

Regional Agenda

World Economic Forum on Latin America Opening Pathways for Shared Progress

Panama City, Panama 1-3 April 2014



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Preface



Marisol Argueta de Barillas
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The ninth World Economic Forum on Latin America took place in Panama City and brought together more than 650 leaders from industry, government, academia and civil society, including seven heads of state and government. Young people from Latin America and the Caribbean were also well-represented by Global Shapers from across the region. Over the three days of the meeting, under the theme Opening Pathways for Shared Progress, participants explored a range of issues affecting Latin America as it defines its role given a challenging global context.

The meeting took place with the full support of the Government of Panama, and coincided with the centenary of the Panama Canal. This Central American country – which has a buoyant economy, and has invested in infrastructure and introduced business-friendly policies – embodies the potential dynamism of the region. In spite of a global financial crisis, Latin America has experienced sustained economic growth, demonstrating its resilience. However, if it is to continue along its positive trajectory, structural challenges must be tackled.

Throughout the meeting, it became clear that Latin American economies are moving at different paces and most of them must diversify their economies. In large part due to high prices, 60% of the region's export income comes from commodities, compared to 40% at the start of the century. This is a volatile base for an economy, exposing it to fluctuations in price and external demand. In some cases, it has also led to the substitution of locally manufactured goods with imports, affecting the region's manufacturing capacity and competitiveness. Economic diversification could offer new trade and business opportunities, including for small and medium enterprises. It could also lead to innovative industrial policies, increased productivity, accelerated regional integration and a transition towards a knowledge-based economy.

To further boost its competitive edge, the region must close its infrastructure gap. Across a range of sessions, panellists called for more investment in physical infrastructure – transport, communications, power – possibly funded through innovative public-private partnerships. Investment in technological and institutional infrastructure was also seen as crucial for creating a business and investor-friendly environment.

But what use is any of this without investment in the region's most precious resource – its people. In sessions on human capital, participants focused on the progress made and opportunities ahead. Poverty alleviation programmes have reduced poverty in the region from 44% to 30%, leading to the emergence of a larger middle class, which has increased from 53 million to 152 million in the past decade. Adequate policies need to be developed to consolidate these achievements and avoid regression, and address the demands of this emerging group. More progress must also be made in terms of equal opportunities, gender parity, access to and quality of education, improved skills for employment and inclusive growth.

I have only touched on some of the issues that were explored in the meeting and this report will provide a deeper insight into the discussions. Our hope is that participants will have left feeling inspired and willing to apply all that has been shared in their area of impact and influence. That is how we will open pathways for continued shared progress in Latin America.

Panama City Highlights



High-growth companies honoured in Panama

In order to thrive, economies and societies rely on the influence and contribution of robust and dynamic medium-sized enterprises. Latin America's growing market of over 600 million people and rapidly developing middle classes are creating more opportunities for both businesses and society. In Panama, the World Economic Forum recognized 16 of Latin America's most influential high-growth companies that are addressing this opportunity by naming them Global Growth Companies (GGCs). The 16 new GGCs are innovators and market shapers, and the Forum aims to support their potential for impact in the region and beyond. They are well positioned to be the next generation of Latin American globalizers. Seven of the 16 selected companies were present in Panama and were honoured in an award ceremony.

Find out more about the GGCs:
<http://www.weforum.org/community/global-growth-companies>

Regional Council gets down to business

The foremost Latin American business community leadership gathered for a private, peer-to-peer exchange at the Regional Business Council meeting in Panama City. The Council discussed an action-oriented agenda to boost investments and drive economic development in the region. Latin American economies need to pursue improved competitiveness to reap the benefits of sustainable and inclusive economic growth. Members committed to the prioritization of public-private collaboration and to advancing a conducive investment framework. Furthermore, the Council stressed that stable and transparent regulatory environments are required for the advancement of investments from public and private sectors.



Entrepreneurship for the public good

Seven people, whose innovative work ranges from healthcare, to farming, microfinancing, and the transformation of waste into resources, were named Social Entrepreneurs of the Year for Latin America, in an award ceremony in Panama. The winners will join the more than 260 organizations that make up the Schwab Foundation. Founded in 1998, the Foundation brings together entrepreneurs from across the world who are pioneering solutions for social challenges. The seven newest Latin American members are Javier Armando Lozano, Clinicas del Azucar; Sasha Kramer, SOIL; Rosario Perez, Pro Mujer; Merula Steagall, ABRILE; Patrick Struebi, Fairtrasa; Luis Szarán, Sonidos; and José Vicente Aguerrevere, Día Día.

Find out more about this year's new Social Entrepreneurs: <http://widgets.weforum.org/social-entrepreneurs-2014/>



‘Transformation Wall’ for Latin America

What social, economic, technological and political developments could affect Latin America in the future? To answer this question, the World Economic Forum tapped into the collective knowledge of participants in Panama. Using a “Transformation Wall”, participants shared their thoughts on emerging challenges, future opportunities and the forces driving them. Among the many issues identified, participants highlighted the need for further regional integration, as well as improved infrastructure and logistics. Education, governance and institutional reforms were also seen as crucial to ensure sustained and inclusive growth across Latin America. Part of the Forum’s Strategic Foresight work, the results from the Transformation Wall were shared with participants in the closing plenary and will help establish what options Latin America has today to shape a better tomorrow.

The next steps to consolidate success

Latin America is aiming at success. The International Monetary Fund expects the region to grow 3.0% in 2014 – far better than Europe and North America. However, there is no room for complacency. The region must diversify, invest, innovate and integrate to build a dynamic 21st-century economy that will bring prosperity to all its inhabitants.

Latin American countries must continue to diversify their economies beyond commodity exports, which are vulnerable to global cycles and do not always maximize the distribution of prosperity. Brazil and Mexico have had some success already in creating strong manufacturing and services sectors, and Trinidad and Tobago is reducing its dependence on oil. Nevertheless, more work is needed to make these and other countries more competitive globally. “We have to both generate wealth and the conditions for the population to access that wealth. The pie must be bigger and it must be divided more equally,” Frank De Lima, Minister of Economy and Finance of Panama, said.

At the local level, too much bureaucracy and too few skilled workers often hold companies back

from creating high-quality jobs in the region. Reforms of legal and tax systems, such as those Mexico and Panama are attempting, will help to cut red tape, but even with a rapid implementation the benefits will take long to manifest at the society level. For big projects, a president or prime minister’s direct involvement may be needed to restrain bureaucrats. To increase the supply of skilled workers, governments must improve education systems, change labour laws to attract immigrants, and involve companies in giving students the skills and experience that the modern job market requires.

Bringing workers out of the informal economy, where efficiency and technology adaptation is low, will increase economic productivity. Examples of policy moves include

“Without economic growth, we cannot promote social inclusion.”



Ricardo Martinelli,
President of Panama

Mexico offering low or zero taxes and access to credit as incentives for workers to leave the informal economy, and Panama legalizing a large sector of its economy by creating a path to legal residence to working illegal immigrants.

Some sectors of the Latin American economy, such as agriculture in Brazil, are so competitive that they are succeeding globally despite the region’s limiting infrastructure. However, a much needed improvement of roads, railway lines, ports and telecommunications infrastructure should unleash an export boom and boost the overall regional competitiveness.

These improvements can be achieved only through an increase in capital investment. Latin American countries invest an average of 20% of GDP and this figure needs to increase to 28% of GDP, according to estimates from the Development Bank of Latin America. Free trade agreements and regional integration help to attract investment. Foreign direct investment in Mexico has grown to over \$20 billion a year from under \$2.5 billion since the country entered NAFTA. “Free trade is definitely a good bet to attract foreign investment,” Ildelfonso Guajardo Villarreal, Secretary of Economy of Mexico, said.



Regulatory reforms such as those Mexico is working to implement in energy and electricity sectors – or those being accomplished in the Brazilian infrastructure sector – will also help to attract foreign capital. To stimulate investment and growth, Mexico’s Pacto for Mexico is also implementing labour, education, financial and economic reforms that include decided moves towards transparent and competitive business conditions.

Along with domestic and foreign direct investment, impact investing – which goes beyond financial returns to achieve social impact – is growing quickly in the region. There are currently 22 impact investment funds operating in Brazil, half of them foreign. A JP Morgan study predicted that by 2020 between \$400 billion and \$1 trillion will be invested in such funds all over the world.

But despite large investments in social and physical infrastructure, no economic modernization will be complete without the establishment of innovation ecosystems. Changes in regulations, tax systems, intellectual property laws and labour laws will encourage flexibility and



01: Marisol Argueta de Barillas, Senior Director, Head of Latin America, World Economic Forum USA; Ricardo Martinelli, President of Panama; Kamla Persad-Bissessar, Prime Minister of Trinidad and Tobago; Laura Chinchilla, President of Costa Rica; Otto Perez Molina, President of Guatemala
02: Kátia Abreu, President, Brazilian Confederation of Agriculture and Livestock, Brazil
03: Leonel Fernández, President of the Dominican Republic (1996-2000, 2004-2012); Enrique Peña Nieto, President of Mexico
04: Diego Molano Vega, Minister of Information Technologies and Communications of Colombia
05: Sir Martin Sorrell, Chief Executive Officer, WPP, United Kingdom
06: Lorrana Scarpioni, Chief Executive Officer, Blivie, Brazil; Global Shaper
07: David M. Rubenstein, Co-Founder and Co-Chief Executive Officer, Carlyle Group, USA



Trade opportunities for going global

Global trade is changing fast. A generation ago, a product was made in one country and shipped to another; now companies have production and exchange systems that criss-cross continents. Latin America, with its rich natural resources and dynamic population, has the chance to play a key role in the newly forming global trade architecture. Countries and companies should work together to create a regional value chain, such as South-East Asia has built, to compete in the world economy. The Pacific Alliance is a promising model for regional integration.

Infrastructure investment, both physical and digital, is needed for the region to fully participate in global networks. Non-tariff barriers must be cut, especially those which inhibit the acquisition and implementation of the latest technology. Latin American countries must work in multilateral forums to reduce misaligned currency exchange rates – most of Latin America’s currencies are overvalued, while China and much of Northern Europe have undervalued currencies – that put the region at a disadvantage in international trade. A stronger World Trade Organization would benefit the entire continent.

To help small and medium enterprises, trade agreements must include measures that reduce red tape, encourage the services sector, and increase access to credit. Such policies will help to ensure that the benefits of trade penetrate all of society.

risk-taking, attract talent from all over the world and facilitate collaboration. Freer capital flows will make start-ups cheaper and failure less expensive, a key to the success of Silicon Valley.

The region is already moving, with Colombia investing heavily in digital infrastructure, incentivizing utility companies to share their fibre optic cable networks and funding the development of supply chain applications that force smaller companies to adopt more innovative business models. In parallel, Chile is attracting entrepreneurs from all over the world to build a culture of risk-

taking and innovation and create a Latin American entrepreneurship hub. The government’s Start-Up Chile programme offers start-ups access to investors, business or marketing executives, and local entrepreneurs. This year, 1,715 companies from 64 countries applied to the programme.

Simultaneously, more and more Latin American companies are finding multinational success. There are now 13 Latin American companies in the Global 500. These “multilatinas” are often family-owned, with leadership consolidated in a few hands, so decisions can

be made quickly. Nevertheless, family-owned businesses, which make up 85% of the region’s total, also face challenges. Many fail to professionalize and they disappear once the founding generation passes on. For larger family-owned businesses, audit and compensation committees, similar to those in publically traded companies, will increase transparency, encourage reinvestment as opposed to excessive dividends, and facilitate the entry of capital from outside investors.

Small and medium enterprises in Latin America need special attention. They are responsible for two thirds of the region's jobs but only one third of the region's output; they must become more efficient and gain greater access to markets and human capital. The Inter-American Development Bank has developed an internet platform, ConnectAmericas, in partnership with several multinational companies, to connect mid-sized companies in Latin America with the region and the world.

Latin American governments should create business promotion agencies, such as in Germany, the United States and China, to support the internationalization of small and medium businesses. Companies should develop regional supply chains and identify niche markets. Regional integration, by creating greater markets and investment opportunities, will help businesses of all sizes.

If trade among Latin American countries, currently only 17% of its total trade, were to grow towards Asia's 48%, the region would take a huge step toward realizing its enormous potential.

For more on Driving Economic Dynamism:

Latin American globalizers

<https://toplink.weforum.org/session/latin-american-globalizers>

Innovating for competitiveness

<https://toplink.weforum.org/session/innovating-competitiveness>

Strategic investment

<https://toplink.weforum.org/session/strategic-investment>

Family and private businesses: catalysts for change?

<https://toplink.weforum.org/session/family-and-private-businesses-catalysts-change>

"The greatest obstacles to trade in the 21st century are non-tariff barriers."



Arancha Gonzalez Laya, Executive Director, International Trade Centre (ITC), Switzerland; Co-Chair of the World Economic Forum on Latin America

- 01:** Moisés Naím, Senior Associate, International Economics, Carnegie Endowment for International Peace, USA
- 02:** Angelica Fuentes, Chief Executive Officer, Omniflife-Angelissima Group, Mexico
- 03:** Enrique García Rodríguez, President and Chief Executive Officer, CAF - Development Bank of Latin America, Caracas
- 04:** Laura Chinchilla, President of Costa Rica; Anabel González, Minister of Foreign Trade of Costa Rica



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"Education is the key to a better life."



Kamla Persad-Bissessar, Prime Minister of Trinidad and Tobago

“The best social policy is a good economic policy.”



Otto Perez Molina, President of Guatemala



Innovative finance to benefit all

Innovative financial business models can increase Latin America's economic strength while helping to spread prosperity more broadly. Less than 40% of the continent's population has a bank account, but the region has more mobile phones than people. These mobile phones can be a first step to bringing millions into the modern economy through e-payment systems.

Microfinance institutions have proven that lending to disadvantaged populations is good business. Default rates are often as low as 2%. Besides loans, low-income segments also need savings accounts and insurance products.

To move from microfinance services to broader financial inclusion will require governments, microfinance institutions and traditional financial institutions to work together to create regulations and legal frameworks. Such cooperation has become especially important since 2008, when international financial regulations to control risk and prevent money laundering became stricter.

Brazilian banks have been pioneers in opening correspondent branches that offer savings accounts and other financial services through post offices and shops throughout the country. The Mexican convenience store chain Oxxo, with over 10,000 branches, is collaborating with Visa and Banamex to offer financial services. Other successful prototypes in the region include electronic money, simplified procedures for opening bank accounts, and tax benefits for financial inclusion.



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01: Eric Parrado, Professor, University Adolfo Ibáñez, Chile

02: Claudia Belmont, Director, Social Innovation and President, Belcorp, Peru



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“Countries, like human beings, require balanced development.”



Laura Chinchilla, President of Costa Rica

01: Ricardo Hausmann, Director, Center for International Development, Harvard Kennedy School of Government, USA

02: Vera Thorstensen, Head, Global Trade and Investment Research Center, Fundação Getúlio Vargas (FGV), Brazil

03: Luis Alberto Moreno, President, Inter-American Development Bank, Washington DC; Bas Burger, President, BT Americas, BT Group, USA; Lourdes Casanova, Senior Lecturer of Management, Johnson School of Business, Cornell University, USA

04: Panellists in the Building Economic Resilience session

05: Blas Oliver Lorente, Chief Executive Officer, Latin America, Adecco Group, Brazil

06: Prabhat Hajela, Provost, Rensselaer Polytechnic Institute (RPI), USA



05



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“Latin American companies have no choice but to go global to survive.”



Luis Alberto Moreno, President, Inter-American Development Bank, Washington DC

Investing in human capital

Human capital is critical to economic success, and investing in its people should be a key part of any country’s development strategy. A healthy, well-educated and able population is the best way to secure future growth and prosperity.

In Latin America, a region blessed with a large youth population, opportunities for economic growth are lost because many in the workforce are poorly educated, lack up-to-date skills, or work in the informal economy. Half the workforce is engaged in informal, often precarious, employment, and about 30% of formal jobs are considered vulnerable. Unemployment stands at 6.5% and is expected to remain above the global average of 6% in the near future.

The region’s “demographic bonus” – a large contingent of young people – is actually a challenge, because youth unemployment, at 12.9%, is more than double the adult rate. “There is no greater wealth for

society than its youth. We have the possibility of losing that wealth if we fail to invest in human capital,” said Laura Chinchilla, President of Costa Rica.

Jobs go unfilled because workers lack the relevant skills. Educational institutions must provide adequate training for today’s marketplace, and employers demand workers with both training and experience, which recent graduates often do not have.

In many countries across the region, secondary-school completion rates are low. Specifically, many teachers lack sufficient preparation, the STEM skills (science, technology, engineering and maths) are deficient, less than



01: Juan Carlos Pinzón Bueno, Minister of National Defence of Colombia

02: Ricardo Martinelli, President of Panama; Ildelfonso Guajardo Villarreal, Secretary of Economy of Mexico;

Jorge Quijano, Chief Executive Officer, Panama Canal Authority; Carlos Julio Ardila, Chief Executive Officer, Organizacion Ardila Lulle



1% of students score at the top levels of international science and maths tests, and rankings show that poorer countries in Latin America fail to attract, develop and retain talent.

The answer to developing human capital in Latin America is education, education, education. “The key word is education. We need to see more determination by Latin American countries to invest in education,” said President Chinchilla. A wide range of panellists and participants said that more and better education is required at every level – primary, secondary and tertiary.

Developing human capital involves a vision of education that goes beyond the conventional classroom and traditional teaching, said panellists from education, academia and business, who advanced a range of proposals. Music programmes have succeeded in teaching children collaboration, discipline and punctuality, and after-school hours offer a time slot when children could learn various skills and the growing population of older people could be drawn into skills training.

The private sector must take on a larger role in education and Germany was cited as a model. There, private firms take in high-

school-level students as interns and train them while they continue their studies. When they graduate, they are not only employable but also have value for a company. Businesses should be compensated for this training, and internship programmes could be promoted in collaboration with government.

Raising the quality of teaching in Latin America is essential. A strong basic education, especially in science and maths, is necessary for fostering innovation. Teachers must be better prepared and should be re-evaluated at regular intervals, panellists said. Teachers should be given opportunities to serve as interns in businesses so that they can motivate and teach students about trades and professions.

Experts agreed that students must be better prepared to adapt to the challenges of globalization and new technologies. To do so, critical thinking and process-based education must replace rote learning.

Education reform requires support from the private sector to guarantee success. Students and civil society must also back reform efforts to ensure their continuity. Without a broad support base for reform, the

“Infrastructure should be about people’s lives, about the right to have water, transportation, well-planned communities.”



Lee A. McIntire, Executive Chairman, CH2M HILL Companies, USA



01: Michael Useem, Professor of Management; Director, Center for Leadership and Change, The Wharton School, University of Pennsylvania, USA; Leo Schlesinger, Chief Executive Officer and Country Head, Masisa Mexico, Mexico
02: Monica Flores, Regional Managing Director, Latin America, ManpowerGroup, Mexico
03: Panellists in the Towards a New Climate and Development Agenda session



“We have a phenomenal opportunity to establish a globally competitive and sustainable manufacturing base.”



Pedro E. Suarez, President, Latin America, Dow Chemical Company, Brazil

- 01:** Bas Burger, President, BT Americas, BT Group, USA
- 02:** Juan Carlos Navarro, Political Leader and Presidential Candidate of Panama (Partido de la Revolución Democrática - PRD)
- 03:** Espen Barth Eide, Managing Director and Member of the Managing Board, World Economic Forum; Lourdes Casanova, Senior Lecturer of Management, Johnson School of Business, Cornell University, USA

- 04:** Panellists in the New Global Trade Map session
- 05:** Rossana Fuentes-Berain, Vice-President, Expansion, Mexico
- 06:** Reinaldo Garcia, President and Chief Executive Officer, Latin America, GE Brasil, Brazil



risk is that the incoming government will halt the reform effort.

Technology is an ally in improving education and expanding access to education. Software can revise the education system, one panellist said. Technology makes it possible to bring knowledge directly to remote communities where, today, children walk long distances to get to school. Other barriers to learning, such as rural-urban differences and the gap between rich and poor, can be reduced by putting technology in the hands of kids everywhere.

At the upper end of the skills spectrum, qualified personnel are lacking. Latin America requires engineers and people properly trained for technical and sales positions. Latin America holds technical trades in low esteem, and this attitude must change if young people are to be channelled into more areas where they will find productive work.

Training for entrepreneurship must be included in educational programmes at all levels. Innovation often comes through entrepreneurs and establishing businesses is a way for people to create their own jobs. Entrepreneurship can be facilitated with better regulations and access to capital.



“This is a government of mostly entrepreneurs. We kicked all the politicians out of government.”



Roberto R. Roy, Minister of Canal Affairs of Panama



- 01:** Rafael Fernandez de Castro, Chair, International Studies Department, Autonomous Technological Institute of Mexico (ITAM), Mexico
- 02:** Georgie Benardete, Co-Founder and Head, Strategy, Shopbeam, USA
- 03:** Arturo Valenzuela, Professor of Government, Georgetown University, USA
- 04:** Juan Carlos Varela

- Rodríguez, Political Leader and Presidential Candidate of Panama, Panameñista Party
- 05:** Hugh Donald Ratliff, Regents Professor and Executive Director, Supply Chain and Logistics Institute, Georgia Institute of Technology, USA
- 06:** Arancha Gonzalez Laya, Executive Director, International Trade Centre (ITC), Geneva



“Enormous income inequality leads to social issues.”



Arif M. Naqvi,
Founder and Group Chief
Executive, The Abraaj Group;
Co-Chair of the World Economic
Forum on Latin America



Middle-class matters

In the past decade, Latin America experienced an historic transformation and increased significantly its middle class. Although this has opened up enormous opportunities, income inequality still runs deep. Of the 15 most unequal countries in the world, 10 are Latin American.

The middle class has tripled, to 152 million, and today makes up 32% of the population. In the region, the term “middle class” refers to people who live on more than \$10 per day, so this group takes in a broad spectrum of people and consumption possibilities, said Arif M. Naqvi, Founder and Group Chief Executive, Abraaj Group, and a Co-Chair of the meeting.

Middle class aspirations challenge governments. “They apply pressure for better levels of education and healthcare; they go to the streets to demand rights,” said Marcelo Côrtes Neri, Minister of Strategic Affairs of Brazil.

Creative government policies are now needed to reduce vulnerabilities, help the middle class to consolidate its position and continue to expand. First, jobs must be available. Governments must empower small and medium businesses and create an enabling environment for entrepreneurs, said Naqvi. Envisioning Latin America as a trading bloc and eliminating barriers to mobility of capital, people and products will promote opportunities for middle class workers and consumers. Policies should encourage long-term investment in soft and hard infrastructure, said Naqvi. “We need big states and a big private sector,” concluded the minister.



01: Sergio Rosengaus, Chief Executive Officer, KIO Networks, Mexico

02: Carlos de Vega, Senior Correspondent; Anchor, News; Host, Agenda, Deutsche Welle, Germany

03: Nicolas Ibarguen, Publisher and Editor, Poder Magazine, USA

“Mexico’s vision is to be a faithful promoter of free trade.”



Enrique Peña Nieto, President of Mexico



01: Ricardo Martinelli, President of Panama; Philipp Rösler, Managing Director and Member of the Managing Board, World Economic Forum

Read more about Innovating for Social Inclusion and Environmental Sustainability:

Educating for tomorrow

<https://toplink.weforum.org/session/educating-tomorrow>

Finance for all

<https://toplink.weforum.org/session/finance-all>

Resource wealth: curse or blessing?

<https://toplink.weforum.org/session/resource-wealth-curse-or-blessing>

Healthy populations, healthy economies

<https://toplink.weforum.org/session/healthy-populations-healthy-economies>



Region gets tough on climate change

Lima will host this year’s most important climate negotiation session, the Conference of the Parties (COP), giving Latin America a chance to adopt “an aggressive agenda” on the issue, said Manuel Pulgar-Vidal Otalora, Environment Minister of Peru. Governments in the region are working with the UN Economic Commission for Latin America and the Caribbean to develop a programme for adapting to climate change. Every effort will be made to bring together the private sector, NGOs, indigenous peoples and governments in the COP negotiations, the minister said.

Latin American environmental assets, such as the Amazon Basin, can help reduce global greenhouse gas emissions if protected. Urbanization presents challenges – 80% of Latin Americans live in cities – and calls for developing efficient, environmentally friendly urban transport, said Carlos E. Represas, Board Member, Swiss Re. Risk management is important to reduce the costs of prevention or recovery from extreme weather and natural disasters, Represas added.

The climate change narrative must be simplified to mobilize public opinion. Positive examples of solutions should be publicized widely. Business, government and NGOs must collaborate to achieve results that can be replicated. Citizens can intervene through the political process. “We should not be electing politicians that don’t have an environmental agenda,” said Nicolas Ibarguen, Publisher and Editor, Poder Magazine.

Solid frameworks secure brighter future

Latin America has achieved considerable progress in strengthening its democratic institutions and economic infrastructure. It has opened new avenues for investment and ushered in promising public-private partnerships. Now it needs to adopt the right set of actions and policies to advance on several fronts, achieve institutional reform and focus on improving quality of life.



01: Paulo Sergio Passos, President, Empresa de Planejamento e Logística, Brazil
02: Rosemary Addis, Senior Fellow, Impact Investing Policy Collaborative, Impact Investing Australia, Australia
03: Antonio Henrique Pinheiro Silveira, Minister-Chief of the Ports Secretariat, Office of the President of Brazil
04: Antonio Ermirio Moraes Neto, Co-Founder, Vox Capital, Brazil
05: Patricia Menendez-Cambo, Chair, Global Practice Group, Greenberg Traurig, USA
06: Panellists in the Upgrading Infrastructure session





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The search for inclusive models in Latin America will help to strengthen institutions and make them more accountable. New forms of governance are emerging. Reforming institutions may also be a way to overcome a feeling of a crisis of representation that is prevalent in certain countries. The meeting took place at a time when civil strife in Venezuela remains a big concern in the region.

Infrastructures – not only physical infrastructure – need to be strengthened and modernized so that the needs of the population are addressed, while productivity is being boosted and competitiveness is being enhanced.

Several Latin American countries have already committed to achieving such a leap forward in a responsible manner to respond to long-standing deficiencies. There has also been progress in designing inclusive infrastructure programmes to respond to the population needs, especially those of the new urban middle class, which demands quality public services.

“Infrastructure should be about people’s lives, about the right to have water, transportation, well-planned communities. A good project is one that affects people,” said Lee A. McIntire, Executive Chairman, CH2M HILL Companies, USA. “We have to think beyond the technical aspect of infrastructure projects and see their impact on the quality of life of the people in the long term,” said



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01: Panellists in the Regional Integration: A Hands-on Approach session

02: Marisol Argueta de Barillas, Senior Director, Head of Latin America, World Economic Forum USA

03: Salvador Paiz, President, FunSEPA, Guatemala

04: Otto Perez Molina, President of Guatemala



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“When a foreign traveller spends money in your country, you are creating an export.”



Craig Smith, President, Latin America and Caribbean, Marriott International, USA

Enrique Garcia Rodríguez, President and Chief Executive Officer, CAF - Development Bank of Latin America, Caracas.

The increasing number of partnerships between the public and the private sector is encouraging, but further progress is needed in terms of project management and financing. Early-stage planning and investing often proves more cost-effective than spending money on trying to mend faulty projects later.

One of the most critical points is to address infrastructure bottlenecks in cities; the urbanization rate in Latin America exceeds 80%, the highest in the world. Here again, investment in technology can help to improve quality of life and provide a more resilient environment in the city. “Designing urban infrastructure must also address sustainable growth issues,” said Sandra Wu Wen-Hsia, Chairperson and Chief Executive Officer, Kokusai Kogyo, Japan; Global Agenda Council on Infrastructure. Efforts are under way to improve public transport, including in Panama, thanks to its new metro line, and must be pursued across the region.

“Many people think that progress means having poor citizens driving cars, but, in fact, it is rather when wealthy people are using public transport that you know that the infrastructure of society is successful,” said Dylan E. Taylor,

Chief Executive Officer, Americas, Colliers International, USA; Young Global Leader.

Improved quality of life also means better public security. Some Latin American countries have already invested in modernization of their police forces to regain the confidence of their citizens. This includes setting up a professionalized police corps, with adequate training, access to technology and a career path. Community policing and the civilian police, rather than the military police or paramilitary forces, should get the most attention and be strengthened.

Meanwhile, the strategy to fight drugs in Latin America is being reconsidered. Resources may be shifted from drug prohibition to education, and investment in people and the communities. Here, innovative partnerships with the private sector may also lead to improvements.

As institutions are being strengthened and becoming more accountable, the Latin American population will increasingly trust them. The quality and effectiveness of institutions is crucial to respond to the new demands of the population for greater transparency, accountability and for greater quality of public services. It is also a matter of good governance. Governments need to make citizens feel they are part of the process. The democratic electoral cycle must not prevent state policies transcending governments.



01: Humberto Luiz Ribeiro, Secretary of Commerce and Services, Ministry of Development, Industry and Foreign Trade of Brazil

02: Arif M. Naqvi, Founder and Group Chief Executive, The Abraaj Group, United Arab Emirates



As a result, institutions will be strengthened and greater progress will be achieved. Decentralization can also be an effective way of closing the gap between governments and citizens.

Colombia has offered the most striking examples of institutional strengthening in the region in recent years. Progress has been achieved thanks to modernization of the armed forces and the professionalization of the police forces. “We need

strong institutions to contribute to development and to continue the fight against poverty,” said Juan Carlos Pinzon Bueno, Minister of National Defence of Colombia. This has allowed the Colombian state to regain control of most of the country’s territory over the past 15 years (in 2000, 60% of Colombian municipalities were affected by terrorism, compared with 25% in 2009 and only 10% at the end of last year, he said).

“If we don’t imagine solutions, it is hard to set goals.”



Manuel Pulgar-Vidal Otalora, Environment Minister of Peru



Panama: an infrastructure showcase

Panama is a showcase for large-scale and urban mobility infrastructure projects, thanks to the Panama Canal expansion and the inauguration of a new metro line in Panama City. The involvement of entrepreneurs in government was an important factor to implement these projects. “Professional management is the key to many of these things,” said Roberto R. Roy, Minister of Canal Affairs of Panama. “This is a government of mostly entrepreneurs, which is difficult to achieve in other countries. We kicked all the politicians out of government.”

The government also must be strong enough to impose tough contracts while negotiating with contractors. Risks have to be assessed carefully. Panama introduced a mechanism of cross-guarantees with unlimited liability for contractors. “They are 100% responsible,” Roy said.

A new report from the World Economic Forum, launched at the meeting in Panama, examines how countries can improve the productivity and longevity of infrastructure assets. The report, *Strategic Infrastructure: Steps to Operate and Maintain Infrastructure Efficiently and Effectively*, argues that rather than focusing on how to fund new projects, governments should put in place measures to get the most out of their existing infrastructure.

Download the report at:

http://www3.weforum.org/docs/WEF_IU_StrategicInfrastructureSteps_Repot_2014.pdf



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01: Alfredo Capote, Managing Director and Head, Investment Banking, Mexico, Citi, Mexico

02: Lee A. McIntire, Executive Chairman, CH2M HILL Companies, USA

“Free trade and economic stability do not by themselves guarantee success.”



Idefonso Guajardo Villarreal, Secretary of Economy of Mexico



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04: Marcelo Côrtes Neri, Minister of Strategic Affairs of Brazil
05: Daniel Marteleto Godinho, Secretary of Foreign Trade, Ministry of Development, Industry and Foreign Trade of Brazil
06: Juan Orlando Hernández, President of Honduras

“If talent is not available in the country, either fix the education system or import talent.”



Nicolás Shea Carey, Founder, Start-Up Chile, Chile

01: Luis de la Calle Pardo, Managing Director and Founding Partner, De la Calle, Madrazo, Mancera, S.C. (CMM), Mexico
02: Ana María Baiardi Quesnel, Minister for Women's Affairs of Paraguay
03: Chris Johnson, Executive Vice-President, Nestlé, Switzerland





Smarter cities, better lives

Urbanization has been fast and strong in Latin America, and cities have become economic powerhouses. São Paulo, Mexico City and Buenos Aires feature among the 20 largest cities in the world and account for a quarter of regional gross domestic product. But as they have turned into sprawling metropolises, they have rapidly become saturated.

The impact on quality of life has been negative, especially as far as transportation, safety and social exclusion are concerned. Of the 167 million people who are poor in Latin America, 122 million live in cities and these cities face a housing deficit of 50 million homes.

As some cities seem to be on the brink of collapse, successful experiments are under way in various parts of Latin America to improve the situation. The use of technology is helping turn urban centres into smarter cities. This includes encouraging staff to work from home. “You have to leverage the benefits of technology to avoid people having to travel four hours a day to go to work,” said one participant in a session on cities.

Connecting citizens to local governments also strengthens accountability, and helps improve governance and the adoption of targeted, cost-effective policies. This will allow cities to once again become synonymous with opportunities.



01: Claudia Ruiz Massieu, Secretary of Tourism of Mexico; Mercedes Juan López, Secretary of Health of Mexico; Philipp Rösler, Managing Director and Member of the Managing Board, World Economic Forum; Marisol Argueta de Barillas, Senior Director, Head of Latin America, World Economic Forum USA; Enrique Peña Nieto, President of Mexico; Leonel Fernández, President of the Dominican Republic (1996-2000, 2004-2012); Ildefonso Guajardo Villarreal, Secretary of Economy of Mexico; José Antonio Meade Kuribreña, Secretary of Foreign Affairs of Mexico

02: Mois Cherem Arana, Chief Executive Officer and Co-Founder, ENOVA, Mexico
03: Manuel Arroyo, President and Chief Executive Officer, Grupo Lauman - El Financiero, Mexico
04: Carl F. Munana, General Manager, Inter-American Investment Corporation (IIC), Washington DC



Read more about Modernizing Economic and Institutional Infrastructure:

Upgrading infrastructure

<https://toplink.weforum.org/session/upgrading-infrastructure>

The future of cities

<https://toplink.weforum.org/session/future-cities>

Rethinking public and citizen security

<https://toplink.weforum.org/session/rethinking-public-and-citizen-security>

Boosting institutional reforms

<https://toplink.weforum.org/session/boosting-institutional-reforms>

Regional integration: a hands-on approach

<https://toplink.weforum.org/session/regional-integration-hands-approach>





01: Cynthia Castro, Director, Community Empowerment Projects, RBA, Costa Rica; Global Shaper



01: Alois Zwinggi, Managing Director, Operations and Resources, Member of the Managing Board, World Economic Forum; Richard Samans, Managing Director and Member of the Managing Board, World Economic Forum; Manuel Pulgar-Vidal, Minister of Environment of Peru



02: Santiago Casanueva Pérez, Member of the Board, Grupo CP, Reasinter Intermediario de Reaseguro, Mexico
03: Henk S. de Jong, Chief Executive Officer, Philips, Latin America, Royal Philips, Brazil
04: Marcos Bulgheroni, Executive Vice-Chairman and Board Member, Bidas Corporation, Argentina
05: Atifete Jahjaga, President of Kosovo





01: Ricardo Villela Marino, Executive Vice-President, Member of the Board of Directors, Itaú Unibanco, Brazil
02: Antonio Henrique Pinheiro Silveira, Minister-Chief of the Ports Secretariat, Office of the President of Brazil
03: Luis Pescarmona, Chief Executive Officer, IMPSA, Brazil
04: Panellists in the Boosting Institutional Reforms session





01: Panelists in the Investing in Human Capital session
02: Karl Lippert, President, SABMiller Latin America, USA
03: Adriana Noreña, Managing Director, Spanish Speaking Latin America, Google, Argentina





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- 01:** Panellists in the Regional Integration: A Hands-on Approach session
- 02:** José Domingo Arias, Political Leader and Presidential Candidate of Panama (Cambio Democrático)
- 03:** Bruno Sánchez-Andrade Nuño, Chief Scientist, Mapbox, USA
- 04:** Patrick Struebi, Founder and Chief Executive Officer, Fairtrasa, Switzerland

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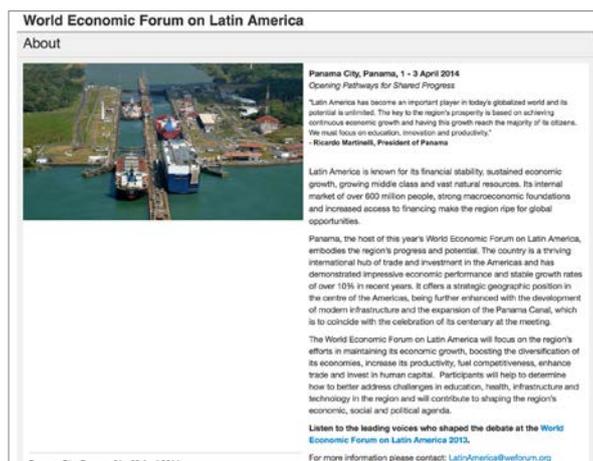
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The event page of the World Economic Forum on Latin America provides access to a richer level of content from the meeting, including videos, photographs, session summaries and webcasts of selected sessions.

<http://wef.ch/la14>



This report is also available to download at:
<http://wef.ch/la14report>

More information on the World Economic Forum on Latin America in Panama City, Panama, on 1-3 April 2014 can be found using the following links:

Programme and Session Summaries

<http://wef.ch/la14programme>

Photographs

<http://wef.ch/la14pix>

Blog

<http://wef.ch/blog>

Marisol Argueta de Barillas, Senior Director, Head of Latin America

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Upcoming Meetings



World Economic Forum on Africa

Abuja, Nigeria 7-9 May 2014

Under the theme *Forging Inclusive Growth, Creating Jobs*, the 24th World Economic Forum on Africa will bring together regional and global leaders to discuss innovative structural reforms and investments that can sustain the continent's growth while creating jobs and prosperity for all its citizens.

For more information, email: Africa@weforum.org

World Economic Forum on East Asia

Manila, Philippines 21-23 May 2014

Under the theme *Leveraging Growth for Equitable Progress*, the 23rd World Economic Forum on East Asia will provide an ideal platform for leaders to address not only the region's challenges and opportunities that lie ahead but also to understand the ever more important geo-economic and geopolitical importance of the Association of Southeast Asian Nations (ASEAN).

For more information, email: EastAsia@weforum.org

Annual Meeting of the New Champions 2014

Tianjin, People's Republic of China 10-12 September

This year's Annual Meeting of the New Champions will convene the next generation of fast-growing enterprises shaping the future of business and society together with leaders from leading multinationals as well as government, media, academia and civil society.

For more information, email: NewChampions@weforum.org

World Economic Forum on India

New Delhi, India 4-6 November 2014

Marking the 30th year of the World Economic Forum's active engagement in India, the meeting will offer participants an opportunity to engage with the new government to discuss key issues that challenge inclusive growth, and provide a platform that brings together international and national leaders who are invested in building a sustainable roadmap for India's future.

For more information, email: india@weforum.org



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