obstacle to their socio-economic development, governance and institutional quality.

Guided by the international principles of effectiveness aid—including those of ownership and mutual accountability in results-oriented management—we will make better use of new instruments, such as triangular cooperation, peer reviews, twinning and blending.

### 3. The importance of EUROsociAL in this context

This is precisely the point where the relevance of EUROsociAL resides.

EUROsociAL is a programme that really represents the paradigm shift in our cooperation. It promotes a constant exchange of ideas, a constant dialogue where both parts are learning from each other. EUROsociAL takes an innovative approach that produces measurable results despite a relatively small budget, divided among 18 partner countries in 10 thematic areas.

The different presentations we have heard in the meeting have shown some of these features of EUROsociAL. Let me just underline some of them:

- Ownership: EUROsociAL is demand-driven as the beneficiary governments themselves define the actions to be implemented.
- Results-orientation: EUROsociAL pretends to support only actions that have clearly formulated goals, are part of broader policies and, thus, priorities of the official government agenda.
- Structural impact: EUROsociAL systematically aligns its actions with public policies. This ensures that the actions are embedded into a wider framework and can become sustainable. Our goal is to have better public policies.
- European added value: EUROsociAL mobilizes European and Latin American public administrations for a practice-oriented transfer of know-how.

*"Currently EUROsociAL is probably the most important South-South cooperation programme in Latin America. Approximately 40% of its activities are based on South-South transfers".*

We must not forget the EU is not only the region with the oldest and most developed social welfare systems but that is also a region that undergone tremendous and abrupt changes in political regimes in the past twenty or thirty years. My own country not only recovered its independence but also passed, abruptly, from a centrally planned system to a democracy. Nearly half of the countries of the EU have had to reinvent themselves overnight. This also brings us closer to Latin America. Thus, we have experiences to share.

Triangular cooperation: EUROsociAL is currently probably the most important programme for South-South cooperation in Latin America. Approximately 40% of

its activities are based on South-South transfers. It is foreseen that by the end of the programme, over 10 million euros will have been spent on South-South cooperation.

These principles are important strengths and lessons-learned that guide the way forward in our cooperation. That is the great value and the major contribution of EUROsociAL. As I said, we are in the middle of the programming exercise and it is too early to say whether there will be a programme called EUROsociAL III. But there is no doubt that there will be continuity. These principles will continue to guide our regional cooperation.



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