



LATIN AMERICAN
AND CARIBBEAN
ECONOMIC SYSTEM

SELA:
Strategies and public
policy proposals
for LAC integration

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proposals for LAC integration**

Latin American and Caribbean Economic System

SELA: Strategies and public policy proposals for LAC integration

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Foreword

*Ambassador Clarems Endara Vera
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Our region is characterized by its cultural, economic and social diversity, and is marked by a reality that presents a series of challenges and opportunities that must be addressed with well-structured public policies. In this context, the Latin American and Caribbean Economic System (SELA) has played an active and decisive role in promoting and strengthening integration, cooperation and sustainable development in each of its member countries. During my tenure as Permanent Secretary of SELA with a high-level team, we have focused on working on the convergence of agendas and on concrete actions that respond to the needs of our region and promote a continuous and constructive dialogue among key development actors.

Our Work Programme for 2022-2026 has sought, in recent years, to prioritise issues that, just as they are at the centre of the international agenda, also respond to the particularities and potential of Latin America and the Caribbean. In this regard, we have promoted projects ranging from the preservation and promotion of cultural assets to technological modernisation through cyberdiplomacy, digitalisation and the use of artificial intelligence. SELA's objective is to work alongside global changes and ensure that the region is in a competitive and active position in the international economy.

One of the pillars of our administration has been to promote more diverse and effective cooperation. The relationship with China, for example, has become

a strategic component of our economic integration policies, opening up opportunities for market diversification and knowledge sharing. At the same time, we have sought to deepen South-South and Triangular Cooperation, convinced that Latin America and the Caribbean have much to contribute to the international community in terms of development experiences and models of social inclusion.

Moreover, in this region's long tradition of agricultural production, issues such as coffee and cocoa have been part of the focus of our proposals that recognise and revalue the importance of these sectors for the rural economy and the well-being of millions of families. These initiatives complement our work on the modernisation of logistics infrastructure and the promotion of digital port transformation, with the aim of improving the efficiency and competitiveness of value chains in the region.

Cooperation between the public and private sectors, as well as coordination with international organisations, has been constant in my efforts to seek partnerships that expand the region's capacities. An example of this is the Public Policy Index for SMEs in Latin America and the Caribbean (IPPALC), a tool that we have developed with the purpose of providing member countries with a practical guide to strengthen their policies in support of small and medium-sized enterprises, which are the engine of employment in the region. In addition, we are working to identify and map potential productive niches, with the aim of diversifying local economies, making the most of the comparative advantages of each country and promoting sectors that, although small, have a high potential for growth and job creation.

Our agenda highlights the importance of social inclusion, gender perspective and disaster risk management, issues that we have promoted through specific programmes such as the diploma course with a gender approach and initiatives to strengthen resilience in the face of natural events. This is a multidimensional approach that reflects our conviction that sustainable development is not just a theoretical concept, but a practice that must be present in all public policies.

These documents are the result of the evidence and verification of feasible solutions to the great urgencies and needs of the region in the aforementioned areas, as an initial contribution in the form of public policy proposals that we submit to the public scrutiny, so that based on these, we can continue to help in the construction of a region that lives together in community, integrated

and convergent towards overcoming the great challenges of economic growth, overcoming poverty and social development.

We at SELA will continue to work to build a more connected, inclusive and prepared region to face the challenges of the future. In each of the thematic areas presented in this series of documents, we have sought to offer concrete proposals that serve as a basis for the formulation of public policies, with the understanding that building a better future for Latin America and the Caribbean is a collective process.

I invite readers to review these documents with a critical and open vision and to join in the task of turning these proposals into concrete actions that will have an impact on our communities and economies. The road we have travelled in recent years has been one of commitment, working together and constantly adapting to the challenges of our time, and I am convinced that, with everyone's collaboration, we can continue to move towards a stronger, more united and resilient region.

Public policy proposals for convergence and cooperation based on inter-secretariat work

Executive Summary

This paper focuses on the need to establish a public policy on institutional convergence and cooperation to strengthen economic integration in Latin America and the Caribbean. The proposal is based on a global context in which pre-existing economic fragilities, market fragmentation and the concentration of economic growth have intensified, highlighting the urgent need for more effective integration in the region.

In this connection, regional convergence is identified as an element to overcome current limitations and take advantage of the opportunities offered by an increasingly interconnected world. Over the last decade, inter-secretariat cooperation has revealed the importance of generating common platforms that allow countries to work in a coordinated manner in areas of mutual interest, such as food security, productive integration, climate change adaptation, sustainable energy and cross-border cooperation.

The document highlights that, through collaboration among regional organisations such as the Pacific Alliance (PA), the Association of Caribbean States (ACS), the Latin American Integration Association (ALADI), the Common Market of the South (Mercosur), the Central American Integration System (SICA), the Caribbean Community (CARICOM), the Andean Community (CAN), the Amazon Cooperation Treaty Organisation (ACTO), the Bolivarian Alliance for the Peoples of Our America - People's Trade Agreement (ALBA-TCP) and SELA, five strategic areas of work have been identified: food and nutrition security, productive linkages, disaster risk reduction, energy

integration, and cross-border cooperation and infrastructure. These areas have been prioritised according to their potential to promote social and economic cohesion in the region, facilitating the reduction of disparities and strengthening resilience to crises.

A proposal is made to implement a shared regulatory framework that promotes economic integration through the harmonisation of policies, the reduction of trade barriers and the adoption of common standards. Emphasis is also placed on the need to move towards the creation of joint information systems that optimise trade and logistics, especially for micro, small and medium-sized enterprises (MSMEs), whose strengthening is essential to increase regional competitiveness.

Recommendations include the creation of training and technical assistance programmes on sustainability and digitalisation, as well as the promotion of strategic partnerships among the public, private and civil society sectors. Emphasis is placed on the importance of consolidating a Regional Convergence Matrix, which will serve as a follow-up and evaluation tool to monitor the progress of implemented policies and adjust strategies according to emerging needs. This matrix will allow countries to work together, avoid duplication of efforts and optimise resources in the implementation of projects that address common challenges.

Finally, a comprehensive vision is to be developed that contemplates economic cooperation together with the adaptation of policies to local realities and to the new demands of the global environment, in order to promote sustainable development and greater social cohesion in the region.

Introduction

Economic recovery in Latin America and the Caribbean faces a complex moment, marked by global tensions, economic instability and the lingering consequences of the COVID-19 pandemic. In this context, regional integration emerges as a strategy that can offer effective and joint solutions to common challenges, such as market fragmentation, the concentration of growth in limited sectors and persistent socio-economic disparities in the region.

SELA's Work Programme for the period 2022-2026, approved by the Latin American Council of the organisation, has focused its efforts on economic recovery with emphasis on regional integration, cooperation and institutional convergence. This approach aims to strengthen ties among the various

regional and subregional integration organisations, with emphasis on the creation of synergies that promote sustainable economic development and reduce inequalities in Latin America and the Caribbean.

In December 2022, the forum “Responding to the challenges of integration for the development of Latin America and the Caribbean,” organised by the Permanent Secretariat of SELA in collaboration with the Community of Latin American and Caribbean States (CELAC), brought together leaders of various integration organisations in the region. The event discussed the strategies needed to face the economic and social challenges of the region, proposing convergence as a common objective. As a result of this meeting, five priority areas for regional action were identified: food and nutrition security, production chains, disaster risk reduction, energy integration and cross-border cooperation.

One element in this strategy is the construction of a Regional Convergence Matrix, which has been developed through inter-secretariat work. This matrix has made it possible to identify issues of common interest and establish shared priorities among the countries of the region, thus facilitating the elaboration of integrated regional agendas. This methodology seeks to avoid duplication of efforts, optimise resources and promote the adoption of coherent policies adapted to the particularities of each country to maximise their effectiveness in times of crisis and change.

In this environment of volatility and uncertainty, there is a need for mechanisms that enable inter-institutional collaboration, facilitate the adaptation of policies to changing contexts, promote the exchange of knowledge and resources, and strengthen the region’s capacity to respond to common challenges such as climate change, food security and economic gaps. Previous experiences in cooperation between organisations such as ALADI, PA, ACS, Mercosur, SICA, CARICOM, CAN, ACTO, ALBA TCP and SELA have shown that integration can be an engine of economic, social and environmental growth by fostering technical and financial cooperation among regional actors.

This document analyses the opportunities offered by institutional cooperation within the framework of economic integration, highlighting the experiences and proposals that have emerged from the spaces for inter-secretariat dialogue. In particular, it highlights the achievements made in the creation

of joint agendas and the identification of areas of action that respond to the specific needs of the region. The intention is to provide a reference framework for countries to advance towards a more balanced and resilient regional integration that promotes social cohesion and sustainable economic development in Latin America and the Caribbean.

Thus, a proposal is presented that focuses on the axis of productive articulation, where the strategies and actions have reached an advanced level of development. The other priority axes continue to be developed and adjusted, with the intention of completing a comprehensive vision for the region in future documents. Productive articulation stands out as a key area in this initial stage, offering concrete opportunities to strengthen value chains and foster greater economic complementarity among the countries of Latin America and the Caribbean.

Framework of reference

The current global scenario shows a series of economic and social challenges that have a direct impact on Latin America and the Caribbean. The region has experienced market fragmentation, rising energy and food costs, as well as a slowdown in globalisation that has affected supply chains and financial stability. In addition, structural inequalities persist in the region's productive systems, limiting their competitiveness in an increasingly complex global environment.

Against this backdrop, regional integration is seen as a necessary response to face shared challenges. SELA's Work Programme for 2022-2026 promotes an agenda that fosters inter-institutional cooperation and the convergence of efforts among regional integration mechanisms. This strategy seeks to coordinate projects that take advantage of the experiences accumulated in the region and that allow countries to coordinate public policies adapted to their specific contexts.

In this connection, the Regional Convergence Matrix functions as a tool to guide collaboration among the different actors, allowing for the identification of shared priorities and the coordination of initiatives in specific areas. This matrix has been developed from the joint work of ALADI, the Association of Caribbean States (ACS), the Bolivarian Alliance for the Peoples of Our America - Peoples' Trade Agreement (ALBA- TCP), the Pacific Alliance (PA), the Andean Community (CAN), CARICOM, Mercosur, SICA and

ACTO, facilitating the design of policies and programmes that respond to local needs and challenges.

The Matrix has made it possible to structure a series of projects organised around five priority areas:

- **Food and nutrition security:** in response to the vulnerabilities of the region's agrifood system, SELA and other organisations have promoted the formulation of policies aimed at guaranteeing food availability in adverse contexts. These initiatives include the creation of information systems for food and nutritional resilience, the strengthening of family farming and the diversification of local production. Cooperation in this field has sought to address threats from extreme weather events, pests and volatility in international markets, adapting policies to local realities.
- **Productive linkages:** SELA has collaborated with ALADI and Mercosur in the development of productive linkages and the identification of sectors with comparative advantages that can boost the regional economy. These actions seek to optimise the integration of MSMEs into regional value chains and reduce the barriers that limit their access to international markets. In addition, the creation of joint platforms for the exchange of trade information has allowed for better coordination in the adoption of common standards and trade facilitation.
- **Disaster risk reduction:** the Latin American and Caribbean region is vulnerable to disasters caused by natural hazards. To address these challenges, SELA has worked closely with CAN, Mercosur and SICA to develop risk management strategies that include real-time monitoring systems, humanitarian assistance protocols and risk assessment tools. These efforts are aimed at improving response capacity and fostering prevention through regional cooperation in disaster risk management.
- **Energy integration:** energy security and sustainability are priority issues for the region. SELA, in cooperation with SICA, ACTO and Mercosur, has led projects that promote energy efficiency and the use of renewable energies. These initiatives include regional electricity interconnection and the construction of infrastructures

that allow access to cleaner and safer energy sources. Energy integration also seeks to reduce dependence on external sources and strengthen the region's capacity to cope with changes in global energy markets.

- **Cross-border cooperation and infrastructure:** cooperation in the border areas of Latin America and the Caribbean has been an important area of work for SELA and other regional bodies. Projects have been developed to improve transport infrastructure, facilitate trade and promote the mobility of people and goods. These efforts have allowed progress to be made in the adoption of shared standards that improve logistics, reduce the costs associated with cross-border trade and contribute to the creation of interconnected transport corridors that boost regional development.

The post-pandemic economic context has highlighted the importance of a stronger regional integration, which makes it possible to jointly face the crises and take advantage of the opportunities offered by a changing global environment. The Regional Convergence Matrix has become a guide for the formulation of common agendas, avoiding duplication of efforts and optimising available resources. The experience gained in interinstitutional cooperation has shown that working together can have a positive impact on overcoming economic disparities, reducing poverty and improving the quality of life in the region.

SELA's active participation in these initiatives reflects a commitment to building a more integrated, competitive and sustainable region. Based on these experiences, the objective is to continue developing projects that promote economic and social cooperation, and to adapt policies to the new global demands in order to strengthen the region's resilience in the face of future challenges.

Problem and needs analysis

Economic integration in Latin America and the Caribbean faces multiple obstacles that have slowed its progress, in particular the dependence on low value-added sectors and the lack of diversification in the region's economies. This situation has been accentuated by the COVID-19 pandemic, which exacerbated structural inequalities and highlighted the vulnerability of MSMEs. These enterprises, which constitute an important part of the

local economy, face barriers to accessing international markets, modern technology and competitive infrastructure, limiting their ability to grow and generate employment.

This context has particularly affected MSMEs, which need a level playing field in order to compete. It is therefore urgent to design public policies that focus on capacity building among the smallest and most vulnerable productive actors and enable them to overcome the limitations they face in terms of resources, financing and technological adoption.

In order to face these challenges, the construction of the Regional Convergence Matrix is proposed, which will help identify priority issues and sectors with growth potential in the region. This matrix should be a flexible tool to adjust policies according to the changing needs of countries and productive sectors and to guide the formulation of joint projects and strategies. The strategic areas identified include food security, energy integration, disaster risk reduction and cross-border cooperation, among others, all focused on the creation of productive capacities and the modernisation of regional infrastructure.

The current fragmentation of the region affects trade while limiting countries' ability to respond to global crises and to adapt to a constantly changing economic environment. Institutional cooperation among regional organisations is therefore key to overcoming these barriers. SELA, in collaboration with other organisations, has worked on the creation of platforms that allow for the exchange of information on foreign trade and value chains, optimise decision-making and facilitate the adaptation of policies to changes in international markets.

The lack of a shared and accessible information system among the countries of the region hinders the efficient implementation of public policies. In response to this need, SELA has promoted the development of digital tools and databases that simplify the collection and analysis of relevant information for decision-making and thus improve the ability of countries to adjust to the new economic realities.

The digitalisation of processes and the interoperability of systems are factors that can contribute to greater transparency and efficiency in the management of trade and production policies in the region.

One of the sectors most affected by the lack of integration is family farming, which faces difficulties in incorporating into regional value chains. Small

farms in rural areas, which often lack access to advanced technologies and adequate financing, need public policies that facilitate their integration into wider markets. Collaboration between governments and international agencies, together with the promotion of sustainable agricultural practices, can generate economic and social benefits for rural communities to improve the quality of life of their inhabitants.

In addition, it is important that public policies promote training and access to financial resources for MSMEs, as well as the creation of synergies among the different actors within the production chains. This includes the establishment of cooperation mechanisms among the public and private sectors, civil society and international organisations, to ensure better coordination of efforts and efficient use of available resources.

The strengthening of regional integration must be accompanied by an adaptive approach tailored to the realities of each country. In this sense, it is essential to develop common agendas that promote effective cooperation and inclusive economic growth. The creation of monitoring and evaluation mechanisms will allow countries to measure the impact of the policies implemented, adjust in real time and ensure that the benefits of integration reach all sectors of society.

In a changing global environment, economic integration in Latin America and the Caribbean is a tool for reducing economic disparities, improving regional competitiveness and fostering more sustainable development. To achieve these objectives, it is necessary to have well-designed and coordinated public policies that consider local realities and take advantage of opportunities for cooperation and convergence in the region. The experience accumulated in interinstitutional cooperation has shown that a regional approach makes it possible to face challenges more effectively, making the most of shared resources and adapting strategies to the emerging needs of the countries.

Objectives and alternatives for solutions

The promotion of cooperation and convergence policies aims to strengthen regional cohesion and improve the competitiveness of local economies, in line with the priorities established by SELA. In a context marked by market fragmentation and economic vulnerability, regional integration is presented as a strategy to take advantage of trade opportunities, strengthen value chains and promote more sustainable development.

The initial objective is to improve institutional capacities for cooperation, starting with the identification of common issues and the construction of a shared agenda that builds on previous achievements in regional forums. The December 2022 forum, organised by SELA and CELAC, was a starting point for the development of this agenda, which is based on five priority areas: food and nutrition security, productive linkages, disaster risk reduction, energy integration and cross-border cooperation. These themes reflect the areas of greatest relevance for the region and have been defined after an analysis of the economic and social dynamics affecting Latin America and the Caribbean.

In addition to strengthening institutional cooperation, the proposal focuses on a number of strategic sectors that are vital for regional economic development:

- **Economic integration:** projects aimed at productive integration through regional value chains are proposed. The aim is to reduce trade barriers, improve access to international markets and establish regulatory frameworks that facilitate regional competitiveness. Previous experiences in inter-secretariat cooperation have made it possible to identify sectors with high potential for the creation of production chains and to promote collaboration in manufacturing, agriculture and services, among other sectors.
- **Sustainability and energy efficiency:** the region has significant natural resources and energy potential that can be harnessed more efficiently. In this sense, projects for the modernisation of energy infrastructure and the adoption of sustainable practices in industrial processes are promoted. The strategy includes regional electricity interconnection and the development of renewable energies, in order to reduce dependence on external sources and move towards a sustainable energy transition.
- **Digital trade and mobility:** in a globalised environment, digitalisation is key to improving competitiveness. A harmonised regulatory framework is proposed to facilitate digital trade and promote the interoperability of the systems of the countries in the region. This framework will include the implementation of digital certification of origin, which will simplify trade processes and reduce the costs associated with exporting products. Improving logistics infrastructure and mobility is also part of this strategy, in order to optimise supply chains and facilitate intra-regional trade.

- Risk management and social protection: the region's vulnerability to natural disasters and extreme weather events requires the creation of joint response mechanisms. The proposal includes the development of humanitarian assistance protocols, the improvement of real-time monitoring systems and the formulation of disaster risk management policies. These actions aim to increase the resilience of regional economies and protect the most vulnerable populations from climate and geopolitical shocks.
- Cross-border cooperation and infrastructure: projects are planned to improve connectivity in border areas, facilitate trade and promote the mobility of people and goods. The aim is to build an integrated logistics infrastructure to reduce transport costs and optimise the supply chain, thereby strengthening the region's competitiveness in the global market.

In terms of the alternatives evaluated, several options were analysed before reaching the final proposal:

- Bilateral agreements: consideration was given to the possibility of formalising bilateral agreements between countries with similar economies. However, this option was discarded as it neither addresses the complexity of the region as a whole nor takes advantage of the benefits of broader integration.
- Limited sectoral approach: another alternative was to limit the proposal to specific sectors, such as manufacturing or services. While this approach could offer short-term benefits, it would neither cover the diverse needs of countries nor promote a comprehensive integration that includes all relevant economic areas.
- Training and technical assistance: the possibility of focusing exclusively on training and technical assistance programmes for specific sectors, such as MSMEs, was evaluated. However, this alternative was discarded because it would neither solve the structural barriers faced by the productive sectors nor foster an environment conducive to effective regional integration.

Instead, the final proposal is based on a comprehensive approach that considers all sectors of the regional economy, as well as taking advantage of interinstitutional coordination and the creation of common agendas. This

approach makes it possible to move towards a more inclusive and equitable integration, where institutional cooperation and adaptation to new global demands are part of sustainable economic development in Latin America and the Caribbean.

Strategy and feasibility of the proposal

The proposed strategy is based on a series of policies aimed at strengthening regional integration, with a special emphasis on improving institutional capacities, digitalisation, modernisation of infrastructure and the adoption of sustainable practices in strategic productive sectors. This approach relies on the collaboration among regional organisations such as SELA, ALADI, Mercosur, SICA, CARICOM, ACS, PA, ALBA-TCP, CAN and ACTO, in order to build an efficient and sustainable cooperation framework that allows the region to face current and future challenges in a more coordinated manner.

The proposal is based on the consolidation of a Regional Convergence Matrix, which acts as a tool to guide the formulation of policies and the coordination of efforts among countries. This matrix, designed to structure regional action around specific issues, focuses on five priority areas: food and nutrition security, production chains, disaster risk reduction, energy integration and cross-border cooperation. The strategy will be implemented gradually, in phases, allowing countries to move forward at a coordinated pace and achieve tangible results in terms of economic growth, cost reduction, sustainability and regional resilience.

One of the central elements of the proposal is the creation of a cooperation network among regional integration organisations through the formalisation of thematic committees and specialised working groups. These committees will be responsible for identifying and removing regulatory, technical and operational obstacles to economic integration, as well as formulating public policies that respond to local realities. With the idea of developing a shared governance framework adaptable to the particular needs of each country, an annual evaluation and planning cycle is proposed, in which actions will be adjusted according to progress achieved and changes in the global environment. This flexible approach seeks to ensure that policies remain aligned with regional conditions and allow for an agile response to new demands as they arise.

The promotion of digitalisation is another part of the strategy. In this regard, the creation of a digital certification of origin system is proposed to simplify

customs procedures and increase transparency in the trade of products and services. This measure will allow for greater efficiency in export processes while reducing the time and costs associated with exporting, which will facilitate access to international markets for local companies. In addition, it is proposed to create a digital market observatory that, through the use of data analysis technologies, will provide up-to-date information on trade, production and employment in the region. This resource aims to strengthen countries' decision-making by providing them with access to relevant data that will allow them to identify areas of opportunity and priority sectors for investment and training. Through digital platforms for information exchange and monitoring tools, it seeks to improve the region's competitiveness in the global economy and optimise the management of policies and resources.

The promotion of sustainable practices in productive sectors, such as agriculture, manufacturing and technology, is another pillar of the proposal. To that end, training and financing programmes are envisaged to encourage the adoption of responsible practices that reduce the use of resources and the waste generated. These initiatives seek to improve the competitiveness of local companies in international markets that value sustainability, on the one hand, and to contribute to the reduction of environmental impact in the region, on the other. The establishment of shared standards will allow companies to adopt more responsible production models that favour economic diversification and the creation of new employment and development opportunities. In the longer term, these efforts are also expected to lead to reduced operating costs and greater efficiency in resource management.

The feasibility of the proposal is analysed from three perspectives: legal, financial and institutional. On the legal side, the strategy requires harmonisation and adaptation of trade regulations among countries, especially regarding digital certification of origin and interoperability of information systems. It will be necessary to update existing trade agreements to allow for mutual recognition of digital certifications, as well as to facilitate cooperation in the area of sustainability, through the creation of regulatory frameworks that promote energy efficiency and responsible resource management across the region. These adaptations will allow countries to move together towards common goals, reducing fragmentation and fostering stronger integration.

From the financial point of view, the proposal envisages a combination of regional and international funding to cover the initial costs of implementation and ensure the long-term sustainability of the programmes. Funds could be managed through cooperation and development agencies, such as the Inter-American Development Bank (IDB), as well as contributions from national governments interested in promoting regional integration. Initiatives related to digitalisation and sustainability are expected to generate their own revenues, as access to international markets expands and tax incentives are implemented for companies that adopt responsible practices. In the longer term, the creation of revolving funds is envisaged to ensure the continuity and expansion of programmes to avoid exclusive dependence on external resources and to foster the financial autonomy of projects.

At the institutional level, collaboration among regional bodies, national governments and the private sector will be crucial for the strategy's implementation. Each agency will assume specific roles in the implementation and monitoring of the different components to ensure an adequate distribution of responsibilities and efficient use of resources. National governments should play an active role in adapting regulations and allocating resources to strengthen local capacities, while the private sector will contribute to validating and adjusting sustainability standards and implementing digital technologies to improve the interconnection of information systems. The participation of financial institutions is also expected to provide the necessary resources for capacity building and expansion of the strategy, enabling implementation that responds to both current challenges and future growth needs.

Overall, the proposed strategy aims to build a more coordinated and resilient regional environment, capable of adapting to changes in the global context and of taking advantage of the opportunities offered by economic integration. Cooperation among the different actors will make it possible to move towards a more balanced economic development that considers the region's diversity and promotes sustainable growth that benefits all productive and social sectors in Latin America and the Caribbean.

Expected impact

The implementation of this proposal is expected to generate benefits in the economic, social and environmental spheres, with a focus on strengthening cooperation and productive integration in Latin America and the Caribbean. From the economic perspective, an increase in regional competitiveness is

anticipated through the creation of shared value chains that will optimise production and reduce operating costs. This approach would favour the growth of strategic sectors, including foreign trade, manufacturing and sustainable agriculture. The integration of processes such as digital certification and the use of traceability tools will facilitate customs procedures, increase transparency in regional trade operations and build trust among trading partners. This increased transparency could improve the access of Latin American and Caribbean products to international markets, which would translate into increased exports and a broader participation of local companies in the global economy. Although not exclusively, MSMEs would be in a favourable position to benefit from this trade opening, a situation that would contribute to economic diversification that enhances the stability and resilience of local economies.

On the social side, the proposal is expected to boost employment generation in higher value-added sectors, foster the development of technical skills and promote more sustainable production practices. This could contribute to poverty reduction and the creation of job opportunities in emerging areas such as renewable energy, advanced manufacturing and sustainable agriculture. Training in new technologies and sustainable practices would increase the employability of workers and strengthen the competitiveness of local enterprises. By involving communities in these processes, it is expected to expand their opportunities for economic growth, ensuring that they play a relevant role in regional production chains. Moreover, the promotion of sustainable practices will not only benefit enterprises but also strengthen the role of local communities in the regional economy by enabling them to better adapt to global market transformations.

In environmental terms, the expected effects focus on the reduction of emissions and a more efficient use of natural resources. The adoption of energy efficiency standards and the implementation of resilient agricultural practices will help reduce negative impacts on the environment which, in turn, will contribute to mitigate the effects of climate change, preserve local ecosystems and support the SDGs set for the region. By incorporating sustainable practices in industrial and agricultural processes, the aim is both to respond to the demands of the international market, which increasingly values sustainability, and to build a region that is more resilient to environmental crises and promote responsible production and consumption patterns.

In order to assess the impact of the proposal, specific indicators will be established to monitor progress in the economic, social and environmental

fields. On the economic side, attention will be paid to increasing the value of exports and reducing logistics costs through the implementation of digital certification of origin. Also, the increase in the number of companies adopting sustainability practices will be closely monitored, as this will reflect a change in regional competitiveness. In terms of social indicators, the number of jobs generated in key sectors and the participation of the region's companies in global value chains will be measured, which will account for the productive integration of Latin America and the Caribbean in the world economy. Finally, in the environmental sphere, the reduction in energy consumption and carbon emissions will be monitored, especially in sectors that adopt the proposed energy efficiency standards.

The feasibility of the proposal will also depend on the number of interoperability agreements reached between participating countries and organisations, as well as the development of training and technical assistance programmes focused on promoting sustainability. Monitoring the volume of investments from national and international entities, together with the resources provided by governments, will be a constant task to ensure the continuity of the initiative. This monitoring will allow the financial sustainability of the project to be assessed and will also help identify areas for improvement and adjust strategies to ensure its long-term success. These measures are expected to contribute to a more integrated region, able to adapt to changes in the global environment and to take advantage of emerging opportunities to build an economy that is competitive, socially inclusive and environmentally responsible.

Final considerations

Based on this analysis, it is clear that there is an urgent need to promote public policies that strengthen cooperation and integration in Latin America and the Caribbean. The multiple challenges identified, such as market fragmentation, the limited competitiveness of MSMEs and the lack of common regulations for regional trade, underline the importance of addressing these issues in a coordinated and effective manner. The proposal presented offers a comprehensive approach that seeks to foster sustainable development that respects the environment and promotes social welfare in the region.

The benefits of the proposed actions lie in their capacity to co-host the different integration mechanisms, increase the region's competitiveness,

generate employment, strengthen food security and promote the adoption of sustainable practices. All of this with the aim of contributing to the mitigation of the effects of climate change and improving the quality of life of local communities.

The long-term implications of the implementation of these policies would consolidate the vision of integration as a successful asset that contributes to economic growth, social and political stability in the region, and promotes a more collaborative and less conflict-prone environment. As the proposed policies are developed, it will be necessary to establish monitoring and evaluation mechanisms to adjust the strategies as necessary to ensure that the established objectives are met.

To that end, under the leadership of SELA, a space for coordination, harmonization, complementarity and convergence of the agendas of the various integration organisations has been consolidated. This is in accordance with the mandate of the Panama Convention Establishing SELA, particularly paragraph 2 of Article 5, which reads as follows: “To support the integration processes of the region and encourage coordination among them, or with Members States of SELA, particularly with respect to those activities aimed at promoting greater harmonization, duly respecting the commitments made within the framework of such processes.”

Through this space for the exchange of experiences and coordination among the different regional integration schemes, the institutional strengthening of the Secretariats has been achieved, as well as a detailed knowledge of the actions and programmes of each integration organisation, which has allowed progress towards the alignment of agendas and the convergence of actions among the different Secretariats and countries.

In terms of future developments and areas of research, it is relevant to explore the impact of digital transformation and how the adoption of new technologies can facilitate integration processes among countries. In addition, consideration should be given to continuous training and skills development in the workforce to adapt to changing market demands. Indirect impacts, such as improved infrastructure and regional logistics, also deserve attention, as these are elements that can further enhance the region’s economic and social development.

Finally, the sustainability of the approach adopted will depend on the ability of the countries in the region to work together and foster a culture of cooperation that transcends national borders. Building partnerships among the public, private and civil society sectors will be necessary to ensure that the benefits of economic integration are distributed equitably and sustained over time, creating a more prosperous future for all the people of Latin America and the Caribbean.

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Public policy proposals for the development of productive niches in Latin America and the Caribbean

Executive Summary

This document presents the results and recommendations of the mapping of productive sectors in Latin America and the Caribbean, carried out by SELA in order to identify productive sectors with development potential in the region. The main objective is to contribute to the economic diversification of Latin American and Caribbean countries, favouring regional integration and competitive insertion in international markets. The methodological approach used makes it possible to assess the expansion potential of various sectors, in terms of both production and exports, in order to guide the formulation of more effective public policies to strengthen micro, small and medium-sized enterprises (MSMEs).

This project is based on work that resulted in the publication of the book *Mapping of productive niches in Latin America and the Caribbean: Experiences and lessons learned* in November 2023, where a specific methodology was applied in the cases of Bolivia and Paraguay. The study analysed in detail the productive sectors with the greatest opportunities in each country. In Bolivia, meat products, cocoa and textile manufacturing were identified as sectors with a high potential to expand their exports and diversify their productive base. In Paraguay, electronic devices, photographic products and limestone were identified as areas with ample opportunities for growth, both in the regional and international markets.

In 2024, SELA took a step forward in regional economic integration by extending its analysis of productive niches to the countries of the Bolivarian Alliance for the Peoples of Our America - Peoples' Trade Agreement (ALBA-

TCP): On the one hand, progress was made with countries that are members of SELA, such as Nicaragua, Venezuela, Cuba, Honduras and Bolivia (where previous work was reviewed); and on the other hand, the second phase of ALBA is being prepared, which are the non-SELA member countries: Saint Vincent and the Grenadines, Saint Lucia, Saint Kitts and Nevis, Antigua and Barbuda, Dominica and Grenada. In this way, by identifying opportunities for complementation in key sectors such as agriculture and agro-industry, the foundations were laid to strengthen productive linkages and promote sustainable development in the region. This methodology, which has proven to be a valuable tool, is being implemented on a larger scale to promote the formation of production chains with greater value added, increase the productivity of the sectors and contribute to the economic growth of the countries.

The proposed recommendations emphasise the need to reinforce public policies aimed at developing and strengthening MSMEs, whose capacity to adapt and specialise is essential to capitalise on the productive niches identified. In addition, it is recommended that regional cooperation be intensified through agreements that facilitate the transfer of knowledge and technology, as well as the implementation of mechanisms to encourage investment in sectors with growth potential, which could be of a fiscal nature as well as training programmes and access to financing.

The report also underlines the importance of productive articulation initiatives as tools to overcome structural barriers that limit the development of certain sectors and promote more balanced and sustainable growth in the region. This articulation is based on the creation of more integrated value chains that allow countries to mutually benefit from their comparative advantages. It also highlights the need to continue generating data and analyses to guide governments and other key actors in decision-making regarding productive investments and the design of industrial policies. The aim, therefore, is to provide a comprehensive vision that will enable the region's governments and stakeholders to have accurate information and practical tools to promote more inclusive economic development, improving the global competitiveness of countries and contributing to sustainable economic growth in Latin America and the Caribbean.

Introduction

In recent years, Latin America and the Caribbean has faced multiple economic challenges that have tested the resilience of its economies. The COVID-19 pandemic exacerbated pre-existing problems, such as the high dependence on primary commodity exports and limited economic diversification, factors that have affected growth and exposed the region to volatility in international markets, creating uncertainty about the economic future. The fall in global demand for commodities, together with increased competition in emerging sectors, has highlighted the need to restructure local economies.

In this context, MSMEs are a fundamental part of the productive engine of countries, responsible for job creation in many sectors as drivers of innovation, as well as contributing to the development of new technologies, products and services. However, they also face serious constraints that restrict their growth and competitiveness, including limited access to financing, lack of adequate infrastructure, poor marketing skills and limited access to international markets.

In order to face these challenges, SELA has implemented a strategic approach focused on the identification and promotion of productive niches in the region. This methodology is based on the analysis of sectors with growth potential, seeking to identify opportunities that allow companies to raise the level of economic complexity of the exported items and promote their insertion in regional and extra-regional markets. Through a systematic mapping process, the agency has begun to develop a body of knowledge that highlights the most promising sectors and provides a solid basis for the design of public policies.

A first book, entitled *Mapping of productive niches in Latin America and the Caribbean: Experiences and lessons learned*, was published in November 2023 and served as a reference to address the implementation of the methodology in the specific cases of Bolivia and Paraguay. In Bolivia, sectors such as meat products, cocoa and textile manufacturing were identified as having a notable capacity to increase exports. Paraguay, for its part, has stood out in areas such as electronic devices, photographic products and limestone, which present important opportunities for growth in both the regional and international markets.

In addition, in 2024, SELA worked in collaboration with ALBA-TCP countries, using the same methodology to analyse productive niches in member countries. This effort made it possible to identify products with potential in sectors such as agriculture, agro-industry, chemical products and the development of medical and veterinary inputs. This analysis also highlighted opportunities for productive complementation among the countries of the bloc, both those that are also members of SELA such as Cuba, Venezuela, Nicaragua, Bolivia and Honduras, as well as the rest of the ALBA countries, reaching a total of twelve studies, strengthening economic ties and promoting productive linkages. However, studies have also been conducted in the other member countries of that organisation, which represents an advance in regional mapping. Based on these experiences, SELA has continued to implement this methodology to include eleven additional cases in other countries of the region, in order to advance in the identification of sectors with great development potential.

This effort is not only aimed at diversifying the economies of the region, but also at strengthening the capacities of enterprises through the implementation of public policies that favour their growth. SELA's Work Programme for 2022-2026 includes in its Thematic Area I, dedicated to Economic Recovery, Programme III, which focuses on strengthening small and medium-sized enterprises (SMEs). Within this framework, Project A: Productive articulation for strengthening SMEs, which seeks to empower these enterprises to become engines of sustainable economic development, is being developed. This project facilitates the integration of SMEs into the dynamics of the global market, promoting their capacity to actively participate in the regional economy and take advantage of the growth opportunities that arise.

Framework of reference

In Latin America and the Caribbean, MSMEs are responsible for a significant share of employment and their impact on innovation and economic growth is well known. However, they often face challenges in terms of their ability to compete in global markets and diversify their activities. In response, SELA has sought to provide tools and support to MSMEs and policymakers in the region, with the aim of strengthening their productive capacities and promoting more sustainable economic development.

SELA's approach includes the implementation of an innovative methodology for mapping productive niches that aims to identify sectors with the potential

to boost economic growth in the countries of the region. The strategy is based on two main approaches: one focused on employment and the other on exports. In the first case, productive capacities in different industries and regions are analysed, and in the second, the economic complexity of each country's exports and trading partners is assessed. Based on these data, variables are generated that include the calculation of revealed comparative advantages and technological proximity between sectors, which allows for the identification of products with the potential to improve competitiveness and generate greater value added.

Summary of the methodology proposed by SELA for the mapping of productive niches

Approaches	Focused on employment as a determinant variable based on the number of active employees in the geographical area under study, classified by industry, region and time.	Focused on the value of exports from the geographical area under study and its main trading partners, classified by type of product or industry, during the period under study.
Steps	Generation of the economic complexity variables , mainly those derived from obtaining the revealed comparative advantages, the presence-absence matrix and the technological proximity matrix, and are part of the calculation of the Economic Complexity Index.	
	Calculation of the intensive margin , which aims to measure the relationship between industrial employment growth and density, using a log-linear regression.	
	Extensive margin calculation , involving a dynamic analysis that studies the role of neighbours in the ability of countries to add a particular product to their export basket or to expand their comparative advantage.	

Source: *Mapeo de Nichos Productivos en América Latina y el Caribe: Experiencias y Lecciones Aprendidas* (p. 46), by the Latin American and Caribbean Economic System (SELA), 2023.

An example of the application of this methodology is the case of Bolivia, where several sectors with high export potential have been identified, such as cocoa, Amazonian nuts and meat products. These sectors have the capacity to generate international income and contribute to the economic diversification of the country. In particular, the textile sector, with yarns and synthetic fibres, has shown a degree of economic complexity that positions Bolivia competitively in this market. Another sector with potential is lithium batteries, where the country's reserves offer an opportunity to develop a global industry.

Paraguay, for its part, has implemented this methodology to identify non-traditional value-added products, such as electronic devices and photographic products. Priority has also been given to sectors such as fruit and vegetables, medicinal herbs, yerba mate and dairy products, which present opportunities for sustained economic growth. The focus on exports has allowed Paraguay to highlight products with greater possibilities in international markets and to move towards a productive diversification that reduces dependence on traditional sectors.

In addition, within the framework of ALBA, progress has been made in identifying productive niches not only in Cuba, Venezuela, Nicaragua, Bolivia and Honduras, which are also members of SELA, but also in the rest of the member countries of that organisation, such as Saint Vincent and the Grenadines, Saint Lucia, Saint Kitts and Nevis, Antigua and Barbuda, Dominica and Grenada. The main objective of this analysis has been to strengthen the productive articulation between the countries of the bloc and to promote productive linkages and trade exchanges. ALBA's experience demonstrates the effectiveness of SELA's methodology, which reinforces the idea of expanding it to the entire Latin American and Caribbean region in order to identify opportunities for productive complementation at the regional level.

These cases illustrate how SELA's methodology for mapping productive niches can serve as a tool to guide the formulation of public policies. The identification of sectors with potential for economic development makes it easier for governments to design more focused strategies that boost investment in strategic areas and foster job creation. In addition, productive articulation, which fosters the interrelation between different economic sectors, contributes to the dissemination of technological change and to the improvement of competitiveness, elements that strengthen sustainable growth. SELA, with the support of external partners, is in a position to lead

a regional effort to complete a broader mapping to achieve a profile of productive articulation throughout the region.

The mapping of productive niches not only facilitates the identification of opportunities in strategic sectors but also allows countries to adapt to the dynamics of the global market, avoiding the reprimarisation of their economies. Through this process, a greater integration of local communities into the national economy is promoted, generating opportunities that were previously unavailable.

In other words, the mapping of sectors and the creation of productive niches represent an effective strategy to boost economic development in Latin America and the Caribbean. The cases are examples of how the implementation of an appropriate methodology can generate tangible results in terms of productive diversification and economic growth. However, for this strategy to be successful, it is essential that governments maintain a continuous commitment to its implementation by including an analysis at the territorial level that will allow for a more detailed identification of sectors, in addition to relying on regional initiatives that foster economic integration and cooperation between neighbouring countries. Thus, it is possible to make the most of the region's potential and move towards a more prosperous future for all its inhabitants.

Problem and needs analysis

The region is characterised by a dependence on the export of raw materials that limits opportunities for diversification into areas of higher value added and sustainable growth. This structural dependence has slowed the evolution of sectors with the potential to drive productive transformation and reduce development gaps. Furthermore, although the countries of Latin America and the Caribbean have signed multiple trade agreements that guarantee preferential access to international markets, there are questions as to whether they are being used effectively. This highlights the need to strengthen the preparation and capacity of economic actors, especially MSMEs, to fully benefit from these trade opportunities.

One of the main challenges is the lack of identification of sectors with potential for development and economic growth, which has hindered the formulation of more targeted public policies. Despite efforts to improve the economic environment and promote investment, the region faces barriers

to the expansion of strategic sectors such as advanced manufacturing, technified agriculture or technological services, which have the potential to lead economic growth in the coming years. However, these activities face difficulties related to low investment in innovation and technology, as well as a lack of adequate infrastructure to support their expansion.

This shows that the region needs a strategic approach to identify the sectors with the greatest capacity to generate value added and promote inclusive economic growth. The absence of policies aimed at creating productive niches, where MSMEs can be competitively integrated into global value chains, has been one of the reasons behind the slow development of more complex sectors. This context makes it necessary to have a tool to map the sectors with the greatest potential to facilitate decision-making based on knowledge of the productive capacities and opportunities of each country.

The identification of these productive niches must be accompanied by public policies that encourage specialisation, innovation and investment in human, physical and social capital. One of the influential factors for their success will be the training of the labour force, an aspect that has been underestimated in many development strategies. It is imperative that technical training in strategic sectors be strengthened to enable workers to acquire skills that respond to market demands. Also, the lack of investment in research and development continues to be an obstacle to the adoption of new technologies in the region, limiting the ability of MSMEs to compete in global markets.

Furthermore, although a large part of the resources needed to implement these policies must come from domestic sources, it is important that the countries of the region can take advantage of technical and financial cooperation mechanisms with international organisations in order to accelerate their development. In this regard, strategic partnerships among the countries of the region should be strengthened, allowing efforts in identifying and promoting productive niches to be complemented by greater economic integration.

This approach allows overcoming structural barriers and seizing new growth opportunities in emerging sectors. By creating the necessary conditions for MSMEs to specialise in products or services with competitive advantages, it opens the door to a productive transformation that benefits not only these enterprises, but also the economies of Latin America and the Caribbean as a whole. The integration of companies into regional and global value chains will depend, to a large extent, on the implementation of policies

that promote partnerships between the public and private sectors, in order to generate greater synergy in economic development processes. This diagnosis leads to the conclusion that the mapping of productive niches is a necessary tool for the formulation of more effective strategies aimed at harnessing the region's economic potential and promoting more inclusive and sustainable development.

Strategy and feasibility of the proposal

The proposed strategy focuses on the implementation of the methodology developed by SELA to map productive niches in Latin America and the Caribbean. This involves combining a detailed approach to the analysis of employment as an indicator of productive capacities with the study of exports, which makes it possible to assess the potential of each country in terms of the products that could contribute to expanding trade opportunities. On this basis, the aim is to identify sectors with competitive advantages and to formulate public policies that support the growth of MSMEs. It is an approach aimed at promoting their integration into global value chains and facilitating greater access to international markets and improved business competitiveness. The strategy is also based on cooperation among the countries of the region, fostering the exchange of knowledge and the creation of strategic partnerships to take advantage of the technical knowledge and successful experiences of the member countries. Thus, progress could be made in the consolidation of a more interconnected regional economic space, where productive and commercial integration plays a central role in the diversification of Latin American economies.

The feasibility of the proposal is based on several aspects that make it possible to envisage its viability in the medium and long term. One of the pillars underpinning its application is the diversity of natural and cultural resources available, which represents a solid base for developing and strengthening productive niches in different sectors. This wealth of resources allows the countries of the region to capitalise on the advantages offered by their particularities, generating new opportunities in industrial, agro-industrial, tourism and technological sectors, among others. Likewise, human capital is constantly growing, with advances in education and technical training, preparing the labour force to face the challenges of more complex productive sectors. In this regard, the proposed approach seeks not only to take advantage of existing resources, but also to strengthen the development of local capacities that can be applied to productive and technological innovation.

The proposal also considers that the identification of productive niches is not an aim in itself, but rather the starting point for drawing up a roadmap to boost the sectors identified as strategic for the region's economy. This process of dynamisation implies the design of public policies aimed at strengthening MSMEs, providing them with the necessary tools to integrate into global value chains. Thus, these companies could benefit from the opportunities offered by international trade, increasing their competitiveness and promoting greater economic diversification. It is a practical and action-oriented approach that reinforces the feasibility of the proposal, as it sets out a clear implementation framework ranging from the identification of niches to the implementation of policies that ensure their effective exploitation.

At the legal level, the implementation of this proposal does not require major changes in the regulations in force in the countries of the region. However, it is advisable to review the legislation governing tax incentives and financial support policies for MSMEs, in order to ensure that conditions are favourable for the implementation of the proposed measures. In this regard, it would be appropriate for governments to consider adjustments to tax policies that favour investment in emerging productive sectors and in those MSMEs that are integrated into high-potential niches. These adjustments could include reducing tax burdens for companies that invest in innovation and technology, or the creation of specific lines of financing for companies seeking to expand into international markets.

From a financial point of view, it is highly viable due to the possibility of accessing regional and multilateral funds, given that these organisations usually allocate resources for projects that promote productive diversification, inclusive growth and sustainable development. SELA's proposal fits within the objectives of these institutions, so it is reasonable to assume that access to financing will not be an insurmountable obstacle. Moreover, the costs of implementing SELA's methodology are relatively low compared to the expected benefits in terms of economic diversification and increased regional competitiveness. These benefits would materialise in terms of an increase in the value added of exported products, the creation of jobs in more complex sectors, and higher proposals for productive complementarities between countries in the region.

Institutional support also plays an important role in the feasibility of the proposal. The participation of the region's governments enables the effective execution of the recommended measures, because without their support

the implementation of the designed policies could face obstacles in terms of coordination and execution. Nevertheless, the commitment shown by governments in similar initiatives, aimed at strengthening productive development and regional integration, is a positive indicator that this type of proposal can count on the necessary support. In addition, the participation of the private sector is equally important, since MSMEs are the main beneficiaries of these policies. Thus, the creation of mechanisms for dialogue and collaboration between governments and the private sector will ensure that the policies designed respond to the real needs of the market and that MSMEs can take advantage of the opportunities that arise from the process of identifying productive niches.

In relation to the above, the diversification of the economies of Latin America and the Caribbean has been identified as one of the main ways to promote more equitable and inclusive development, and this proposal is fully in line with that vision. Productive articulation, through the mapping of niches and the implementation of public policies that strengthen the entrepreneurial ecosystem, becomes a mechanism to achieve the economic growth objectives set out in SELA's work programme. At the same time, this proposal contributes to the consolidation of a more cohesive regional economic space, in which the economies of the member countries can benefit from the advantages offered by cooperation and productive integration.

These public policy recommendations are aimed at getting countries to recognise the need to advance in the identification of productive niches that promote economic diversification and inclusive growth. SELA has developed previous work that demonstrates the viability of the approach and its capacity to lead this type of initiative, especially with the support of external financing. The support would allow for the completion of a regional mapping that contributes to productive articulation and facilitates the integration of the countries of the region into regional and global value chains. The experience gained in previous studies supports the methodology used and strengthens the idea that this effort can generate long-term economic benefits.

Expected impact

The expected impact of the promotion of the productive niches identified in the region is diverse and manifests itself in multiple dimensions that encompass economic and social aspects in the long term. In economic terms, the exploitation of resources such as lithium represents an opportunity to

diversify the economies of the countries, reducing their dependence on traditional sectors such as primary products and opening the way to new activities with greater value added. This diversification would contribute to improving the countries' productive structure and could also encourage the development of sectors linked to technology and knowledge.

Job creation is one of the most direct and tangible effects of the exploitation of these productive niches. The integration of sectors such as lithium into the economic structure will not only generate employment at the extraction stage but will also boost the development of related industries. This phenomenon can be seen in the creation of higher quality jobs in research and technological development areas, which are essential to boost the competitiveness of emerging industries. Moreover, the expansion of technology sectors has the potential to generate well-paying jobs, thus raising people's incomes and improving their well-being. In this context, the implementation of methodologies that combine employment analysis with export analysis becomes particularly relevant. By studying these two factors in an interrelated manner, the productive capacities of a region can be identified with greater precision, determining which sectors have the greatest potential to grow and create employment, while increasing competitiveness at the regional and global level.

The methodological approach proposed by SELA offers its own perspective to identify the productive niches with the greatest economic complexity and where the country's greatest productive capacities lie. This approach is based on the premise that products do not exist in isolation but are related to each other through a technological proximity that defines how easy it is for a country or region to move from producing one product to another more complex one. By studying this technological proximity, it is possible to identify which productive sectors are most likely to develop successfully, based on pre-existing capabilities in the region. This type of analysis allows governments and private sector actors to identify productive niches and facilitates the transition towards sectors with higher value added and economic complexity. In this sense, the exploitation of productive niches in the region is not only limited to job creation in traditional sectors, because it also opens the door to the integration of countries into global value chains, allowing local economies to specialise in more sophisticated products and services.

However, the challenges involved in this exploitation cannot be ignored. One of the main challenges is to ensure that the development of the various

sectors is carried out in an economically and environmentally sustainable manner. The exploitation of natural resources, such as lithium, has the potential to generate significant revenues for countries, but also raises concerns about possible negative impacts on the environment and local communities. In this regard, practices that promote long-term sustainability need to be implemented, not only to avoid the degradation of ecosystems, but also to ensure that the economic benefits derived from the exploitation of these niches are long-lasting. SELA's ability to promote the dissemination of best practices and capacity building in these sectors is an important factor in mitigating these challenges and ensuring that their development is carried out in a responsible manner.

In addition to the economic and social effects, the exploitation of productive niches also has implications in terms of regional integration, as identifying them would benefit individual countries and could strengthen the region's economic cooperation. The creation of regional production networks, in which countries can specialise at different stages of the value chain, would allow for a better use of available resources and a reduction in production costs. This type of productive integration is particularly relevant in the context of increasing global competition, where economies must seek ways to increase their competitiveness through collaboration and knowledge sharing. By fostering greater cooperation among the countries of the region, synergies can be created that optimise the use of resources and maximise the benefits derived from the exploitation of productive niches.

On the other hand, it is necessary to bear in mind that exploitation does not always translate immediately into tangible benefits. There are unobserved factors, such as the size of the industry or the region in question, which can influence the impact of public policies aimed at developing these niches. In this sense, it is important that governments and private sector actors are prepared to face possible obstacles that may arise in the policy implementation process. Experience shows that the development of new productive sectors often takes time and adjustment, so it is essential to have mechanisms in place to evaluate and adapt strategies as they are developed. The collection and analysis of disaggregated statistical data on production, exports and employment is essential for more robust and accurate estimates that allow for a clearer identification of the productive niches with the greatest potential for success.

In general terms, the expected impact of exploiting productive niches in Latin America and the Caribbean is positive, as long as it is managed with attention to the challenges posed by the region's economic and social context. Although economic diversification and job creation are some of the main expected benefits, it is also necessary to consider other aspects, such as sustainability, the specific needs of the territories and regional integration. To maximize the benefits of this strategy, it is important that governments, companies and other stakeholders work together to develop public policies that foster the growth of these sectors, while promoting social and environmental responsibility. Collaboration among the various stakeholders is essential to ensure that the opportunities identified through the exploitation of productive niches translate into concrete and sustainable results for the region's economies.

Finally, the indicators of success to evaluate the impact of the strategies implemented include the growth in the number of exporting MSMEs, the increase in value added in exports of the productive niches identified, the increase in foreign direct investment in strategic sectors and the improvement in the environmental sustainability of the productive sectors through the use of cleaner technologies. In addition, the reduction of dependence on primary products in the export structure of SELA member countries will be a key indicator for measuring the success of economic diversification policies. The use of these indicators will not only make it possible to evaluate the progress of the strategies implemented but will also provide information for adjusting policies and ensuring that the benefits from the exploitation of productive niches are distributed equitably and sustainably throughout the region.

Final considerations

The mapping of productive niches in Latin America and the Caribbean offers an opportunity to reshape the region's economic structure, providing an effective way to diversify local economies and strengthen the business fabric, particularly MSMEs. As countries face challenges associated with globalisation and digital transformation, identifying productive niches with high development potential becomes a strategy to improve competitiveness and adapt to structural changes in the global economy. Twelve studies have been carried out (and continue to be carried out) in different countries: Paraguay and Bolivia at first, the first phase with ALBA that includes Nicaragua, Venezuela, Cuba, Honduras and the revision of Bolivia, and the second phase of ALBA that includes non-SELA member countries such as

Saint Vincent and the Grenadines, Saint Lucia, Saint Kitts and Nevis, Antigua and Barbuda, Dominica and Grenada. The cases demonstrate that the use of this methodology can offer concrete and tangible results. However, beyond the identification of these sectors, the success of the proposed strategies will depend on a number of interrelated factors including political will, the capacity of governments to implement the recommendations derived from the mapping and cooperation among regional actors.

The diversification of local economies through the mapping of productive niches has the potential to transform the region's systems by identifying sectors that, due to their specific characteristics, can generate long-term growth. This not only contributes to improving the competitiveness of strategic sectors but also fosters economic development that is not limited to a few sectors or activities. For this reason, we are working on eleven additional cases to further advance the process.

MSMEs play an important role as a pillar of the region's economies. The mapping of productive niches not only allows for the identification of growth opportunities in specific sectors but also facilitates the creation of public policies aimed at strengthening the capacity of these companies to integrate into global value chains. In this regard, the creation of support frameworks that include tax incentives, access to financing and technical training is essential to ensure that these companies can take advantage of the opportunities that arise from productive diversification. Regional experience shows that MSMEs, when they are well integrated into productive chains and receive adequate support, can become engines of economic growth and employment, generating a positive impact on the well-being of local communities.

However, the success of these initiatives does not only depend on the actions of national and local governments, because regional cooperation is important for the creation of an enabling environment for the effective implementation of productive niche development strategies. Latin America and the Caribbean face structural challenges that require a coordinated response. The integration of national economies within a framework of regional collaboration makes it possible to optimise available resources, reduce costs and improve the efficiency of implemented public policies. In this regard, SELA has the capacity to act as a facilitator of regional cooperation, providing member countries with technical tools and expertise to design and implement strategies tailored to the needs and capacities of each nation. The exchange of best practices, the coordination of efforts around productive

development policies and the creation of strategic partnerships among key actors in the region are necessary steps to ensure the long-term success of economic diversification initiatives.

One aspect that should not be overlooked is the need for regulatory frameworks that facilitate the development of the sectors identified as priorities. Although it is not always necessary to make significant changes in national legislation, the review and updating of regulations related to tax incentives for MSMEs, environmental protection, access to financing and facilities for foreign investment can be effective measures to improve operating conditions in the productive sectors identified. Likewise, governments must be willing to take an active role in the implementation of the recommendations derived from the mapping, aligning their national and territorial policies with the priorities established in the sectoral studies and creating the right conditions for businesses to prosper.

Furthermore, the success of the strategy should not only be measured in economic terms, since productive diversification and the development of productive niches also have the potential to generate social benefits, such as the creation of quality employment and the reduction of poverty and inequality. By identifying sectors with high growth potential, governments have the opportunity to design policies that promote employment in industries that offer better working conditions and more competitive wages. In addition, boosting sectors such as technology and research can foster job creation in higher value-added areas, which contributes to improving the living standards of local populations and generating greater social cohesion. However, to achieve these objectives, public policies need to be accompanied by training programmes that enable workers to adapt to the new demands of the labour market.

Ultimately, although the benefits of implementing the mapping of productive niches are numerous, it is also necessary to consider the challenges that may arise along the way. One of these is environmental sustainability, whereby the exploitation of natural resources and the development of productive sectors must be carried out in a way that minimises negative impacts on the environment and ensures the responsible use of available resources. SELA works to promote best practices in this area, encouraging the adoption of clean and sustainable technologies that allow the countries of the region to move towards a more environmentally friendly development model. Likewise, the implementation of policies that promote corporate social responsibility

can contribute to generating an environment in which economic development is not at odds with the protection of natural resources.

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Public Policy Index for SMEs in Latin America and the Caribbean (IPPALC): towards an inclusive, resilient, and sustainable recovery

Executive Summary

Latin America and the Caribbean faces a challenging macroeconomic context, marked by several crises that have impacted micro, small and medium-sized enterprises (MSMEs) in recent decades. These enterprises, which make up 99.5% of the total and employ 60% of the formal workforce, have played a crucial role in the economic recovery, although they still face significant obstacles to sustainable development. These include difficulties in accessing finance, limited uptake of digital technologies and barriers to integrating into global value chains, which constrain their capacity for growth and resilience.

The Public Policy Index for SMEs in Latin America and the Caribbean (IPPALC) is a useful tool to assess the environment for supporting MSMEs in the region. It highlights the difficulties they face, such as limited access to financing, as many companies cannot receive formal credit, and this limits their capacity to invest and expand. Digitalisation is also a critical challenge, as many entities, especially micro-enterprises, are lagging behind in the adoption of digital technologies and this affects their competitiveness and access to new markets. In addition, the participation of entities in global value chains is restricted, a situation that is due to trade barriers, lack of technology and difficulties in complying with international standards.

To address these challenges, IPPALC proposes several strategies that include improving access to financing through microcredit programmes and public guarantees, as well as promoting digitalisation, especially in

rural areas, through specific programmes and funds. It also emphasises the importance of promoting the integration of MSMEs into international markets, strengthening trade relations and supporting the adoption of global standards. In addition, it is suggested to incorporate green policies to promote sustainable practices within MSMEs and to offer fiscal incentives and access to financing for green projects.

This paper conducts an analysis of public policies aimed at improving business conditions in nine countries in the region: Argentina, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru and Uruguay. It examines the various strategies implemented to promote the development of MSMEs, with a particular focus on initiatives aimed at strengthening the institutional framework and improving the operating environment of these enterprises. As a result of this analysis, recommendations are presented that could contribute to establishing a more favourable framework for the growth of MSMEs in Latin America and the Caribbean, thus fostering a more inclusive and balanced economic recovery.

Introduction

The Latin American and Caribbean region has historically been vulnerable to global economic fluctuations, and recent crises have exacerbated this situation. Over the last two decades, the region has been heavily dependent on commodity exports, which has left it exposed to fluctuations in global prices, and the HIV/AIDS pandemic has intensified the structural vulnerabilities of many economies, with a drastic drop in growth and an increase in poverty and unemployment levels. In this context, MSMEs have been a driving force, but their capacity to overcome crises and maintain their competitiveness has been severely affected. According to the Economic Commission for Latin America and the Caribbean (ECLAC, 2020), these enterprises have been more affected by supply chain disruptions, declining demand and limited access to financing than larger ones, leaving many in a vulnerable situation. Sectors such as commerce, tourism and light manufacturing are some of the hardest hits, with the loss of thousands of businesses and millions of formal jobs, especially among micro-enterprises.

Furthermore, the pandemic has also revealed some opportunities for MSMEs, particularly in terms of digitalisation and e-commerce. Those companies that managed to adapt quickly to new technologies showed greater resilience. However, lack of access to technological resources and the persistent digital

divide have prevented many from benefiting from these opportunities. It is estimated that during the first year of the pandemic about 20% of MSMEs temporarily closed and many others scaled down their operations. According to an ECLAC study (2020), falling demand was the main cause of closures, followed by lack of liquidity and difficulty in adapting to new market conditions. Despite this scenario, sectors such as e-commerce and digital services grew remarkably, suggesting that digitalisation is an important factor for the future resilience of MSMEs.

The analysis presented in this report is aligned with the objectives of SELA's Work Programme for 2022-2026, which places a strong emphasis on digital transformation, the promotion of productive development and the adoption of sustainable practices. In fact, the second edition of the IPPALC is one of the activities of the Programme, in the Thematic Area I on Economic Recovery, Programme III on SMEs and Project on Productive articulation for stronger SMEs.

In relation to the above, SELA has identified MSMEs as an indispensable sector to boost inclusive and resilient economic growth in the region and has recommended the implementation of policies that facilitate access to financing and promote technological innovation. The Sustainable Development Goals (SDGs) are also central to SELA's strategy, in particular SDG 8 (Decent work and economic growth) and SDG 9 (Industry, innovation and infrastructure) as guidelines for proposed policies. These goals include the creation of quality employment, the modernisation of productive infrastructures and the improvement of the competitiveness of enterprises in the region.

Furthermore, this report aims to analyse the public policies needed to strengthen MSMEs in Latin America and the Caribbean. It focuses on identifying the main obstacles faced by these enterprises, such as limited access to financing, the gap in the adoption of digital technologies and reduced participation in global value chains. In addition, concrete solutions are proposed to improve their access to financing, foster digitalisation and facilitate their integration into international markets. An additional objective is to provide policy recommendations aligned with international sustainability commitments, promoting green and sustainable practices that strengthen the long-term resilience of MSMEs and their capacity to cope with future economic and environmental crises.

Framework of reference

The political, social and economic context in Latin America and the Caribbean has been particularly challenging in recent years and this has had an impact on MSMEs. Economically, the region has faced a slowdown in growth, with an average gross domestic product (GDP) growth rate of 2.3% in 2023, much lower than the 4.1% in 2022, which has made it difficult to recover from the economic losses suffered during the pandemic. This slowdown has left many MSMEs in a difficult situation, limiting their ability to adapt and grow in the new economic context.

Real GDP growth of selected countries, 2019-2023

Country	2019	2020	2021	2022	2023
Argentina	-2,0	-9,9	10,7	5,0	-1,8
Brazil	1,2	-3,6	5,3	3,0	2,9
Chile	0,7	-6,4	11,9	2,5	0,0
Colombia	3,2	-7,3	11,0	7,3	1,2
Ecuador	0,0	-7,8	4,2	2,9	1,4
Mexico	-0,3	-8,7	5,8	3,9	3,2
Paraguay	-0,4	-0,8	4,0	0,1	4,5
Peru	2,3	-10,8	13,3	2,7	0,5
Uruguay	0,7	-6,3	5,3	4,9	1,0
LAC	0,2	-7,0	7,3	4,1	2,3

Source: Data from OECD/CAF/SELA (2024).

One of the biggest obstacles in the region is high informality, with an estimated 47.3% of workers employed in the informal sector, which creates a number of problems for MSMEs. Informality hinders access to financial services, government support programmes and social protection, as well as limiting the competitiveness of enterprises in sectors such as retail, agriculture and services.

At the policy level, several countries have implemented policies to support these enterprises, especially during the pandemic. For example, Chile and Mexico have launched subsidy and funding programmes, but results have been variable. In some countries, fiscal constraints and lack of coordination between the public and private sectors have hindered the effective implementation of measures, and institutional weaknesses have also been an obstacle to the design and execution of public policies that benefit MSMEs comprehensively.

Inflation, which averaged 7.5% in the region during 2023, has increased MSMEs' operating costs and reduced consumers' purchasing power. In addition, dependence on commodity exports has left many countries vulnerable to commodity price fluctuations, affecting the stability of MSMEs. This dependence limits opportunities for integration into international value chains and presents structural barriers to global competitiveness of enterprises.

On the social side, high informality remains a major challenge for the formalisation of MSMEs, as it hinders access to credit, prevents compliance with tax regulations and limits the social protection of workers in these enterprises. Although digitalisation offers growth opportunities for some enterprises, unequal access to technology remains a constraint that prevents many enterprises from effectively harnessing this resource.

Based on the above, it is understandable that the IPPALC offers a structured approach to evaluate and improve public policies aimed at MSMEs in the region. Using a methodology that combines qualitative and quantitative data, this index identifies areas where progress has been made, as well as those that require further efforts to foster the sustainable development of MSMEs. Its main objective is to provide policy makers with a tool to better understand the needs of the sector and to design more effective interventions.

The structure of the index is based on the analysis of several dimensions relevant to the development of MSMEs, including the review of the institutional framework, access to financing, the promotion of innovation and technology adoption, the digitalisation of enterprises, compliance with the regulatory framework, the promotion of sustainable practices and the capacity to monitor and evaluate the policies implemented. Each of these areas is examined in detail to provide a clear picture of the context in which MSMEs operate and the barriers they face.

The institutional framework is another component in the analysis, as it assesses how governments organise and coordinate their policies for these enterprises, considering the interaction between the different levels and the private sector. This analysis makes it possible to identify both the efforts made and the persistent challenges in terms of coordination and consultation between the actors involved. Another aspect is access to financing, and here the index examines the availability of financial instruments designed for enterprises, as well as the conditions for accessing them. In this regard, the

environment that governments create to facilitate access to credit and other financial resources is assessed.

The index also reviews the existence of policies that encourage technological innovation and analyses how companies are taking advantage of digital tools to improve their competitiveness. In addition, special attention is paid to the barriers that prevent greater adoption of technology and to the training programmes that help MSMEs in this digital transformation process. Moreover, sustainability and green policies are becoming increasingly important, and the index examines how governments are promoting environmentally responsible business practices and encouraging the adoption of more sustainable business models.

The methodology employed is rigorous and designed to provide a comprehensive assessment of the state of policy for this sector in the region. Both quantitative and qualitative indicators are used, allowing for a broad view of achievements and challenges, while data is drawn from a variety of sources, including academic studies, company surveys and policy analysis. The index is also complemented by interviews with experts and key actors in the sector, enriching the analysis with a practical and close-to-business perspective.

One of its main contributions is its ability to highlight the areas where MSMEs face the greatest difficulties. For example, access to financing remains an obstacle for many enterprises, especially in contexts where credit conditions are restrictive. It also identifies sectors that require special attention, such as women- or youth-led enterprises, which often face additional barriers to accessing resources and opportunities. This analysis should serve as a basis for the development of regional policies that systematically and in a coordinated manner address common problems, with an inclusive approach to close access gaps and strengthen the MSME ecosystem throughout the region.

Problem and needs analysis

MSMEs in Latin America and the Caribbean face several structural challenges that affect their ability to grow and compete in global markets, and one of the main obstacles is access to financing. Despite initiatives taken by some governments to improve credit conditions, many MSMEs continue to face barriers. High transaction costs, information asymmetries between lenders and owners, and a lack of financial literacy among entrepreneurs limit their access to the resources needed to expand their operations or finance

innovation projects. In addition, financing for MSMEs remains relatively scarce, especially for informal enterprises or those located in rural regions, where economic conditions and financial services are more limited.

In terms of digitalisation, these enterprises lag behind large enterprises in the adoption of new technologies. While large enterprises can invest in e-commerce, cloud computing and data analytics to improve their competitiveness, many MSMEs in the region do not have the resources or the technological infrastructure to take advantage of these tools. This puts them at a disadvantage in a global market that increasingly demands digitalisation, as the adoption of advanced technologies is a requirement for expansion and operational efficiency in key sectors such as international trade, manufacturing and services.

Labour informality is another important challenge facing MSMEs, especially in sectors where informality is prevalent, such as commerce, agriculture and services. Many small enterprises operate without being legally registered, which means that they do not have access to formal financial services, government support programmes or social security benefits for their employees. This lack of formalisation not only limits MSMEs' opportunities to access credit but also affects the quality of employment in the region, creating an environment of uncertainty that hinders the sustained growth of these enterprises.

The diagnosis of the situation of MSMEs in Latin America and the Caribbean reflects a lack of public policies sufficiently oriented towards resolving the structural challenges that affect them. Financing continues to be one of the most important barriers, especially in informational or rural sectors, where financial products are limited and the requirements for accessing formal credit are high in relation to the capacities of these enterprises. MSMEs also face difficulties in accessing finance from alternative sources, such as crowdfunding or microcredit, due to the lack of an adequate regulatory framework to facilitate the creation of these capital markets.

The adoption of digital technologies remains a challenge for many MSMEs in the region and this limits their competitiveness. Although some have started to integrate tools such as the internet of things (IoT), artificial intelligence (AI) or cloud computing, many have yet to take advantage of these advances and the digital divide can affect their ability to innovate, improve efficiency and access new markets. In an increasingly interconnected global economic environment, companies that do not adopt these tools may find it difficult to compete with large corporations that do.

Finally, informality remains one of the biggest obstacles to MSME growth in Latin America and the Caribbean, as informal enterprises lack access to the benefits of formalisation and operate in an environment of high legal and economic uncertainty. Lack of compliance with tax and labour regulations limits their ability to access financial services, participation in formal business networks and government support programmes, so their formalisation, although a challenge in itself, could open up new opportunities for them to grow and improve their operating conditions.

In this context, the IPPALC is positioned as a comprehensive tool. Applied in nine countries, it offers a standardised framework for assessing MSME policies in the region and comparing each country's progress with that of other countries and with the international standards set by the OECD. In this way, it facilitates the identification of areas for improvement and the adoption of best practices that can be replicated at the regional level.

The index is structured along several key dimensions for MSME development, such as institutional framework and operating environment, simplification of procedures, access to financing, business development services and public procurement, innovation and technology, productive transformation, market access, internationalisation and digitalisation. Each of these is assessed through qualitative and quantitative data, providing an objective and accurate measure of policy impact in each country.

The methodology applied provides a detailed overview of the situation of MSMEs in each State and also allows for a time-based assessment so that countries can monitor their progress over time and facilitate the identification of trends, recurrent challenges and successes achieved. The index also favours regional cooperation by promoting the exchange of experiences and mutual learning, a fundamental approach to face the region's common challenges and take advantage of opportunities for improvement. Thus, it is possible to consolidate a regional strategy for the development of MSMEs that can be applied in a regular and standardised manner.

Objectives and alternatives for solutions

The main objective of this proposal is to strengthen the MSME ecosystem in Latin America and the Caribbean through a comprehensive approach that considers several aspects. First, the aim is to improve access to formal financing for these enterprises, and to achieve this it is necessary to implement public policies that eliminate traditional barriers to credit, such as high costs, collateral requirements and information asymmetries. In addition,

more accessible financing alternatives should be explored to allow greater inclusion of MSMEs in credit markets.

Another important aspect is the promotion of digitalisation within these types of enterprises so that they can compete in an increasingly digitalised market. This implies developing policies that facilitate the adoption of technologies such as e-commerce, data analytics and cloud computing, supported by training programmes for entrepreneurs in the use of digital tools.

In addition, it seeks to foster the integration of MSMEs into global value chains. To this end, policies should enable these companies to access international markets and participate in global supply chains, promoting their inclusion in strategic sectors and helping them improve their competitiveness by complying with international quality standards. In addition, the incorporation of sustainable practices is proposed, since through fiscal and financial incentives, MSMEs should be encouraged to adopt practices that contribute to sustainability, such as the efficient use of resources and the implementation of more sustainable processes, aligned with the global objectives of decarbonisation and circular economy.

In relation to the above, the proposal aims to:

- **Increase access to formal financing:** to make it easier for MSMEs to obtain capital on favourable terms by creating mechanisms that reduce barriers to credit and offer alternative financing options.
- **Promote digitalisation:** foster the adoption of digital technologies within MSMEs, ensuring that they can compete in an increasingly digitalised market. This implies the implementation of training and advisory programmes for entrepreneurs in the use of digital tools.
- **Foster integration into global value chains:** design policies to facilitate the inclusion of MSMEs in international markets and promote their participation in supply chains and their alignment with international quality standards.
- **Incorporate sustainable practices:** encourage MSMEs to adopt practices that contribute to sustainability, such as circular economy and efficient use of resources.

To address the challenges, several alternatives have been considered that seek to tackle the structural problems effectively. First, the creation of

equity funds is presented as a viable solution to provide seed capital to entrepreneurs and micro-enterprises. These should be accessible and offer flexible conditions, with the objective of fostering innovation and the growth of new businesses, especially those in emerging sectors.

A complementary option is the development of microfinance programmes that offer microcredit at affordable interest rates and with minimum collateral requirements. Such programmes are particularly important for micro-enterprises, which often lack the assets necessary to access traditional finance. By offering credit on more favourable terms, access to capital is facilitated and the stability of these businesses is promoted.

Another alternative is digital capacity building through training and mentoring initiatives in the use of digital technologies. Training programmes should be targeted especially at micro and small business entrepreneurs and focus on areas such as e-commerce, digital marketing and social media management. In this way, MSMEs will be able to improve their competitiveness and better position themselves in the digital market.

Public-private partnerships are also an alternative to create a supportive ecosystem to overcome their structural constraints. Collaboration among governments, the private sector and non-governmental organisations can facilitate access to resources, knowledge and best practices, and promote joint innovation in key sectors for MSMEs. This type of collaboration, when extended to the regional level, can optimise resources and generate mutual learning that benefits all parties involved.

Finally, the implementation of incentives for sustainable practices is considered. These policies could include fiscal and financial incentives targeted at MSMEs that adopt sustainable practices, such as using renewable energy, reducing waste and improving energy efficiency in their production processes. These incentives would help integration into the green economy and contribute to meeting international sustainability goals.

Strategy and feasibility of the proposal

The recommended strategy to strengthen the MSME ecosystem in Latin America and the Caribbean focuses on creating a regulatory framework that facilitates access to financing and promotes the digitalisation of enterprises. Specific actions include the simplification of bureaucratic procedures, the

creation of a guarantee system, investment in digital infrastructure and training and advisory programmes, as well as incentives for innovation.

One of the first measures is the simplification of bureaucratic procedures, aimed at reducing the administrative burden by simplifying registration and licensing processes. This would reduce operating costs for companies and promote the formalisation of more businesses, contributing to economic growth and job creation.

Another action is the creation of a guarantee system, which would allow financial institutions to grant credit to MSMEs with fewer requirements. Such a system could include state backing of part of the amount granted, which would reduce the risk for lenders, facilitate access to credit and contribute to financing on more favourable terms.

Investment in digital infrastructure is another necessary measure to foster digitalisation. Ensuring that MSMEs have access to high-speed internet and appropriate technologies would be an important step towards improving the competitiveness of enterprises, especially in sectors such as e-commerce, data management and automation.

The strategy also includes training and mentoring programmes to improve the digital skills of entrepreneurs and strengthen business management in general. These programmes can be developed in collaboration with universities and vocational training centres, so as to provide MSMEs with the necessary tools to improve their performance and adapt to a more demanding digital environment.

In addition, it is proposed to create incentives for innovation that include subsidies or tax credits for MSMEs that invest in research and development (R&D) and adopt sustainable technologies. These incentives should be easy to access and apply, so that companies can benefit without facing bureaucratic complications.

The feasibility of implementing these proposals can be assessed from three perspectives: legal, financial and institutional. From a legal perspective, the initiatives do not require substantial regulatory changes, but it is necessary to establish clear regulatory frameworks that encourage investment in technology and simplify administrative processes for the creation and operation of entities. It is also important to improve legislation in areas

such as intellectual property and to protect small enterprises engaged in technological and creative innovation.

In terms of financial feasibility, it is necessary to ensure that resources are available to finance the proposed policies. This can be achieved through partnerships with international organisations, such as the Inter-American Development Bank (IDB) and the OECD, as well as the creation of specific development funds for MSMEs. An investment fund targeting these entities in particular could be a viable solution for channelling both public and private resources to the sector, facilitating access to the necessary capital.

From the institutional point of view, the successful implementation of these policies depends on effective collaboration between various government institutions and the participation of the private sector. It is essential to establish cooperation mechanisms involving government, MSMEs and business organisations to ensure their inclusion in both policy formulation and decision-making processes. Collaboration between all relevant actors would facilitate the implementation of policies, while increasing the effectiveness of the proposed solutions, adapting them better to local and regional realities. This collaborative approach, extended to the regional level, could also foster the harmonisation of policies and the creation of common regulatory frameworks that benefit MSMEs across the region.

Expected impact

The aim is to promote a favourable environment that will allow these companies to improve their competitiveness and contribute to regional economic growth. First, it is expected that strengthening access to financing, thanks to the creation of a guarantee system and the simplification of bureaucratic procedures, will result in a greater number of MSMEs being able to access formal credit. This will allow them to make key investments in their infrastructure and improve their operational capacities, which in turn will enhance their growth and expansion.

In addition, the focus on digitisation will enable more businesses and enterprises to adopt digital technologies, improving their efficiency and competitiveness. By facilitating training and access to adequate infrastructure, entities will be able to take advantage of market opportunities such as e-commerce and online management, which will allow them to connect more easily with customers and suppliers both locally and globally.

This digitalisation will be a step towards their adaptation to an increasingly globalised and technologised economic environment.

Another expected impact is the integration of MSMEs into global value chains. The proposed policies will help improve their competitiveness, promoting their inclusion in international markets and their participation in global supply chains. This will not only increase business opportunities but also contribute to the overall economic growth of the region by enhancing their role in international trade.

Finally, the promotion of sustainable practices in MSMEs, such as the use of clean technologies and the implementation of more responsible production processes, will have a positive impact on the environment. In turn, these practices will offer new business opportunities in emerging sectors related to the circular economy and sustainability, allowing MSMEs to diversify their activities and access new markets.

In terms of measurement, the impact of these policies can be seen through increased access to formal finance, the adoption of digital technologies, the participation of companies in global value chains and the implementation of sustainable practices within the sector. These indicators, among others, can assist in assessing progress and adjusting policies as necessary to ensure their effectiveness.

Final considerations

Despite the challenges faced by MSMEs, there are ample opportunities for their growth if the right policies are implemented. To do so, it is of paramount importance that governments and institutions work closely together to create an environment that favours access to financing, encourages digitalisation and promotes the adoption of sustainable practices. This cooperation should not only be at the national level, but also at the regional level, to ensure that policies are coherent and that MSMEs across the region can access the same opportunities for growth. The implementation of common policy frameworks, together with support strategies that promote innovation and sustainability, will enable MSMEs to maximise their potential and contribute to regional economic development.

It is important to recognise that business recovery not only influences economic growth in the region but also has a direct impact on improving the quality of life of local communities. Strengthening them helps create quality

jobs and improves the resilience of the economy to possible future shocks. This contributes directly to more equitable and sustainable development.

Moreover, for MSMEs to thrive in an increasingly competitive global market, it is essential that they adopt new technologies and sustainable production practices. This requires concerted efforts to reduce the barriers they face, such as limited access to financing and lack of training in digital tools. Only in this way will they be able to overcome these challenges and take advantage of new opportunities for growth in international markets, thus contributing to the consolidation of a more diverse and dynamic economy.

The IPPALC is not only a valuable tool for policy evaluation and comparison but also acts as a benchmark for designing more coherent and effective programmes. Its regional approach promotes collaboration between countries and the exchange of best practices, which contributes to the creation of a more favourable environment for MSMEs throughout the region. Thanks to this tool, countries can identify both their strengths and areas of opportunity, allowing them to move towards greater efficiency in business support. In the long run, this facilitates the promotion of more inclusive and sustainable economic growth, aligning efforts and optimising resources so that all regional actors can benefit from a more robust and coordinated policy environment.

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Towards a fair and transparent competition policy in Latin America and the Caribbean: consolidating best practices and strengthening the regional competition regime

Executive Summary

This document presents a series of recommendations and lines of action based on the experience of the XII Annual Meeting of the Working Group on Trade and Competition in Latin America and the Caribbean (WGTC), organised in collaboration with the United Nations Conference on Trade and Development (UNCTAD) and the Commission for the Defence and Promotion of Competition of Honduras (CDPC). This meeting has established itself as one of the few forums in the region that brings together authorities and experts to discuss and propose solutions to the challenges of the competition regime. In the 2024 edition, the event was expanded to include activities such as academic exchange panels and a seminar on gender perspective in competition policy, broadening its scope and impact.

Among the main objectives are the standardisation of regulations, the promotion of transparent practices and the strengthening of intra-regional trade through greater collaboration between agencies. The recommendations include the creation of a regional competition observatory and a digital platform managed by SELA, where progress, news and relevant content can be shared. In addition, measures are proposed to improve the training of authorities and agents of the public and private sector, with tools such as a Moodle space, and technical cooperation is encouraged through internships and exchange networks among competition agencies.

The creation of the Latin American and Caribbean Competition Forum seeks to create an inclusive and collaborative space that not only fosters the exchange

of experiences and best practices among countries but also allows addressing the challenges arising from the diversity of existing regulatory frameworks in the region. Heterogeneity in competition rules hinders market integration and limits the potential for cooperation between countries, which can generate distortion and trade barriers. This forum aims to promote the harmonisation of competition policies and regulations, which would strengthen market efficiency, improve resource allocation and ensure a fairer playing field for all economic actors. By promoting a coherent and transparent regulatory environment, the forum will contribute to more sustainable and equitable economic growth, favouring the competitiveness of the region's economies and reducing asymmetries between countries. Harmonisation would also facilitate inter-institutional cooperation, the development of coherent public policies and the strengthening of regulatory capacity, leading to greater economic stability and attracting both local and foreign investment.

Introduction

In the context of global markets and growing economic interactions, Latin America and the Caribbean faces the challenge of strengthening its competition policies to respond to the needs of an increasingly integrated and regulated trade. The XII Annual Meeting of the WGTC, organised in August 2024 by SELA in Tegucigalpa, in collaboration with UNCTAD and the CDPC, is established as a space for discussion and exchange of best practices for competition and trade authorities in the region. UNCTAD is a UN agency in charge of promoting economic development and international trade, with a focus on developing countries. Its main mission is to help them integrate more effectively into the international trading system by promoting policies that favour sustainable economic and social development. Since its creation, the WGTC has evolved into a Competition Forum that brings together not only government representatives, but also civil society, the private sector and academic experts, who share knowledge and practical experience in the application of competition rules and the resolution of competition cases.

This edition of the WGTC was characterised by a series of innovations designed to strengthen the impact of its activities. Through an expanded format, academic panels and a specific seminar on the gender perspective in competition policy were incorporated, both aimed at enriching the discussion and improving the functioning of regional markets. These new elements have allowed for a deeper reflection on emerging issues such as the use of artificial intelligence and public procurement in the promotion of fair and equitable

competition, opening the debate to additional dimensions that complement traditional competition policy discussions.

The general objective of this meeting was to advance towards the harmonisation of competition policies in the region, a complex goal due to the specific characteristics of each economy and their regulatory frameworks. Through the recommendations and agreements that emerge from this space, the aim is to generate a more solid and transparent competition regime, and to promote technical cooperation among countries, so that those with greater experience can share knowledge and resources with those in the process of institutional strengthening. The creation of the Latin American and Caribbean Competition Forum, as a framework for the WGTC, responds to this need to establish an inclusive and dynamic environment that facilitates the development of effective competition policies and practices, thus contributing to the creation of a more equitable, competitive and sustainable regional market.

This document compiles the main recommendations and best practices that emerged from the XII Meeting of the WGTC, presenting a roadmap for strengthening competition regimes in Latin America and the Caribbean. Through this approach, SELA positions itself as a facilitating actor in the collective efforts to consolidate a culture of competition in the region, promoting collaboration among member countries and the exchange of experiences. By integrating these recommendations into national policies, it seeks to improve market efficiency, ensure greater equity in trade practices and foster a more harmonised regulatory environment, which will boost economic development and competitiveness in the region.

Framework of reference

The proposals in this document are framed within a regional context characterised by profound transformations in competition policies and regulatory approaches to markets, processes that have been accelerated by the effects of the COVID-19 pandemic. In this regard, the economies of Latin America and the Caribbean are going through a critical stage of economic recovery, marked by the challenge of rebuilding and revitalising markets that, in many cases, were severely affected by the global health and economic crisis. In this process, regional integration is presented as a key tool to face shared challenges, as it promotes collaboration between countries to overcome common obstacles, facilitate the exchange of experiences and ensure inclusive economic growth.

The heterogeneity of competition regimes and levels of institutional development in the countries of the region remains a major challenge in the search for homogeneous competition policies. However, regional integration, through mechanisms such as the WGTC, allows for the creation of cooperation platforms that enable the transfer of knowledge and best practices. This not only contributes to levelling regulatory capacities among countries, but also strengthens regional economic resilience, creating an enabling environment for investment and sustainable development. Thus, SELA has promoted initiatives that allow economies with more advanced regulatory frameworks to share their experiences with those facing structural and technical barriers, establishing a solid foundation for the strengthening of regional markets and their integration into global trade.

For more than a decade, this group has established itself as one of the few regional fora where countries' competition authorities come together to share and discuss experiences and expertise, and to build consensus on issues central to their regimes. This year, the WGTC Meeting adopted a new approach through the creation of a Competition Forum for Latin America and the Caribbean, which broadened both the scope and impact of the group's traditional activities. This revised format included academic panels and specific activities for the exchange of experiences with civil society and the private sector, so that the debates and reflections of the WGTC are informed by a greater diversity of perspectives and realities. The openness responds to the need to generate a cooperation framework that allows for the integration of all relevant actors, in order to strengthen transparent competition policies aligned with the demands of an increasingly complex regional and global trade.

The background of this initiative can be found in previous editions of the WGTC, which have worked on the promotion of competition policies that guarantee transparent and balanced markets throughout the region. In 2023, during the XI Annual Meeting of the WGTC in Santo Domingo, Dominican Republic, SELA announced the implementation of a specific panel for the exchange of academic and practical experiences in the area of competition. This panel has materialised in this year's edition as a space in which academics, experts and representatives of civil society share research, case studies and best practices on topics as diverse as competition regulation, the use of artificial intelligence (AI) and the inclusion of the gender perspective in competition policies. This last dimension has been a key innovation of the XII Annual Meeting, which also included a specific seminar on the importance

of this approach in the competition regime, recognising the role it can play in promoting equity and strengthening competition agencies in the region.

Within the framework of the XII Meeting of the WGTC, discussions have focused on identifying and proposing competition practices that respond to the economic and social realities of Latin America and the Caribbean, particularly in relation to public procurement and the implementation of emerging technologies, such as AI, in the markets. The review of the background and proposals of previous years has reinforced the objectives of the WGTC and reaffirmed the need to create a formal space for the follow-up and review of the agreements reached in the annual meetings, so as to ensure the effective implementation of the recommendations and promote technical and practical cooperation among the countries of the region.

This context of technical cooperation and consensus-building in the WGTC provides SELA with a strategic position as a facilitator in the consolidation of a network of contacts and a platform for exchange among key actors in the region. Through intermediation, SELA seeks to promote cooperation among the relevant authorities, academic institutions and the private sector, favouring an environment where common challenges can be jointly discussed and solved. In this context, the creation of a competition observatory that centralises interaction among the competition agencies of SELA's member countries is presented as a tool to foster continuous dialogue and the exchange of best practices. The agency, being part of a coordinated cooperation framework, would improve the visibility of competition policies in the region and facilitate their effective enforcement, adapting them to specific national contexts. In addition, it would serve as a mechanism for monitoring and evaluating policy implementation, ensuring that competition efforts are aligned with regional objectives and favour sustainable and inclusive economic growth.

Problem and needs analysis

The analysis of current competition issues in the region shows a need to strengthen regulatory frameworks and cooperation mechanisms among countries, so as to achieve a more transparent and efficient business environment. Over the years, the WGTC has allowed for a fluid interaction among regional authorities, promoting the exchange of knowledge and experiences on competition policies. However, heterogeneity in the regimes applied has been a constant, which hinders the implementation of

common and coordinated measures to strengthen competition in local and international markets.

Recent changes in economic and social dynamics, driven by digitalisation and the impact of AI, have generated regulatory challenges that require urgent adjustments in competition approaches and public procurement policies. The rise of new technologies has transformed markets, increasing interconnection between them and generating both opportunities and risks that authorities need to manage quickly and effectively. However, the lack of harmonised regulatory frameworks among countries in the region has hindered a coordinated response to these challenges, especially when dealing with cross-border issues that affect several markets at the same time.

In addition, the absence of regular mechanisms for the exchange of experiences and continuous training among competition agencies in the region has limited the ability of some countries to update their regulatory frameworks and adapt to the rapidly evolving digital environment. As markets globalise and business models become digitalised, transnational competition and the risks associated with unfair market practices intensify, making it more urgent to have a regulatory infrastructure that facilitates collaboration and mutual learning. In this context, it is necessary to move towards greater regional integration, strengthening cooperation between countries and creating platforms to share knowledge, improve technical capacities and develop more coherent and effective competition policies in the face of the new challenges presented by digitalisation.

In relation to the above, the absence of a regional platform to serve as a bridge for data collection and analysis, as well as for the exchange of best practices, has limited the opportunities for countries to adopt more robust competition practices. While the WGTC has enabled significant progress, the scope of the forum remains one of the areas that needs to be broadened to respond to all needs and challenges. The participation of actors such as the private sector, civil society and academia in the competition policy discussion is necessary to improve the implementation of regulations and to broaden the impact at the regional level.

In addition, the creation of a regional competition observatory, together with the creation of a permanent cooperation framework, would provide a solid platform for participating countries to improve policy coordination and strengthen technical cooperation. This approach would allow not only the sharing of best practices and successful experiences, but also the

joint development of solutions to common problems faced by the region's markets. Through this type of collaboration, countries could make progress in harmonising their regulatory frameworks, reducing disparities between different national systems and promoting greater economic integration. For this reason, policy observatories are a tool for monitoring and analysing the initiatives implemented, as they allow for continuous evaluation and the necessary feedback to improve their effectiveness at the regional and national levels (Organisation of American States, 2015).

This progress could be reflected in the gradual creation of a more equitable regional market, where competition conditions are more equal and fairer for all economic actors. The effective implementation of these measures would not only facilitate the growth of national economies, but also boost economic development in the region, creating a more favourable environment for investment, innovation and competitiveness, which is essential for post-pandemic economic recovery and strengthening. By integrating countries more closely into a collaborative network, it would open up new opportunities for cooperation and joint transnational problem solving, favouring the sustainability of markets and regional economic welfare.

In addition, the recommendations that emerged from the XII Annual Meeting of the WGTC highlighted the importance of enforcing competition rules in public procurement in order to ensure transparency and prevent anti-competitive practices, such as collusion and bid rigging in tendering processes. The implementation of an observatory of competition cases and decisions would allow for more effective monitoring to generate a more efficient and competitive procurement environment.

The use of data analytics tools and AI technologies was also proposed as a measure to detect suspicious patterns in public procurement and to optimise market monitoring processes. This type of innovation would strengthen the responsiveness of competition agencies, allowing them to adapt to the new challenges of the digital environment and expand cooperation in cross-border investigations and proceedings.

Objectives and alternatives for solutions

The objectives of this proposal focus on creating a more robust and equitable competitive environment through regional cooperation and the strengthening of shared regulatory frameworks. First, it seeks to establish a regional competition policy framework that will allow for greater alignment among the countries of the region, fostering regulatory harmonisation and

reducing regulatory barriers. This, in turn, will facilitate a more integrated and transparent market, favouring both inter-regional trade and the access of regional companies to international markets.

Another objective is the creation of a regional competition observatory that allows for the collection and analysis of data, the monitoring of market practices and the continuous exchange of experiences among national authorities. This initiative also aims to promote the training of officials and technicians through the creation of a regional training programme, thus improving the agencies' capacity to respond to emerging challenges in competition matters, such as digitalisation and e-commerce.

It also seeks to strengthen the WGTC as a space for effective dialogue among competition authorities and to integrate new actors, such as the private sector and academia, to enrich the analysis and recommendations in this area. The creation of observatories allows the participation of multiple sectors, such as the private sector, academia and civil society, in the processes of monitoring and analysis of public policies, which contributes to generate more robust recommendations adapted to the reality of each country (Organization of American States, 2015). These objectives, aligned with SELA's cooperation and development goals and the Sustainable Development Goals (SDGs), seek to generate sustainable policies that respond to the specific needs of the region and that, in the medium and long term, promote a more balanced and fairer economic growth.

In terms of alternative solutions, several options were considered before selecting the current proposal. One of the alternatives evaluated was to maintain the current WGTC approach without major modifications, based mainly on the informal exchange of experiences among countries. However, this option was discarded due to its limited capacity to effectively address the growing complexity of markets, as well as the absence of structured mechanisms to facilitate continuous and systematic learning among members.

Another option was the implementation of bilateral competition cooperation agreements between countries, with the objective of allowing a more direct and specific exchange of knowledge and best practices. However, this alternative was considered insufficient to respond to the region's common challenges, as it would fragment efforts and would not favour a broader and more integrated approach, which is essential to address the competition problems that affect countries in a cross-cutting manner. In addition, bilateral agreements would not generate the scale necessary for effective cooperation

at the regional level, which limits their ability to have a significant impact on improving competition policies.

Furthermore, the proposal to strengthen the WGTC, through the creation of a regional observatory and the implementation of a training programme, is presented as the most viable and effective option to achieve the proposed objectives. This alternative offers a unified platform that comprehensively addresses current and future competition challenges, allowing member countries to overcome common technical and structural barriers. The creation of the observatory will facilitate the collection and analysis of key data, while the training programme will allow for knowledge transfer and capacity building in national competition authorities.

In addition, the proposal includes among its objectives the incorporation of AI and data analytics tools in competition and public procurement processes. The implementation of these technologies would allow competition authorities to detect suspicious patterns in tenders and prevent anti-competitive practices, such as collusion and bid rigging. With AI, more accurate and efficient monitoring of public procurement processes would be achieved, ensuring that they are conducted in a fair and transparent manner. This would contribute to strengthening the monitoring of tendering processes in the region, facilitating the exchange of experiences and knowledge on best practices in regulation and the use of technologies in public procurement.

By promoting a collaborative approach and a continuous exchange of experiences and best practices, this proposal will encourage a more active participation of all SELA member countries. Strengthening the WGTC through these initiatives will not only contribute to a better response to specific competition challenges but will also enhance the capacity of countries to meet regional development and cooperation objectives, facilitating more equitable, sustainable and inclusive growth. It will also allow progress towards greater harmonisation of policies and regulatory frameworks in the region, resulting in a more competitive market and better conditions for economic development.

Strategy and feasibility of the proposal

The recommended strategy to strengthen cooperation on competition policy is based on consolidating the role of the WGTC and establishing a structured regional framework. This public policy proposes the creation

of a regional competition observatory that will allow real-time monitoring of trade practices and regulations, as well as facilitate data collection and comparative research on the impact of policies. The observatory would serve as a central platform for countries to share information, trends and experiences, allowing for early detection of anti-competitive practices or common regulatory challenges.

As a complement, a regional training programme for competition agencies will be launched, structured in specific modules ranging from the analysis of market practices to the strengthening of the response capacity of local institutions. This programme will be coordinated at the regional level and will allow countries to adjust the contents to their particularities. The strategy also includes an expansion of the WGTC as a space for dialogue, involving key stakeholders such as the private sector and academia, which will enrich the group's recommendations and foster an inclusive and multi-sectoral approach to address market challenges and opportunities.

In relation to the above, the following roadmap for the implementation of the proposal is suggested:

- **Planning and coordination phase (2024-2025):** define the contents and structure of the training programme, ensure the participation of key stakeholders and establish the coordination mechanisms among competition agencies. During this phase, collaboration agreements between countries and international organisations will be initiated.
- **Initial implementation phase (2025-2026):** start with the implementation of the capacity building programme in a pilot format in selected countries, while scaling up the WGTC with new modalities of interaction between public and private stakeholders.
- **Expansion and evaluation phase (2026-2027):** expand the capacity building programme to more countries and deepen the scope of the WGTC, incorporating new topics and facilitating a higher level of regional cooperation. In this phase, a mid-term evaluation of the results achieved will be carried out and actions will be adjusted according to progress and lessons learned.
- **Consolidation and sustainability phase (2027 onwards):** consolidate the training programme and the WGTC as permanent tools for cooperation and institutional strengthening, guaranteeing the long-

term sustainability of these initiatives through the integration of funding and technical resources, both regional and international.

In relation to the above, it is worth clarifying that the regional observatory will also include a specific component for the monitoring of competition practices in public procurement processes, an area where important risks have been identified, such as collusion and bid rigging. To address these challenges, the strategy envisages the incorporation of AI and data analytics tools into monitoring systems, enabling competition agencies to detect irregular bid rigging and respond more quickly. These technologies will not only allow for a more thorough and accurate monitoring of public procurement processes but will also facilitate the identification of cross-border anti-competitive behaviour, contributing to greater transparency and fairness in competition.

The training programme will include specific modules on the application of AI and data analytics for competition and public procurement, with the objective of training officials in the use of these technological tools. The approach will not only strengthen the technical capacity of competition agencies but also enable more effective policy implementation in a digitalised and globalised market environment. The modules on AI in public procurement will be particularly useful to prevent anti-competitive practices and their implementation will facilitate the adaptation of institutions to digital market transformations.

From the feasibility point of view, the proposal considers different aspects to ensure its viability. In the legal sphere, the suggested strategy requires certain regulatory adjustments in participating countries to allow for an agile and secure exchange of competition data and information. While these changes are necessary, it is hoped that they can be implemented through cooperation agreements or memorandums of understanding and integrated in a flexible manner into national legislation. Both the regional observatory and the expansion of the WGTC are conceived as support and coordination mechanisms that can function without requiring profound structural changes in the legal systems of the countries involved, which facilitates their implementation.

In terms of financial viability, the proposal implies an initial investment for the creation of the observatory and the development of the training programme. Financial resources can come from contributions from member countries, complemented by funding from multilateral organisations that

support the promotion of competition and good market practices, such as CAF-Development Bank of Latin America and the Caribbean and the Inter-American Development Bank (IDB). The staggered implementation of the programme offers the advantage of spreading the costs over different phases, which facilitates the financial sustainability of the project and allows exploring additional sources of funding as the development stages progress.

From the institutional angle, the proposal will be coordinated mainly by the WGTC, which will take the lead in the implementation of the regional competition observatory and the training programme. The group will manage these initiatives, ensuring that the actions are coherent with the regional cooperation objectives and with the needs of the member countries. National competition agencies will play a central role, being the direct beneficiaries of the proposed activities and providing valuable information for the operation of the observatory, which will allow monitoring the evolution of competition policies in the region.

Academia and the private sector will also be involved in the development and strengthening of the initiative. Academic institutions will provide research and analysis that will enrich the deliberations of the WGTC, while the private sector will contribute its practical experience and perspective on market regulatory challenges. This interaction will favour a holistic and multidimensional approach, contributing to more effective policy making that is tailored to the realities of the economic environment.

For its part, SELA will play a coordinating role by promoting cooperation among national and international actors and facilitating the logistical and financial management of the project. Through its intervention, SELA will support the creation of financing mechanisms that allow for the continuity of the proposal, ensuring the sustainability of the efforts in the long term.

With the active and coordinated involvement of these stakeholders, the proposal is expected to advance competition policies in member countries, helping consolidate more efficient and equitable markets. This collaboration will contribute to greater regional integration, improving the countries' capacity to face common challenges and strengthen their economies, with an approach that promotes sustainability and cooperation.

The proposal was aligned with the objectives set out in SELA's Work Programme for 2022-2026, under Thematic Area I: Economic Recovery, within

the framework of Programme II: Trade Facilitation, specifically Project B: Trade Promotion in Latin America and the Caribbean. This activity is related to the Permanent Forum on Trade and Competition and was designed to strengthen policies addressing these issues in the region. This proposal complemented the work of the WGTC by incorporating the creation of a regional observatory and a training programme on competition policy. The mechanisms supported coordination and the exchange of best practices among the participating countries, along with the lines of previous agreements.

In this context, the XII Annual Meeting of the WGTC focused its discussion on issues related to IA and public procurement. The proposal to establish the observatory and expand the activities of the group was presented as a complementary measure, seeking to strengthen technical cooperation and facilitate the follow-up of the recommendations made at the meeting. Through these measures, progress was made in the integration of new technologies and best practices in regional competition policies.

The proposal was also aligned with the creation of a framework of reference for public policies, following the discussions generated at the WGTC meeting. The observatory and the training programme contributed to the consolidation of a regional space where national and international stakeholders could collaborate, generating concrete products such as reports and recommendations that were used as a reference to adjust competition policies in the participating countries.

As part of the impact measurement, indicators such as the participation of stakeholders in the proposed activities, the use of the documents generated in the meeting, and the implementation of the recommendations in national policies were evaluated. These activities provided a concrete framework for further progress towards the consolidation of a more competitive regional market, in line with SELA's objectives in terms of cooperation and economic development.

Expected impact

The implementation of the proposal would generate a number of benefits for the countries involved, with the potential to transform and optimise the way in which competition policies are managed. Through the creation of a regional observatory and the development of a training programme, participating countries are expected to strengthen their technical and operational capacities to facilitate coordination among national competition

agencies and the exchange of best practices, so as to contribute to greater efficiency and transparency in decision-making. In addition, the strengthening of cooperation networks would allow countries to respond more effectively to common challenges and to the implementation of competition regulations.

The proposal has the potential to generate greater integration of competition policies at the regional level, promoting the creation of a common framework that benefits all member countries. The observatory, by providing access to up-to-date data and allowing comparative analysis between different national realities, would help improve the implementation of national policies, ensuring that decisions are based on solid evidence. For its part, the capacity building programme would allow for continuous training of key stakeholders in order to have trained and committed staff with best practices.

In addition, the implementation of the recommendations of the XII Annual Meeting of the WGTC would foster closer alignment between the competition policies of the participating countries, facilitating both international cooperation and the development of coherent policies in the face of common challenges. This fosters more intense competition, stimulates market activity and provides benefits to consumers, who can access more affordable prices and a more diverse product offer. Regional alignment, by encouraging the adoption of shared standards, would contribute to a more level playing field in markets and more effective competition. With reduced barriers to business and a more harmonised environment, companies would have fewer obstacles to participating in new markets and increasing their competitiveness.

The proposal also aims to promote the adoption of advanced technologies, such as AI and data analytics, in the monitoring of competition practices and public procurement processes. The implementation of these tools would allow participating countries to improve the detection of anti-competitive practices, such as collusion and bid rigging, increasing transparency in tendering processes and ensuring that they are conducted in a fair and competitive manner. This innovation would not only strengthen the technical capacity of competition agencies but also contribute to the creation of a more trustworthy environment for the private sector and to the optimisation of public spending in the region.

The regional observatory would also facilitate continuous monitoring of competition cases and decisions in member countries, which would allow for the identification of patterns and problematic behaviours that are repeated

at the regional level. This information could then be shared among countries to adjust policies and adopt more effective preventive measures. The impact of this more accurate and up-to-date monitoring would be considerable, as it would contribute to a more efficient market environment and a reduction of unfair practices, benefiting consumers through competitive prices and a more diverse supply of products and services.

The success indicators for measuring the impact of the proposal are structured as follows:

- **Active participation of key stakeholders:** the quantity and quality of participation of competition authorities, academic experts and private sector representatives in the observatory's activities and training programme will be measured. The creation of spaces for exchange and the number of actors involved will be key indicators of success.
- **Implementation of the recommendations of the WGTC:** the number of recommendations derived from the XII Annual Meeting of the WGTC that the countries implement will be evaluated, adjusting their national policies based on these suggestions. The adoption of these recommendations will be a clear indicator of the effectiveness of regional cooperation.
- **Generation of derived products:** the number of reports, documents and recommendations generated by the observatory and training activities will be monitored, as well as their use and dissemination in national and regional discussion spaces.
- **Strengthening of the institutional network:** the level of consolidation of a regional cooperation network will be analysed, with new agreements and coordination mechanisms between member countries, as well as the integration of additional stakeholders such as the private sector and academia.

These indicators will allow an effective assessment of progress in the implementation of the proposed policies, with emphasis on improving competition policies, regional integration and their impact on member countries' markets. They will be used to measure both direct results, such as the quality of the policies adopted and the capacity of countries to manage them effectively, and indirect effects, such as increased cooperation between member countries and the adoption of best practices in the competition

field. This will provide a clear picture of progress towards a more efficient, competitive and sustainable regional market.

Final considerations

From the analysis of the problems and the alternatives evaluated, it is concluded that the countries of the region face common challenges in the implementation of competition policies that underline the need to strengthen regional cooperation. Limitations in institutional capacity, lack of effective coordination among authorities and barriers to information exchange hinder the creation of a more competitive and fairer market environment. The proposed solutions, such as the creation of a regional competition observatory and a training programme for competition agencies, represent practical measures to improve national capacities and facilitate effective and lasting collaboration among countries.

The inclusion of AI and data analytics tools in the regional observatory, recommended at the XII Annual Meeting of the WGTC, has the potential to transform oversight and regulatory practices in the region, allowing for the detection of irregular patterns in public procurement processes and in other sectors vulnerable to anti-competitive practices. With the implementation of these technologies, competition agencies will be able to respond in a more agile and efficient way to the challenges of the digital and globalised market, thus strengthening transparency in tendering processes and other key economic activities.

Among the expected benefits, the proposal should strengthen countries' capacity to implement competition policies based on reliable data and best practices, foster regional cooperation and promote market integration. Transparency and efficiency in regulatory processes would also be enhanced by the creation of a more balanced market environment. The implementation of the recommendations of the WGTC could facilitate the creation of a more aligned regulatory framework among countries and promote cooperation and joint problem solving.

However, the implementation of these policies faces important challenges. At the legal level, although the necessary regulatory adjustments are not considerable, the adaptation of national laws could present difficulties, especially in those contexts where competition reforms have generated debates. Financially, the proposal requires initial resources for the creation

of the observatory and the development of the training programme, and its sustainability will depend on the countries' capacity to secure the support of multilateral organisations and manage resources appropriately. Institutionally, the coordination of various actors, such as the private sector, academia and national authorities, will be essential for effective policy implementation.

In the long run, the consolidation of a regional cooperation network would strengthen national capacities, allowing countries to better adapt to changes in the global economic environment. Indirect benefits would include increased confidence in markets, which could encourage both inward and outward investment. This process could lead to a shift in the focus from competition to a more integrated and cooperative approach that maximises the benefits for all the actors involved.

The sustainability of this proposal will depend on its adaptability to new challenges and a continuous evaluation of its results. The inclusion of a research and monitoring component in the regional observatory, allowing for constant updates on advances in technologies such as AI, would be desirable to ensure that competition policies remain effective and relevant in a constantly changing economic and market environment. This approach would help competition policies evolve in a flexible and effective manner, contributing to sustainable economic growth and stronger regional integration.

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Gender-sensitive public policy proposals for sustainable MSMEs

Executive Summary

This report examines the relevance of public policies with a gender approach to address inequality in the micro, small and medium-sized enterprises (MSMEs) sector in Latin America and the Caribbean. SELA, in its Work Programme for 2022-2026, has prioritised the creation of inclusive environments that guarantee equal opportunities between men and women in the business sphere, and has promoted policies that improve women's access to financing, business training programmes and support networks to reduce the gender gap.

The paper highlights the main challenges faced by women in the MSME sector and proposes solutions to address them. Women continue to face structural barriers in accessing financial resources and business training that limit their ability to start and grow their businesses. In addition, the lack of mentoring and support networks exacerbates the situation, leaving many women entrepreneurs without the contacts and knowledge needed to compete on equal terms with men.

The report also analyses the programmes promoted by SELA, such as the Diploma Course for the public management of policies and programmes for sustainable MSMEs with a gender approach in 2024, which has provided training to public officials on key issues such as business sustainability, green finance and gender equity. It also proposes policies that foster more equitable access to key resources and promote a more inclusive and sustainable business environment.

In Latin America and the Caribbean, MSMEs constitute a highly relevant sector of the economy, generating between 60% and 70% of employment (ECLAC, 2020). However, women are under-represented in this sector, especially in leadership and decision-making roles, and despite advances in gender equality, they continue to face barriers that limit their participation in the business sphere.

SELA, through its Work Programme for 2022-2026, has identified gender equality as a component of its strategy to promote inclusive economic development in the region. The Diploma Course for the public management of policies and programmes for sustainable MSMEs with a gender approach, organised by SELA in 2024, was proposed within the framework of the Thematic Area I: Economic Recovery, Programme III: SMEs, Project A: Productive articulation for stronger SMEs. This diploma course has been one of the main initiatives to promote gender equality in the business sector and the programme has trained public officials throughout the region in the design and implementation of policies that promote the inclusion of women in the business sphere. In this way, institutional capacity is strengthened to create a more equitable and sustainable environment for women-led businesses.

This report analyses existing public policies and proposes new strategies to reduce the gender gap in the business sector by ensuring that women have access to the same resources and opportunities as men. Through a comprehensive approach that addresses not only access to financing, but also business training and institutional support, it seeks to promote a more equitable and inclusive business environment.

Framework of reference

The region's political, social and economic environment is characterised by marked gender inequalities in business. Although women represent a significant part of its workforce, their access to leadership positions in the MSME sector is limited and this gap reveals not only a lack of opportunities, but also the existence of structural barriers that impede the full development of their potential. In countries where regulations are less effective in promoting gender equality, these disparities are exacerbated and further limit women's progress in the business sector.

In response to these challenges, SELA and other regional and international organisations have adopted a proactive approach that promotes public policies aimed at eliminating gender inequalities in business. Through its training diploma course for public officials, leaders and policy makers have

been trained on issues such as social impact (including gender issues), green finance and corporate sustainability. These initiatives are necessary to develop an in-depth understanding of how policies can be designed in an inclusive manner and promote the active participation of women in the MSME sector.

The work, like other SELA initiatives, is aligned with the United Nations Sustainable Development Goals (SDGs), a global agenda that seeks to eradicate poverty, protect the planet and ensure that all people enjoy peace and prosperity by 2030. It is a set of seventeen interrelated goals that address the world's most pressing challenges, such as poverty, inequality and climate change. Each goal is designed to guide the formulation of policies and programmes that promote sustainable development in all its dimensions: economic, social and environmental. The importance of aligning SELA's policies with these goals lies in the ability to reduce structural inequalities and facilitate the inclusion of women in all facets of the MSME sector. By linking local efforts to a global development agenda, the impact of policies in terms of equity, inclusion and sustainability is strengthened, which is essential for the long-term economic growth of Latin America and the Caribbean.

In particular, this work focuses on two key SDGs. SDG 5 aims to achieve gender equality and empower all women and girls and is central to removing the barriers that have historically limited their participation in business. This includes promoting policies that ensure their access to resources such as finance, training and support networks. SDG 8 promotes decent work and economic growth, recognising that economies thrive when all social groups, including women, have the opportunity to contribute fully to economic development.

The project's framework of reference is articulated around several components that guide its implementation and evaluation. A relevant aspect is the analysis of the socio-economic context, which reveals that women-led MSMEs face barriers such as difficulty in accessing finance, training opportunities and support networks that are important for their development. Understanding this environment allows for the identification of strategies that can help women entrepreneurs overcome these challenges and achieve sustainable growth.

Emphasis is also placed on sustainability through the integration of responsible practices in MSMEs' operations. This includes the adoption of clean technologies and efficient resource management, as well as the

implementation of business models that consider environmental and social effects. These practices not only contribute to environmental sustainability but also improve the competitiveness of companies in an increasingly socially responsible market.

The project's training methodology is distinguished by its participatory nature. It seeks to involve MSMEs in the learning process through workshops, one-to-one coaching and the creation of collaborative networks that facilitate the exchange of experiences. The approach not only enables entrepreneurs to acquire new skills but also fosters the creation of a supportive community among them, which is essential for professional and business development.

In addition, the project promotes inter-institutional collaboration through linkages between key stakeholders such as government entities, non-governmental organisations and the private sector. This collaboration is necessary to create an enabling environment for the development of MSMEs and for the implementation of effective policies to support their growth. Synergy between these actors can facilitate access to resources and knowledge, as well as the creation of policies that respond to the specific needs of women-led enterprises.

Finally, indicators will be established to measure the progress of the project. This will include metrics on access to financing, the adoption of sustainable practices and impact on business competitiveness. Ongoing evaluation will allow for necessary adjustments to be made in its implementation, thus ensuring its relevance and effectiveness over time. Implementation will take place in different regions, ensuring that entities from different contexts and economic sectors have access to the resources and support they require.

Problem and needs analysis

Women in the MSME sector face challenges mainly related to difficulty in accessing basic resources such as finance and business training. In Latin America and the Caribbean, women entrepreneurs are constrained by biases in financial systems and the lack of specific support programmes that prevent them from starting or expanding their businesses, perpetuating gender barriers in the business environment.

Women also often face a “double workday,” a burden that manifests itself in their responsibility for both the management of their businesses and for domestic and care work. This duality of roles prevents many

women entrepreneurs from having the time and resources to devote to growing their businesses effectively. It is therefore common for women-led microenterprises to find themselves trapped in a subsistence situation, with few resources and limited knowledge to innovate or expand their operations.

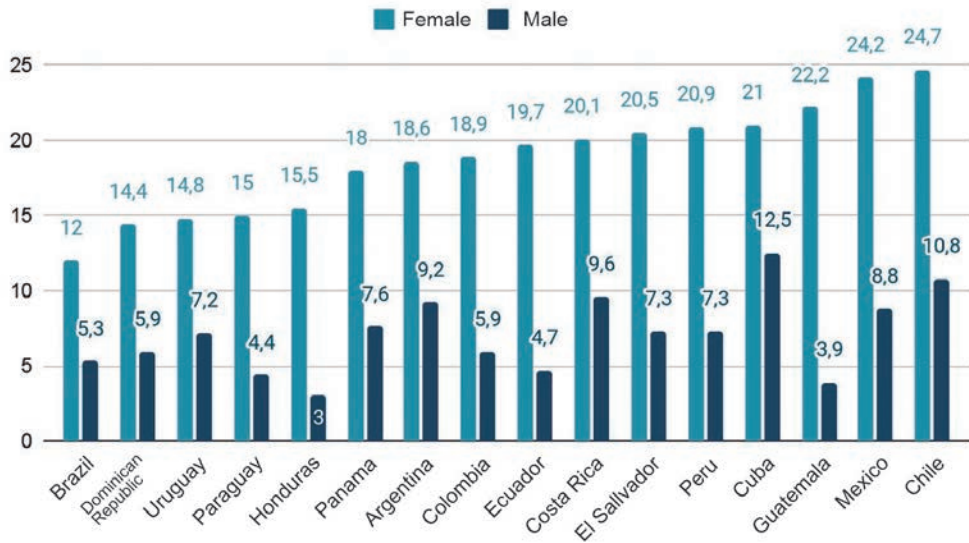
The lack of recognition and inadequate distribution of domestic and care work has a negative impact on women's economic autonomy and limits their opportunities to access paid employment. It also affects their physical autonomy, as the time they can devote to other activities is restricted by the responsibilities they must assume. It also affects their political autonomy, because their possibilities of participating in social life and in public decision-making processes become practically nil (Rico and Segovia, 2017).

Promoting the inclusion of women in entrepreneurship fosters greater diversity in decision-making and the generation of innovative solutions, which in turn boosts the development of new business opportunities and strengthens the resilience of local economies. Gender equality in business not only has a direct impact on women entrepreneurs, but also generates benefits at the macroeconomic level, creating jobs, increasing productivity and fostering social cohesion. Therefore, the implementation of policies that favour gender equality becomes a pillar for the sustainable growth of communities in Latin America and the Caribbean.

Another problem is the lack of support and mentoring networks for women entrepreneurs. Unlike their male counterparts, women tend to have less access to formal business networks, spaces where strategic partnerships are generated, knowledge is shared, and key funding or expansion opportunities are accessed. These networks not only facilitate the exchange of resources and knowledge, but are also an indispensable source of mentoring, where more experienced entrepreneurs can offer guidance on how to address market challenges and take advantage of emerging opportunities. Lack of access to these connections negatively affects women's competitiveness in the MSME sector, as it leaves them at a disadvantage in finding strategic partners, attracting customers or accessing investors. Without these networks, women also miss out on opportunities to learn about best business practices and innovation, which are critical to the growth and sustainability of their businesses. In this regard, this lack of networks exacerbates the entrepreneurial isolation that many women experience, leaving them without the resources they need to solve problems or adapt to market changes. In a competitive and constantly evolving business environment, having access

to a network of contacts and mentors can make the difference between success and stagnation.

Latin America (16 countries): Share of time spent on household chores and unpaid care, by sex and country, latest available period (%)



Source: Share of time spent on unpaid domestic and care work, disaggregated by sex (SDG indicator 5.4.1), Gender Equality Observatory for Latin America and the Caribbean, Economic Commission for Latin America and the Caribbean, 2023.

It is therefore imperative that public policies address these issues in a comprehensive manner, which involves not only improving access to financing, but also providing the tools and knowledge necessary to run their businesses efficiently and sustainably. Support networks that connect women entrepreneurs with the necessary tools and resources should also be fostered.

Moreover, the analysis shows that women-led MSMEs face difficulties in developing sustainable business models, constrained by restricted access to financing and lack of training in sustainable practices. This creates a cycle of missed opportunities. The absence of effective connections prevents the sharing of resources and knowledge, limiting growth and innovation.

In relation to the above, training and mentoring programmes should be established that are aligned with the specific needs of women entrepreneurs, such as the development of leadership skills and the creation of sustainable business models. These opportunities will not only benefit women entrepreneurs but will also have a positive impact on the local and national economy.

It is therefore advisable to offer technical assistance to support MSMEs in the sustainable development of their businesses that is not only limited to specific assistance but includes a comprehensive approach in key areas for business growth. Among the most effective tools is the creation of meeting agendas, which allow entrepreneurs to establish strategic contacts, break into new markets and generate opportunities for collaboration with other actors in the business ecosystem. This type of planning facilitates a clear and effective structure for accessing competitive markets, reducing barriers such as lack of connections or unfamiliarity with the sector.

In addition, the development of product catalogues is a strategy that increases the visibility of MSMEs, especially in sectors where supply is often fragmented. A well-designed catalogue can help entrepreneurs present their products in a professional manner, highlighting their competitive advantages and facilitating their access to potential consumers and buyers. This is especially relevant for women, who, lacking the same level of access to commercial networks as men, find these resources an effective way to showcase their work and compete on equal terms.

Technical accompaniment also has a long-term impact, as it not only solves immediate problems, but also provides the necessary tools for MSMEs to maintain steady and sustainable growth. Through this type of support, they are trained in areas such as strategic planning, resource management and access to financing, which strengthens their ability to adapt to market challenges and ensure the viability of their businesses. This is critical to narrowing the gender gap in the business sector and providing women entrepreneurs with the support they need to sustainably grow their businesses.

Objectives and alternatives for solutions

The main objective of this report is to propose a set of public policies that contribute to reducing the gender gap in the MSME sector in Latin America and the Caribbean. Policies that focus on improving women's access to key resources, such as finance, business training and support networks, are crucial for their development and empowerment in the entrepreneurial sphere.

In Latin America and the Caribbean, women are 30% less likely than men to have access to credit and other financial services, which limits their ability to start and expand businesses. This situation highlights the need for policies that remove financial barriers and support the creation of equitable opportunities.

One of the most prominent alternative solutions is the creation of specific microcredit programmes, subsidies and credit guarantees targeted at women entrepreneurs. These programmes are designed to eliminate the financial barriers faced by women and ensure that they have the same opportunities to access capital as their male counterparts. In addition, specialised business training programmes in areas such as leadership, financial management and sustainability are proposed, which are not only aimed at improving women's entrepreneurial skills but also provide them with the necessary tools to adopt more sustainable and resilient business models.

In addition, it is necessary to establish support and mentoring networks that facilitate the connection between women entrepreneurs and allow them to exchange knowledge, experiences and resources, generating a collaborative environment that fosters the growth of their businesses. In addition to offering advice and guidance, these connections also help women develop business contacts that can be decisive for the growth of their business initiatives. Finally, the implementation of work-life balance policies is important to ensure that women can balance their professional and family responsibilities without the latter limiting their participation in the business sector.

In this regard, one objective of the project is capacity building, which involves working on the skills and knowledge of women-led MSMEs in Latin America and the Caribbean with a focus on the development and maintenance of sustainable business models. To achieve this, access to adequate financial resources, specialised training and technical assistance must be provided to enable the integration of sustainable practices into their operations.

It also aims to promote the adoption of sustainable business practices that contribute to the achievement of the SDGs, which not only involves complying with environmental regulations, but also transforming the way MSMEs manage their resources, operate their supply chains and develop their products. This is particularly relevant in sectors where innovation can make a difference by introducing more efficient, cleaner and socially responsible solutions. By integrating sustainability principles, MSMEs can reduce their environmental footprint while increasing their competitiveness in a market where consumers and business partners increasingly value this commitment.

Meanwhile, the creation of support networks, which facilitate the creation of connections between MSMEs, as well as with governmental actors and non-governmental organisations, will promote the exchange of knowledge

and resources, which in turn will contribute to creating a more robust and collaborative business ecosystem. Another important aspect is access to financing, and improving opportunities for women-led enterprises to access finance will enable them to implement sustainable strategies and expand their operations, which is essential for their growth.

As for alternative solutions, it is necessary to implement capacity building and training programmes that address the specific needs of MSMEs, including workshops on sustainability, innovation and business management. Training in the use of tools such as the SDG Compass, a guide that helps companies align their strategies and operations with the SDGs, will enable MSMEs to better understand these goals and integrate them directly into their business model, ensuring that their economic growth is linked to positive social and environmental impacts. Alignment will give them a competitive advantage, as more and more consumers and markets value companies that embrace sustainable principles.

In terms of the provision of technical advice and mentoring programmes, entrepreneurs will be able to receive personalised guidance from industry experts, enabling them to adapt the knowledge acquired to the specific realities of their businesses. These resources not only help develop sustainable business models, but also implement environmentally friendly practices, such as efficient resource management, use of clean energy and waste minimisation.

In relation to the above, fostering cooperation among MSMEs, as well as with academic institutions and support organisations, will facilitate the exchange of experiences and resources. To that end, fairs and networking events can be organised to promote contact between companies and entrepreneurs with other relevant actors or stakeholders.

It is also important to facilitate access to financing, one of the main obstacles for MSMEs led by women. Collaboration with financial institutions, both public and private, will be a way to design financing products that meet the needs of these enterprises. It is necessary to develop flexible financial schemes that consider the particularities of MSMEs, such as their size, the sector in which they operate and the specific challenges they face, especially those led by women, who tend to have more difficulties in accessing credit.

The development of specific financial products, such as credit lines with favourable conditions, microcredits or financing at affordable rates, will

support women entrepreneurs and promote the sustainable growth of their businesses. In addition, the creation of funds for sustainable projects will provide opportunities for companies that adopt responsible practices aligned with the SDGs to access financial resources to promote their expansion. These funds could focus on initiatives linked to energy efficiency, clean production, recycling and the circular economy, among others, to ensure that MSMEs led by women actively participate in the transition to more sustainable models.

Furthermore, the development of public policies that support women-led MSMEs should be encouraged, recognising their role in the economy and addressing the inequalities that limit their growth. These policies could include incentives for the adoption of sustainable practices, such as tax benefits, subsidies or preferential access to tenders for companies that demonstrate a commitment to sustainability. In addition, a simpler regulatory environment and greater access to markets will enable women entrepreneurs to participate competitively in the global economy.

Facilitating access to financing and support through inclusive public policies helps these companies actively participate in the region's economic development and move towards a more equitable and sustainable model.

Strategy and feasibility of the proposal

The proposed strategy is based on the implementation of a series of comprehensive measures that address the main obstacles faced by women in the MSME sector in Latin America and the Caribbean. These measures include access to financing at preferential rates for women entrepreneurs, the creation of specialised business training programmes, and the development of support and mentoring networks.

From a legal perspective, tax incentives for companies that adopt inclusive policies are suggested as an effective measure to promote gender equality in the business sector. Such incentives could include tax exemptions for companies that hire women in leadership roles or that promote gender equality in their labour practices.

In terms of financial viability, it is proposed that financing programmes for women entrepreneurs be supported by a combination of government, international and private funds. International financial institutions such as the World Bank and the Inter-American Development Bank (IDB) have shown interest in financing projects that promote gender equality and could play a

key role in supporting these initiatives. At the institutional level, collaboration among SELA, national governments and the private sector will be essential to ensure the effective implementation of these policies.

The proposal's strategy begins with a diagnosis of the women-led MSME sector in the region. This diagnosis aims to identify their specific needs, current capacities and barriers they face, allowing for customised interventions to ensure that they are relevant and effective. From there, training programmes will be designed and implemented to address key issues such as sustainability, innovation, business management and access to financing. These programmes should be practical and adapted to specific realities, using participatory methodologies that encourage active learning.

The creation of support networks is another aspect of the strategy. Networking platforms will be established to connect MSMEs with other companies, non-governmental organisations and governmental entities and to facilitate the exchange of experiences and the creation of strategic partnerships through the organisation of events, fairs and meetings. According to López Mayher et al. (2022), it is important to foster a close relationship and establish a bond of trust that goes beyond the mere transmission of financial information. This implies dedicating time and providing information tailored to individual needs, maintaining continuity in conversations and respecting the pace of each person's decision-making process.

In addition, collaboration with financial institutions is needed to develop financing products that are accessible and adapted to the needs of women-led MSMEs, which may include the creation of a specific investment fund for sustainable projects. Finally, a monitoring and evaluation system will be implemented to measure the impact of interventions and adjust strategies as necessary, ensuring that the project remains aligned with its objectives and can adapt to changes in the environment.

The feasibility of the proposal is based on the availability of human and financial resources. Collaboration with experts in sustainability, financing and business management must be secured, as well as funding through donations, grants or partnerships with the private sector. There is also a growing interest among women-led businesses in adopting sustainable practices and improving their business models, suggesting that the proposal has a high potential for uptake and participation.

Collaboration with government entities and non-governmental organisations will facilitate implementation and provide a framework of support and additional resources, which may include the promotion of public policies that specifically benefit MSMEs. Strategies to ensure long-term sustainability, such as the creation of support networks and access to financing, are also envisaged. These measures will help ensure that enterprises can continue to develop and adopt sustainable practices even after the end of the project.

In this connection, it will be important to identify and assess potential risks associated with the implementation of the proposal, such as resistance to change on the part of some businesses or lack of financial resources. Developing mitigation plans to address these risks will be a key part of ensuring that the project moves forward effectively. In short, the proposed strategy is based on an integrated approach combining capacity building, access to financing and networking. Its feasibility depends on the availability of resources, the interest of MSMEs and institutional backing, indicating that the proposal has a good chance of achieving positive results in strengthening women-led enterprises towards more sustainable development.

Expected impact

The implementation of these policies is expected to have an impact on reducing the gender gap in the MSME sector. Improved access to financing will allow more women entrepreneurs to start and expand their businesses, which will contribute to economic growth in the region. It is also expected to increase the number of women in leadership roles within MSMEs, promoting a more diverse and inclusive business environment.

Strengthening support and mentoring networks will also contribute to the sustainability of women-led businesses by providing them with the contacts and advice they need to grow and prosper. Finally, work-life balance policies will make it easier for more women to balance their family and professional responsibilities, which will increase their participation in the business sector and contribute to reducing the gender gap in the region.

In terms of capacity building, women-led MSMEs are expected to acquire the necessary skills and knowledge to develop and maintain sustainable business models. This includes the implementation of responsible business practices and improved resource management. In addition, by facilitating access to financial products tailored to their needs, these enterprises are

expected to be able to obtain financing for their projects and invest in innovation and sustainability.

The adoption of sustainable and responsible practices should also improve the competitiveness of MSMEs in the marketplace and result in increased clientele, greater customer loyalty and ultimately increased sales and profitability. Furthermore, the implementation of sustainable practices will contribute to the reduction of the environmental impact of the entities, which will benefit both the local community and the environment in general.

Networking among businesses, organisations and government entities will foster a supportive ecosystem that facilitates the sharing of knowledge and resources and results in collaborations that enhance growth and innovation in the sector. As the capacities of women-led enterprises are strengthened, the economic and social empowerment of women entrepreneurs is expected to increase, which could lead to greater participation of women in the economy and in decision-making.

By developing sustainable business models, MSMEs are expected not only to survive, but to thrive in the long term and develop the capacity to adapt to changes in the market and in environmental regulations, ensuring their future viability. Furthermore, by implementing and sharing their experiences in sustainability, these entities will be able to serve as examples for other companies in the region, promoting a culture of corporate responsibility and sustainability in the sector.

Final considerations

This report has highlighted the importance of gender-sensitive public policies to reduce the existing gap in the business sector in Latin America and the Caribbean. Despite the progress made in recent decades, women still face barriers that limit their full participation in entrepreneurship. The proposals presented cover financing programmes, support networks and training and seek to create a more inclusive and equitable environment where women entrepreneurs can develop in a freer and more sustainable way.

Women-led businesses face challenges that restrict their ability to operate and grow effectively, such as the lack of access to financing, which remains one of the most common limitations, as many women entrepreneurs do not meet collateral requirements or lack the resources to start or expand their businesses. Without this support, women entrepreneurs are left at a

disadvantage and their ability to compete on equal terms is hampered. In addition, the lack of adequate training and the absence of formal support networks limit the exchange of experiences and knowledge, which reinforces gender inequalities in the sector.

The alignment of the project with the SDGs reinforces its relevance in the current global context. Promoting gender equality and the adoption of sustainable practices not only benefits women entrepreneurs but also has positive effects on the social and economic development of their communities by contributing to more inclusive economic growth, which can translate into higher incomes, job creation and improved living conditions for the population at large.

Specialised training and technical assistance enable women-led enterprises to improve their competitiveness. Due to their size and structure, women-led enterprises often need specific skills in sustainability, innovation and business management to adapt to a changing business environment. By equipping them with tools and resources, they are empowered to better meet market challenges and take advantage of emerging opportunities.

Inter-institutional collaboration among the public sector, private sector and non-governmental organisations is instrumental in creating a more favourable environment for enterprise development, as it facilitates access to financial and training resources and supports the creation of policies that foster sustainable growth. By working together, stakeholders can optimise available resources and ensure that initiatives have a wider and sustained impact over time.

Establishing an evaluation and monitoring system is indispensable to measure the progress of the project as it will allow adjustments to be made according to the results obtained, ensuring that the actions remain aligned with the needs of the entrepreneurs. A flexible approach will help adapt strategies to the changing environment, ensuring the effectiveness and relevance of initiatives over time.

The implementation of the project in various regions of Latin America and the Caribbean ensures that the diversity of local realities is considered. Each area faces unique challenges and it is important that the specific needs of each context are addressed to ensure a more equitable distribution of benefits and strengthen economic and social cohesion among the different communities.

The promotion of sustainable business practices by MSMEs will not only bring immediate benefits to entrepreneurs but will also contribute to long-term environmental and social sustainability. Adopting sustainable business models can reduce environmental impact, improve resource efficiency and generate tangible benefits for local communities, an approach that contributes to the economic development of the region while supporting environmental protection.

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Policy proposals for digital port transformation and its commercial impact in Latin America and the Caribbean

Executive Summary

The transition towards smart and modern ports is presented as a strategy to respond to the growing demands of maritime trade and to face the transformations that the sector is undergoing at a global level. In Latin America and the Caribbean, the digitalisation of port infrastructures through advanced technologies aims both at improving the operational efficiency of ports and at reducing costs, optimising times and boosting sustainability in the management of resources.

Currently, some countries in the region have begun to adopt technological tools such as the internet of things (IoT), big data and blockchain, elements that are facilitating the consolidation of a more robust and competitive port system in the global context. These technologies allow the automation and optimisation of processes, the traceability of the supply chain and the improvement of port security, which raises operational standards and facilitates integration with global trade and transport networks.

However, according to the survey “Digital Port Transformation in Latin America and the Caribbean” conducted by SELA in 2022, there are still critical barriers to a more widespread adoption of smart ports, including the lack of adequate infrastructure, the need for training of specialised personnel and the limited availability of financial resources for sustained investments in technological modernisation. These limitations underline the importance of public policies aimed at capacity building, the creation of incentives for investment and public-private partnerships.

In this context, SELA, in collaboration with multilateral and regional organisations such as CAF-Development Bank of Latin America and the Caribbean and the Economic Commission for Latin America and the Caribbean (ECLAC), has led initiatives to promote port digitalisation in the region, including the creation of the Network of Digital and Collaborative Ports.

This report examines the current state of ports in the region, identifies the main challenges they face in their digitalisation process, and presents a series of recommendations that contribute to a more effective adoption of these technologies. The proposals are focused on the design of public policies that can boost regional competitiveness and facilitate the transition towards digital and sustainable port infrastructures, addressing the current and future needs of international trade.

Introduction

Digitalisation has redefined the structure and dynamics of economic sectors around the world and ports have been no stranger to this change. Over the last decade, technological innovations such as IoT, big data analytics, blockchain and artificial intelligence (AI) have transformed global trade and supply chains, prompting ports to rethink their methods of operation and optimisation. These technological advances are shaping a new scenario in which logistics processes are characterised by connectivity, automation and data integration to streamline operations while improving decision-making and control over resources and cargo flows.

In the region, port digitalisation is seen as an opportunity to improve operational efficiency and move towards a smartport model that contributes to regional competitiveness and is aligned with the sustainability and connectivity requirements of global trade. As technology is incorporated into port processes, there is a growing opportunity to optimise operations through real-time digital data management, reduce costs related to the administration of goods and improve levels of security and traceability in the supply chain. These benefits enhance the ability of regional ports to respond nimbly to changes in the global marketplace and strengthen their position in an increasingly interdependent and evolving trade environment.

The digitalisation process also poses challenges that require cooperation and coordination efforts among the various actors involved in port infrastructure, from the authorities to the private sectors that interact in logistics and trade

activities. For this reason, SELA, through its Work Programme for 2022-2026, has established the digital transformation of the region's ports as one of its strategic focuses, seeking to promote an economic recovery that includes trade facilitation and the modernisation of logistics infrastructures. In this context, it has promoted the Network of Digital and Collaborative Ports, an initiative that facilitates the exchange of knowledge and best practices between ports in Latin America and the Caribbean and promotes the adoption of advanced technologies that contribute to port development responding to both efficiency needs and sustainability demands.

The objective of this document is to analyse the current state of port digitalisation in the continent, with an emphasis on the specific characteristics and challenges faced by each country in the region. It also seeks to present a series of recommendations for the development and adoption of public policies that support the transition towards smartports, in order to facilitate the integration of digital technologies in these ports. These policies are intended to promote an environment that allows the benefits of digitalisation to be harnessed and contributes to greater competitiveness in the international context, strengthening the region's resilience in the face of changes in global trade and the challenges associated with sustainable growth.

Framework of reference

The creation of smart ports in Latin America and the Caribbean emerges as a necessary response to the growing demands for modernisation and improved competitiveness in a regional context influenced by political, social and economic factors that demand transformation. The region's economy is heavily dependent on maritime trade, which underlines the importance of ports being able to efficiently manage the flow of goods, as well as to achieve a reduction in logistics and transport costs. However, according to the survey "Digital Port Transformation in Latin America and the Caribbean" conducted by SELA in 2022, competitiveness faces significant barriers, including insufficient digital infrastructure and lack of financial resources in many ports, which limits their ability to achieve a level of modernisation in line with the demands of international trade.

Port communities in Latin America and the Caribbean are an important component in the competitiveness of regional foreign trade. The creation of a network of "smart ports" has been promoted by SELA with the objective of modernising port logistics through the integration of information and

communication technologies. This effort has been supported by initiatives such as the Foreign Trade Single Window (VUCE) and the Latin American and Caribbean Network of Digital and Collaborative Ports, developed since 2014 in collaboration with CAF. These actions aim to facilitate foreign trade, reduce regional asymmetries and move towards effective digital integration, intelligently linking ports with the cities in which they operate. Currently, the Network has the participation of 12 countries and 28 logistics communities, which have taken part in workshops and regional meetings organised by SELA.

The incorporation of advanced technologies, known as the digital port transformation, is in line with a global trend that began to consolidate in the 2000s. At that time, Europe and Asia opted for digital technologies to optimise their ports and promote innovations that boosted efficiency in the supply chain and interaction between multiple actors. In Latin America, studies such as that of the Valenciaport Foundation (2020) highlight how the so-called smart ports contribute to greater transparency, connectivity and coordination, making use of technologies such as IoT, big data and blockchain technology. These are advances that enable a more dynamic and adaptable supply chain to the needs of global trade and raise the competitive profile of Latin American ports.

According to a survey conducted by SELA in 2022, which was sent to 1,367 stakeholders in the maritime sector from which 234 valid records were obtained, a positive trend towards digitalisation in the region was evident. In this survey, 54% of the ports expressed their intention to implement digital strategies in the short and medium term and 23% had already started to implement a digitalisation plan, which shows a willingness towards the adoption of these technologies, although at different levels of progress and with varying challenges.

In this context, actions are oriented towards the digitalisation and modernisation of ports that serve as a structured guide for the development and implementation of regional strategies. The framework addresses several relevant aspects, including digital transformation, which involves adapting sectoral plans to integrate technologies to manage port operations more efficiently. Through automation and the use of digital platforms, communication and coordination between the different agents interacting in the ports is facilitated.

Furthermore, some recommendations were drawn from the VIII Latin American and Caribbean Meeting of Port Logistics Communities, Network of Digital and Collaborative Ports. As regards environmental sustainability, the ratification of and compliance with international agreements, such as the MARPOL Convention, which seeks to prevent maritime pollution and protect the marine ecosystem, is promoted. These international commitments provide a regulatory basis that promotes the sustainability of port operations and ensures that activities related to maritime trade are carried out responsibly and with a focus on preserving the marine environment.

It also emerged from the VIII Meeting that investment in infrastructure and connectivity is another important component of this framework, given that it prioritises the incorporation of advanced technology, such as 5G networks and IoT, to establish robust and secure connectivity that allows the efficient operation of ports. These technologies facilitate the monitoring and management of operations in real time and provide ports with a technological base that supports digitalisation and improves the accuracy of decision making.

In addition, collaboration and strategic alliances are promoted, encouraging the creation of interconnected port communities through management systems that allow a secure exchange of information between public and private actors. This collaboration aims to optimise logistics processes and reduce waiting times by enabling Latin American ports to integrate more effectively into the global market. In addition, cooperation between ports and other entities is key to sharing knowledge and experiences and promoting joint development to increase regional capacities.

It also focuses on the development of public policies aimed at decarbonisation and climate resilience, including the adoption of measures to reduce the effects of climate change in the port sector, such as the implementation of renewable energy sources and the promotion of sustainable resource management practices. This strategy allows ports to adapt to changing climate conditions and mitigate the environmental impact of their operations, promoting a more resilient port model that is prepared to face climate challenges.

Problem and needs analysis

Despite the progress achieved in some ports in the region, challenges persist that limit the full adoption of the smart ports model that emerged from the survey “Digital Port Transformation in Latin America and the

Caribbean” prepared by SELA in 2022. One of the main problems lies in the digital infrastructure, which is still limited in many of them, because the scarcity of advanced technology prevents the implementation of tools that would allow ports to manage operations more efficiently and increase their competitiveness in a highly demanding global environment. Many developing countries in the region face financial and infrastructure constraints, which hinder their ability to maintain a level of competition similar to that of ports in more advanced economies. The lack of adequate infrastructure also impedes the integration of digital tools that are critical to achieving real-time management and reducing operational costs, two factors that could transform port operations.

In addition to infrastructure, another important aspect is the shortage of personnel trained in the use of new technologies and in the digital management of port operations. As ports move towards the adoption of more complex technologies, it is essential to have human resources that, in addition to handling the technical aspects, can manage these innovations effectively. This lack of specialised personnel limits the ability of ports to safely implement and operate digital systems, delaying their technological integration. Without trained personnel who can properly manage the new systems, the impact of digitalisation is diluted and technology investments may not reach their full potential.

Financing also represents an obstacle to the digital transformation of ports in the region. Many countries rely on loans from multilateral institutions, such as the Inter-American Development Bank (IDB) and CAF-Development Bank of Latin America and the Caribbean, to finance digitalisation and modernisation processes in their ports. However, access to these resources is often limited and subject to complex conditions that complicate the realisation of continuous and necessary investments for a sustainable digital transformation. Lack of funds prevents ports from carrying out the infrastructure upgrades and capacity building required to compete in global trade.

The adoption of smart port models also poses additional challenges in terms of compliance with international standards and regulations, especially in areas such as sustainability and cybersecurity. These factors underline the importance of establishing public policies that promote regional cooperation and encourage technological innovation in the port sector, allowing ports to adapt to the trends and needs of international trade.

The diagnosis of the situation regarding the modernisation and digitalisation of ports can be broken down into several aspects that illustrate the complexity of the challenges. First, there are the infrastructure problems, where many ports face both physical and technological constraints that hinder the implementation of advanced management and operational systems. Lack of modernisation in these areas often results in operational inefficiencies and reduces the ability of ports to compete effectively in global trade.

The transition towards smart ports also has socio-economic implications that cannot be ignored, and it is relevant to consider how their modernisation can generate employment, improve the quality of life in port communities and promote a more balanced local development. Digitalisation also poses environmental challenges, leading to a necessary assessment of the possible impacts and the adoption of measures to mitigate the negative effects of port operations on the environment.

In relation to part of the above, the VIII Latin American and Caribbean Meeting of Port Logistics Communities, held from 16 to 18 October 2024, was a space for dialogue and cooperation in the maritime-port field in the region. Organised by the Network of Digital and Collaborative Ports, with the support of CAF and the City of Veracruz, the event brought together more than 190 high-level representatives, from port authorities to experts from regional organisations such as ECLAC and the ACS. During six sessions, topics such as disruption in international supply chains, port security and advances in digitalisation and technology were addressed. The emerging policy recommendations ranged from infrastructure modernisation to the promotion of inter-institutional collaboration, highlighting the port as an engine of progress and a facilitator of trade in an increasingly complex environment.

This context highlights the need to design a consistent and sustainable investment plan to address these challenges and ensure that digital transformation initiatives are sustained over time. The lack of collaboration between the different actors in the port sector limits knowledge sharing and the adoption of best practices. To overcome these barriers, it is essential to foster partnerships between the public, private and academic sectors in order to develop comprehensive and effective solutions that boost the competitiveness and sustainability of ports in the region.

Objectives and alternatives for solutions

The main objective of this proposal is to promote the digitalisation of the region's ports, with the aim of increasing their efficiency, competitiveness

and sustainability on a global scale, based on the work being carried out by the Network of Digital and Collaborative Ports. The transition to the smartport model seeks not only to reduce cargo processing times and improve traceability and security through advanced technologies, but also to promote environmentally sustainable practices through the adoption of renewable energies and responsible resource management strategies. These objectives are aligned with SELA's economic recovery and trade facilitation strategy, which underscores the need to modernise the region's port infrastructures to meet the demands of growing international trade and integration into global markets.

To address the challenges of port digitalisation, several alternatives have been evaluated, among which a partial modernisation that does not involve the full implementation of the smartport model was considered. However, it has been decided to opt for the latter as the most comprehensive alternative, as it allows for the integration of real-time monitoring systems, improving the efficiency of the supply chain and adapting optimally to the demands of global trade. This alternative enables ports to operate with greater agility and to offer a solid and secure infrastructure, which supports economic growth and enhances competitiveness.

Beyond the operational benefits, smartports drive environmentally responsible management. Process optimisation reduces resource consumption and lowers carbon emissions, actions in line with the Sustainable Development Goals (SDGs), particularly in areas such as climate action and sustainable consumption and production. By adopting this approach, ports improve their operational capacity and integrate into global sustainability standards, strengthening their position in international trade and reaffirming their commitment to social and environmental responsibility.

The specific objectives of the proposal include the improvement of operational efficiency through the implementation of digital technologies that optimise logistical and operational processes, with a consequent reduction in waiting times and costs. In addition, it seeks to strengthen staff training by offering training programmes that enable them to familiarise themselves with new technologies and effectively manage digital operations. Another objective is to increase security and regulatory compliance by implementing advanced systems to protect port operations and ensure data integrity.

The promotion of sustainable practices is another goal, as adopting technologies and procedures that minimise the environmental impact of port activities helps comply with existing environmental regulations. Fostering inter-institutional collaboration is also a priority, through the creation of partnerships between the public, private and academic sectors to share knowledge and resources in the field of port digitalisation. In this connection, the aim is to attract financial investment and develop a framework that facilitates obtaining resources to modernise port infrastructure and implement advanced technologies.

As regards alternative solutions, it is suggested that port management systems be implemented through digital platforms in the cloud, which would centralise the administration of operations and improve coordination between the different actors in the supply chain. It is also recommended that training programmes be developed in collaboration with educational institutions and international organisations, so that personnel are prepared to efficiently use new technologies and adapt to a constantly changing working environment.

Another prominent alternative is the incorporation of security technologies, such as intelligent video surveillance systems and advanced tools for container identification and tracking, which could significantly increase security and prevent criminal activities in ports. In addition, it is suggested to adopt renewable energies, investing in clean technologies that help reduce the carbon footprint of port operations and meet sustainability commitments.

In addition, the creation and institutional strengthening of collaborative networks between digital ports is proposed to facilitate the exchange of experiences and promote innovation and joint development in the port area, such as the aforementioned Network. In terms of financing, strategies are proposed to seek resources through international organisations and public-private partnerships in order to secure the necessary funds to enable progress in the modernisation of port infrastructure. Finally, it is advisable to implement a continuous evaluation and monitoring system to measure the impact of digitalisation initiatives and adjust strategies according to the results obtained, in order to ensure that the established objectives are met in an effective and sustained manner over time.

Furthermore, in the context of sustainability, compliance with environmental regulations, such as IMO 2020, is relevant in the transition towards modern

and smart ports in the region. This regulation, established by the International Maritime Organisation (IMO), seeks to reduce the sulphur content in marine fuel, limiting it to 0.5%, which represents a significant decrease compared to the previous limit of 3.5%. This is a change with direct implications for ports, as the type of fuel used and the measures taken to comply with the regulation affect operating costs, freight rates and the overall cost structure.

One of the challenges is the availability of alternative fuels and the need to adapt port facilities to handle low sulphur fuels or gas scrubbing technologies, such as scrubbers. These adaptations involve significant investments, both in infrastructure and technologies, and generate a number of technical and logistical challenges. The installation of scrubbers, for example, allows ships to continue using fuels with a higher sulphur content, but requires waste disposal systems that must be properly managed to avoid contamination of local waters. In this regard, ports must adopt waste management practices to comply with international regulations and minimise the environmental impact of ship activities.

In addition to the environmental benefits, the implementation of standards such as IMO 2020 reinforces the need to create sustainable ports that can compete in an increasingly sustainability-conscious market. In response to this trend, many ports in the region have begun to explore renewable energy sources and energy efficiency practices to reduce their carbon footprint. These initiatives, combined with the requirements of IMO 2020, represent a step towards building a more sustainable port system that not only complies with international regulations, but also actively contributes to climate change mitigation.

Strategy and feasibility of the proposal

The modernisation of ports in the region requires a comprehensive strategy from diagnosis to implementation and evaluation. In the initial phase, it is necessary to conduct a detailed analysis that identifies infrastructure gaps and technological needs in each port, as well as financial and human resources aspects that influence the impact of digitalisation. Based on this diagnosis, an investment plan should be designed that focuses on the acquisition of advanced technology, including blockchain and machine learning platforms, to improve the traceability and security of operations. The strategy also envisages the training of personnel and the improvement of digital infrastructure in ports selected for their potential impact, which will act

as models for future replication. In this context, the Network of Digital and Collaborative Ports is an example of how digitalisation can foster efficient, transparent and comprehensive management, moving towards the creation of smart ports in the region.

Once the objectives have been defined, it is recommended to develop an action plan that includes specific goals, detailed activities, clearly defined responsibilities and timelines, and to establish success indicators to measure the progress and impact of the initiatives in the medium and long term. Fostering strategic partnerships is also a priority, and collaboration between the public, private and academic sectors should be promoted in order to share knowledge and resources, as well as formalising agreements with international institutions that can provide technical support and funding.

The strategy includes the implementation of pilot projects in selected ports, which will allow the testing of innovative technologies and practices prior to full-scale implementation, allowing for adjustments and improvements based on the results obtained. In addition, it is recommended to implement continuous training programmes for port personnel, to ensure their preparation to handle new technologies and to strengthen collaboration with universities and research centres to establish specific training programmes. A monitoring and evaluation system is also needed to measure the results of the initiatives and adjust as necessary. The publication of regular progress reports will allow stakeholders and society to know the progress and results of digital port transformation.

The feasibility of this proposal must be analysed from multiple perspectives, starting with the legal aspect, as each country needs to assess whether its regulatory framework allows the adoption of technologies or whether adjustments will be necessary to ensure implementation. For example, the integration of blockchain for data management may require a regulatory update to ensure the acceptance and regulation of these systems in the port context. In the financial sphere, it is necessary to ensure a financing plan that covers not only the initial investment costs, but also the ongoing maintenance of the digital infrastructures. This implies considering public financing, access to funds from multilateral institutions and the establishment of public-private partnerships that can strengthen the financial basis of the project.

Institutional involvement is also important, as collaboration between port authorities, private companies and government agencies is needed to

coordinate implementation and ensure full integration of systems at all operational levels. The acceptance and commitment of key stakeholders, such as shippers and logistics operators, should be assessed through workshops and awareness-raising sessions involving all participants in the digital transformation process.

Risks associated with digitalisation, such as potential resistance to organisational change and funding challenges, must also be identified and mitigated by developing mitigation strategies to ensure a smooth transition. In addition, it is necessary to ensure that digitalisation initiatives are sustainable over time by considering both the maintenance of technologies and the ongoing training of staff. Establishing a robust governance framework will contribute to the continuity and sustainability of modernisation efforts.

SELA can assist in the modernisation of ports in the region by acting as a facilitator in technical cooperation and knowledge sharing. In this regard, it can coordinate comparative studies and regional diagnostics to identify best practices and common gaps in infrastructure and technology among Latin American and Caribbean ports. In addition, the organisation has the capacity to promote the creation of strategic partnerships between the public and private sectors, as well as to facilitate access to financing through multilateral institutions and international programmes. Through its experience in development and regional integration projects, SELA can also contribute to the design of training plans in port digitalisation, linking universities and research centres, and thus support the creation of sustainable programmes that respond to the technological and organisational needs of ports.

In short, the strategy for the digitalisation of ports must be comprehensive and adapted to the particularities of each port and regional context, fostering collaboration between the different actors and relying on a monitoring structure that allows adjustments to be made according to the results obtained. The feasibility of the proposal will depend on a rigorous analysis of available resources, technical capabilities and the commitment of those involved, as well as the ability to identify and mitigate potential risks on the road to digital port transformation.

Furthermore, the proposal is aligned with the strategic objectives of SELA's Work Programme for 2022-2026, especially in Project A of the Network of Digital and Collaborative Ports, part of the Trade Facilitation Programme II of the Thematic Area on Economic Recovery. This approach

seeks to increase logistical efficiency, reduce operational costs and improve competitiveness in the global marketplace, as well as to support sustainability objectives by promoting greener port practices. Thus, it contributes to the reduction of pollutant gas emissions and promotes environmentally friendly economic development.

The Network of Digital and Collaborative Ports acts as a catalyst in the creation of smart ports by facilitating the exchange of experiences and technical resources between countries. Port digitalisation not only improves efficiency, safety and security, but also optimises the environmental performance of the supply chain (European Sea Ports Organisation, 2019). This network fosters regional cooperation, creating an enabling environment for the standardisation of technological practices and promoting the adoption of shared standards. Such initiative allows ports from different countries to learn from each other, solve problems together and accelerate the digitalisation process in a more coordinated and efficient way by providing a platform for collaboration, helping them avoid duplication of efforts, optimising resources and strengthening their competitiveness in the international arena.

In this context, digitalisation is directly related to the system's thematic areas, facilitating trade by improving operational efficiency, reducing waiting times and costs, and optimising the supply chain. At the same time, modernisation can generate employment in sectors linked to technology and logistics and contribute to economic growth and sustainable development in port communities. In addition, the digitalisation of ports promotes innovation as a driver of development by encouraging the adoption of new technologies and processes that foster an environment of innovation and continuous improvement. Collaboration with academic and research institutions can be facilitated through the system and foster the development of innovative solutions tailored to the specific needs of ports.

In relation to the above, this linkage allows for the creation of a framework for the evaluation and monitoring of the results of digitalisation in which indicators of success and methodologies that measure the impact of the initiatives in terms of efficiency, competitiveness and sustainability must be defined. The creation of regular progress reports will facilitate feedback and the adjustment of strategies, ensuring that the established objectives are met and that the positive impact of digitalisation on the region's ports is maximised.

Expected impact

From an operational perspective, digital ports will significantly reduce goods processing times, which will lower costs for operators and exporters, facilitating access of products to global markets. The digitalisation of ports increases security in the management of goods and information flowing through supply chains, reducing the risk of loss or damage and improving product traceability.

In terms of sustainability, the smartports model represents a move towards more responsible operations in the maritime-port sector. The implementation of real-time monitoring and control technologies will enable digital ports to reduce their energy consumption, optimise the use of resources and reduce carbon emissions. In this regard, the transition towards more sustainable practices is relevant in the current context of climate change and within the framework of the SDGs, which stresses the importance of adopting responsible practices in all economic sectors. Furthermore, digitalisation will enable better waste management and optimisation of maritime transport logistics, reducing the ecological footprint of port activities and contributing to a healthier environment.

From a social perspective, port modernisation can improve working conditions in the port sector, as digitalisation reduces the physical workload and optimises operational processes. By reducing the risks associated with manual handling of goods, it promotes a safer working environment and improves the quality of life of port workers. Training in new technologies will generate employment opportunities in high value-added sectors, contributing to the development of a more skilled workforce and the socio-economic progress of local communities.

The expected impact of digitalisation and modernisation of ports encompasses various dimensions, including operational efficiency, economic competitiveness, social development and environmental sustainability. Among the main ones, the following stand out:

- **Improved operational efficiency:** the implementation of digital technologies, such as terminal management and container tracking systems, will enable better coordination and management of port operations, reducing waiting times and improving logistics. The integration of systems will facilitate the exchange of data between

the different actors in the supply chain, increasing the efficiency of coordination between carriers, customs authorities and port terminals.

- **Increased competitiveness:** digitalisation can lead to a significant decrease in operating costs, which will translate into more competitive prices for exports. More efficient and modern ports are more attractive to foreign investment, which will boost regional economic development and job creation.
- **Economic development and job creation:** the modernisation of ports will generate new jobs in technology and logistics related sectors, contributing to the reduction of unemployment in port communities. Improved logistical efficiency and competitiveness of ports will benefit local businesses, facilitate their access to international markets and promote economic growth.
- **Environmental sustainability:** the adoption of clean technologies and environmental management practices will contribute to minimising air, water and soil pollution around ports. Digitalisation will facilitate the implementation of sustainable energy solutions, such as the use of renewable energy in port operations.
- **Innovation and technological development:** digital transformation will drive research and development of new technologies and solutions, as well as promote an environment of innovation in the port sector. Digitalisation will foster collaboration between the public and private sector, as well as between academic and research institutions, which can result in significant advances in port technology.
- **Strengthening regional integration:** initiatives such as the Network of Digital and Collaborative Ports will promote integration and collaboration between ports in different countries and facilitate the exchange of best practices and resources. Digitalisation will enable better coordination in the regional supply chain, resulting in greater efficiency and competitiveness in international trade.
- **Training and skills development:** the need for trained personnel to operate and maintain new technologies will lead to the implementation of training programmes and contribute to skills development in the local workforce. Training in new technologies

will help close the skills gap in the logistics and port sector, thereby improving the employability of workers.

These impacts together will create a more efficient, competitive and sustainable port ecosystem, which will benefit local communities and the economy as a whole. Implementing port improvements will not only transform the way port operations are managed but will also contribute to the overall development of the region.

In relation to the above, SELA can function as a facilitator for the development and implementation of digitalisation in the region's ports. Through its capacity to foster interinstitutional cooperation and its experience in regional integration, it is capable of coordinating research projects that identify best practices and gaps in Latin American and Caribbean ports. It also has the capacity to establish a knowledge exchange platform where countries can share progress and experiences, such as the Network of Digital and Collaborative Ports that promotes efficiency and sustainability in the sector.

Furthermore, SELA can facilitate access to international funds by promoting strategic partnerships and funding programmes with multilateral institutions that support the implementation of advanced technologies in ports. It also has the capacity to lead training and capacity building initiatives in collaboration with universities and research centres, ensuring that port personnel are prepared to adopt and manage new technologies effectively. With its articulating role and focus on sustainable development, it would contribute to realising a digital, integrated and competitive port system that drives economic growth and social development in the region.

Final considerations

The digital transformation of ports towards the model of smart ports responds to the need to improve efficiency, sustainability and security in maritime trade. In this process, the support of institutions such as SELA and the creation of collaborative networks, such as the Network of Digital and Collaborative Ports, play a fundamental role. The institutionalisation of this network has allowed the consolidation of a regional mechanism that fosters cooperation between the public and private sectors, facilitates the adoption of new technologies and strengthens the capacity of ports to face the challenges of global trade. The Network acts as an integration point that

not only promotes digitalisation, but also the construction of a collaborative and efficient port system.

However, the transition to smart ports poses a number of challenges, such as funding needs, infrastructure upgrades and staff training. The digitalisation of ports requires significant investments in advanced technology and adequate preparation of human resources to operate complex systems. In addition, updating regulatory frameworks facilitates the integration of new technologies and ensures their safe operation within international standards. Regional cooperation and the creation of institutional platforms such as the Network of Digital and Collaborative Ports are indispensable for digitalisation to progress in a coordinated and effective manner.

Environmental impact must also be considered in this process. Compliance with regulations such as IMO 2020 and the adoption of sustainable practices are necessary steps to mitigate the impact of shipping. Implementing technologies for energy efficiency, the use of cleaner fuels and proper waste management are important components to ensure that smart ports contribute to environmental sustainability, aligning with emission reduction and climate change goals.

A successful digital transformation of ports requires a public policy framework that encourages investment in digital infrastructure, supports staff training and promotes regional cooperation. The institutionalisation of collaborative networks such as the Network of Digital and Collaborative Ports is key to integrate the region's ports into a system that allows them to face the challenges of global trade, optimise their operations and ensure that their economic development is inclusive and sustainable.

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Boosting the creative economy in SELA countries: strategies to strengthen cultural and creative industries

Executive Summary

This document offers proposals for strengthening the cultural and creative economy in SELA's member countries, based on the pilot experience of a Digital Directory of Cultural and Creative Industries. This project included the incorporation of more than 1,500 initiatives of the sector and the identification of more than sixty best practices. The analysis highlights the importance of cultural and creative industries as a growing sector with the potential to contribute to economic development, employment generation and diversification of economies in the region.

The recommendations focus on three main areas: investment, data generation and promotion of cultural consumption. Regarding investment, the creation and optimisation of funds dedicated to cultural and creative industries is proposed, which can be both general and sector-specific, with the aim of improving the planning and allocation of resources, so that they are adapted to the needs of the various cultural fields. Examples of successful experiences include the National Fund for the Promotion of Handicrafts in Mexico and the film support policy in Argentina implemented through the National Institute of Cinema and Audiovisual Arts (INCAA).

The proposal also underlines the need to collect reliable data that would allow cultural policies to be evaluated and adjusted on an ongoing basis. To that end, annual reports are suggested for each country, including indicators by sector, such as the number of projects supported, their economic impact and the evolution of the creative industries. The aim of this data is to provide

a detailed overview of the situation of each sector and to facilitate evidence-based decision-making.

Stimulating cultural consumption is another pillar of the proposal. Based on best practices in the region, measures are proposed to make cultural goods and services more accessible. This includes direct subsidy policies, such as discounts for specific groups in performances, and indirect subsidies covering the maintenance of cultural infrastructures or the organisation of free access events. The promotion of cultural literacy and specialised criticism also aims to increase public participation and appreciation of creative industries.

Introduction

Cultural and creative industries have become increasingly important in the countries of the region due to their capacity to drive innovation, generate employment and enrich cultural diversity in Latin America and the Caribbean. This sector covers a wide range of activities, from audiovisual production and publishing to music, performing arts, crafts, cultural tourism and video games. These activities not only contribute to the economy, but also strengthen cultural identity, foster social cohesion and offer new opportunities for regional cooperation.

The development of cultural and creative industries faces challenges and opportunities in an ever-changing global context. The digital transformation, the growing demand for cultural products and the expansion of new distribution platforms pose challenges for the production, marketing and consumption of cultural goods. In this scenario, public policies are the vehicles capable of creating the conditions that facilitate the sustainable growth of the sector, the adaptation to technological changes and the exploitation of economic opportunities.

The analysis of the regional social, political and economic context is the starting point of this document, which considers the particularities of SELA's member countries and the characteristics of their cultural industries. The intention is to contribute to a diagnosis that reflects the opportunities for growth and the barriers to be overcome.

This document also aims to articulate clear objectives for cultural policies by establishing concrete lines of action to facilitate the creation of a favourable ecosystem for creative industries. The proposal includes a strategic approach that considers the optimisation of financial resources,

the improvement of cultural infrastructure, the collection and analysis of data, and the promotion of a suitable environment for the consumption of cultural goods and services, all of which are essential to strengthen the development of the sector in each country.

SELA's commitment is to foster a collaborative dialogue between public, private and civil society stakeholders, with the aim of consolidating a dynamic cultural sector that contributes to the economic and social well-being of the region. This document is intended as a guide to orient policy decisions and to provide practical recommendations that respond to the realities and expectations of the creative sector in each member country. The effort is expected to contribute to a more robust cultural economy and a creative sector that is constantly expanding and adapting to contemporary demands.

Framework of reference

In the region, cultural and creative industries are a sector with great economic and social potential, encompassing a diverse range of activities including film, music, literature, performing arts, crafts, video games and cultural tourism. In policy terms, strategies to support cultural and creative industries vary widely among SELA member countries. While some, such as Mexico or Argentina, have developed legal frameworks that include fiscal incentives and specific funds for cultural projects, others are still in the early stages of structuring their cultural policies. This has led to uneven results, reflecting the variety of approaches and resources available in each country, as the lack of a unified regional approach has also posed challenges in the coordination of efforts and the exchange of best practices.

From a social perspective, cultural industries in the region bear witness to the rich cultural and heritage diversity of their countries. This translates into a wide variety of artistic manifestations ranging from traditional craft production to digital innovation in the audiovisual sector. The ancestral cultures of this continent, with their own languages, worldviews and traditions, also play a role in shaping these industries. In handicraft production, for example, techniques and styles passed down from generation to generation bring a unique cultural value to products that go beyond their commercial value by connecting communities to their roots and reclaiming their identities. In many cases, handicrafts, traditional music, dance and ritual ceremonies represent, in addition to their symbolic meaning, important sources of income and contribute to cultural tourism in the region.

However, disparities in access to culture exist, especially in rural areas and indigenous communities, where infrastructure and opportunities for cultural consumption are often limited. Indigenous communities, in particular, often face challenges in preserving and disseminating their cultural manifestations due to lack of resources and unequal access to wider markets. Lack of institutional support to safeguard these expressions can lead to the loss of traditions that have been an integral part of regional identity for centuries. In addition, traditional cultural industries face competition from globalised products that, in many cases, do not reflect the richness and diversity of local cultures.

To reverse this situation, it is necessary to encourage initiatives that promote the creation of cultural spaces in the most remote areas and at the same time promote the inclusion of indigenous cultures in the wider channels of cultural distribution and consumption. However, this integration must be done with respect for their forms of knowledge and values, ensuring that communities have control over how their traditions are presented and marketed. Collaboration between indigenous communities and more established cultural sectors could open new avenues of exchange, enhance regional identity and recognise the invaluable contribution of the ancestral cultures of the Americas to the cultural richness of the region.

Economically, cultural industries are mostly composed of small and medium-sized enterprises that face challenges in terms of access to funding, formalisation and professionalisation. Despite these barriers, some countries have managed to implement successful initiatives, such as the Lei Rouanet in Brazil, which combines state funding, fiscal incentives and private contributions to support cultural projects. This law enacted in 1991 instituted the National Programme of Support to Culture (PRONAC) and, in this way, allows companies and individuals to allocate part of their taxes to cultural projects, thus combining state funding, tax incentives and private contributions. The lack of consistent and accurate data on the economic impact of the sector in the region remains an obstacle and complicates the evaluation and planning of more effective public policies.

The global context also has an impact on the situation of cultural and creative industries in SELA. Digitalisation has opened up new possibilities for the distribution of cultural products, but it has also increased competition with goods and services produced outside the region. This reality raises the need

to strengthen local production and ensure that creative industries have the necessary tools to compete in a globalised market.

The analysis of the background in the region reveals a panorama in which various initiatives have been carried out focused on the development of cultural and creative industries. One example is the experience of the Digital Directory containing a sample of Cultural and Creative Industries in SELA countries and best practices for their growth, which has allowed for the identification and mapping of more than 1,500 actors and has become a very useful tool to make visible the potential of the cultural and creative sector in the region. This effort, together with the compilation of more than sixty best practices for the Technical Report, has shown that there are models such as the Mexican and Argentinean ones that can be replicated and adapted to different national contexts.

Some SELA countries have implemented specific investment funds for cultural sectors with positive results. In Mexico, the National Fund for the Promotion of Handicrafts has allowed for constant support to handicraft production, while in Argentina, the film promotion policy through the National Institute of Cinema and Audiovisual Arts (INCAA) has boosted local audiovisual production, generating employment and strengthening cultural identity. These experiences highlight the importance of sectoral funds that allow for direct and planned investment, adapted to the characteristics of each industry.

At the regional level, data collection on the impact of cultural industries shows significant disparities. Some sectors, such as film and literature, have more robust information, allowing for more detailed assessments of their development. However, in areas such as cultural tourism, crafts and live performances, data is incomplete and, in many cases, insufficient for proper planning. To address these gaps, more systematic and coordinated collection mechanisms need to be implemented. For example, in the case of cultural tourism, purchase and download reports from digital platforms, as well as data provided by production houses and event organisers, could be used to measure the participation and impact of these activities. In addition, the creation of regional interinstitutional databases, integrating public and private sources, would provide a complete and up-to-date picture of the cultural industries, facilitating evidence-based decision-making for the formulation of effective public policies.

SELA, through its Work Programme for 2022-2026, seeks to take advantage of previous experiences of regional collaboration to suggest public policies that adjust to the particularities of each member country and promote the exchange of information in various areas. Within this framework, strategies are proposed that focus on encouraging local cultural production, strengthening the collection and analysis of economic data on the cultural sector and supporting the professionalisation of cultural industries. To that end, it is necessary to establish systematic data collection mechanisms, such as production and sales reports, and to foster collaboration among governments, educational institutions and the private sector. These actions are aimed at ensuring that policies are tailored to the specific needs of each nation, promoting sustainable and equitable cultural development throughout the region.

Problem and needs analysis

Cultural and creative industries in SELA member countries face several constraints that impede their growth and consolidation, both at the economic and structural levels. One of the main obstacles is the lack of access to adequate and sufficient funds to support the development of emerging industries, as their allocation remains insufficient and sometimes poorly distributed. Most of these funds are concentrated in traditional sectors, such as film or music, while other areas, such as video games, design or digital arts, still do not receive significant support. This uneven distribution limits the opportunities for innovative cultural sectors that could generate new forms of employment and economic growth.

Moreover, access to these funds is conditional on a series of bureaucratic procedures that make it difficult for small entrepreneurs and independent creators to participate. Smaller cultural industries often lack the administrative capacity to compete for resources, a situation that exacerbates inequalities within the sector. While some SELA countries have sector funds that seek to promote specific industries, the lack of coordination and the instability of public policies affecting these funds generate uncertainty and discourage many actors from participating. In the cases mentioned above, dependence on public funds or international organisations limits the autonomy of cultural actors, while tax incentives, although useful, are not a widespread solution.

On the other hand, there is a lack of systematic and updated data on the state of the cultural and creative industries. Without clear information on production, consumption and the impact of implemented policies,

it is difficult to generate an accurate diagnosis of their situation. While sectors such as film and books have a certain amount of public data on their production and consumption, other areas such as live performances, crafts and cultural tourism lack reliable and up-to-date information. The absence of this type of data limits the ability of governments and actors in the sector to measure the real impact of public policies and to adjust strategies to improve their effectiveness.

The lack of information also affects the ability of cultural industries to demonstrate their economic viability and their impact on employment and regional development. Without a clear diagnosis, it is difficult to identify the areas that require more support or those that have the greatest potential for growth. Moreover, the lack of data on the impact of investment funds makes it difficult to assess whether these resources are being well spent, raising doubts about the sustainability of funding policies.

Informality is a persistent problem in the cultural industries of Latin America and the Caribbean. Many of these industries operate in the informal economy, which limits their access to tax benefits, social security and other support mechanisms that are available to formal enterprises. This phenomenon is closely linked to the structure of complex bureaucratic procedures and the lack of clear incentives to formalise, which makes it difficult for actors in the sector to make the leap to formality. In addition, informality complicates the monitoring and evaluation of cultural policies, as a large part of the participants remain off the radar of official institutions. The absence of clear regulation and weak labour protection also contribute to the precariousness of workers in the cultural industries, leaving them with no guarantee of job stability or access to social benefits. This situation especially impacts emerging creators, who face higher levels of instability and lack the institutional support necessary for their development.

Lack of access to cultural consumption is another aspect obstructing the sector's growth. While public funds can guarantee supply, the population's capacity to consume them is limited by factors such as purchasing power and lack of cultural literacy. Many cultural products are not accessible to the majority of the population, either because of the cost of tickets to performances or the lack of adequate infrastructure for their dissemination. Therefore, cultural promotion and specialised criticism are important tools to foster a culture of consumption, but in many SELA countries these practices are still limited and underdeveloped.

Furthermore, there is a disconnection between the different cultural industries within the region that prevents greater integration and collaboration. Public policies, in many cases, do not favour regional cooperation or the creation of networks that facilitate the exchange of experiences and collaboration between countries. In turn, the lack of a coordinated strategy at the regional level limits the opportunities for cultural actors to export their products and access international markets, so that cooperation between sectors and between countries could generate economies of scale and strengthen the presence of SELA's cultural industries in global markets.

Objectives and alternatives for solutions

The main objective of this document is to support the growth and sustainability of cultural and creative industries in SELA member countries. To that end, it proposes a series of measures aimed at improving access to financial resources, increasing the generation of data on the sector and stimulating cultural demand and consumption. The specific objectives promoted by the proposal are detailed below:

- Increase financial resources for the cultural and creative industries: the aim is to strengthen existing funds and encourage the creation of new financing mechanisms that facilitate access to resources for emerging industries, while diversifying the sources of funding through general and sectoral funds.
- Develop data collection systems on the sector: the aim is to establish mechanisms to obtain detailed information on the different cultural and creative industries and to improve the capacity to diagnose and monitor the public policies implemented.
- Establish mechanisms to promote cultural consumption: the aim is to facilitate the population's access to cultural goods and services through policies that include cultural literacy, direct and indirect subsidies and the creation of favourable conditions for attending cultural events.
- Strengthen regional cooperation: through the creation of cooperation and collaboration networks, the exchange of best practices among SELA countries will be fostered by promoting joint projects and access to new international markets.

Furthermore, there are various alternatives to address the problems identified in the previous analysis that can be implemented depending on the resources

available and the characteristics of each country. Some of the alternatives to consider include:

- Strengthening public and private funds for culture: optimise the distribution of existing funds and explore new forms of financing, such as mixed funds between the public and private sectors and international organisations. These funds should be sectoral and be earmarked for specific areas such as film, music, and visual arts, among others, to facilitate a more efficient use of resources.
- National and regional data collection system: it is proposed to create a more robust and accessible data collection system, both at national and regional level, to improve cultural policy decision-making. This system should include up-to-date information on cultural and creative industries, covering key areas such as production, consumption, characteristics of the actors involved (artists, producers, distributors, etc.), as well as marketing and distribution of cultural goods. For example, statistics should be collected on the number of pieces produced, revenues generated by sector, distribution platforms used, number of jobs created, consumer profile and cultural consumption patterns. In addition, it is important to include data on participation in festivals, exhibitions or cultural events, as well as on public and private investment in the sector. The implementation of such a system would facilitate not only the analysis of the development and trends of the sector, but also the accurate assessment of the impacts of public policies, such as job creation, access to culture, economic sustainability of the sector and regional competitiveness.
- Programmes to promote cultural consumption: encouraging cultural consumption through the implementation of direct subsidy policies, such as ticket discounts for certain groups (students, senior citizens, etc.) or subsidising production and exhibition costs in cultural spaces. In addition, cultural literacy programmes could be created with the aim of generating a more informed public capable of appreciating the available offer.
- Decentralisation of cultural funds and policies: decentralising the distribution of cultural funds and giving local authorities a more prominent role in the management of resources. This would allow for greater coverage and better attention to the needs of cultural industries in different regions, considering local specificities.

- Public-private partnerships for the strengthening of cultural infrastructure: fostering agreements between the state and private actors for the creation or improvement of cultural infrastructure, such as theatres, art centres and museums, through joint investment in the construction, maintenance and promotion of these spaces.
- Tax and business incentives for the cultural industry: using tax incentives for companies investing in the cultural sector, such as tax deductions for sponsorship of cultural events or tax exemptions for small businesses in the creative sector. These measures could increase investment in the sector and broaden its scope.

Each of these alternatives can contribute directly or indirectly to the strengthening of cultural and creative industries in SELA countries. However, it is essential to assess the feasibility of each alternative not only in terms of the specific conditions of each country but also considering the administrative barriers and bureaucratic procedures that may hinder the implementation of policies or access to incentives for actors in the sector. The complexity and slowness of administrative procedures often represent an obstacle to the formalisation of actors in the cultural industries, which may limit the effectiveness of public policies. Moreover, the possibility of implementing several of these alternatives in a complementary manner should consider how bureaucratic procedures can be simplified or digitalised to facilitate access to benefits and resources for the sector, avoiding duplication of efforts and maximising results.

Strategy and feasibility of the proposal

The proposed strategy to boost the growth of cultural and creative industries in SELA countries is aimed at generating an ecosystem that favours both supply and demand within the sector. This will be achieved through the implementation of specific measures in several areas such as financing, data collection and the promotion of cultural consumption. First, it is suggested that the creation and optimisation of investment funds for the cultural and creative industries, both general and sector-specific, be encouraged. The creation of sectoral funds, such as the one for handicrafts in Mexico or the one for cinema in Argentina, will allow for more precise planning and direct communication with the industries to ensure an efficient use of resources. At the same time, it is proposed to optimise general funds, which provide the necessary flexibility to finance diverse cultural projects and to ensure long-term sustainability. These funds should be diversified

through fiscal incentives to companies and citizens to maintain investment in a changing economic context.

As regards monitoring the effectiveness of public policies, the strategy promotes the creation of a robust data collection system to measure the impact of investments and to carry out annual diagnoses on the situation of cultural and creative industries in each country. This system should generate detailed reports that include disaggregated data on the production, consumption, distribution and commercialisation of cultural goods and services, in order to assess more accurately the impact of the policies implemented. The reports should not only reflect current trends in the sector but also identify areas requiring further attention and possible gaps in access to information, which will facilitate the adjustment and adaptation of strategies according to the results obtained. The information gathered will also allow for the identification of specific sectors that, due to lack of data, need to be strengthened in terms of monitoring and analysis, to ensure that all actors in the cultural sector are duly reflected and considered in public policies.

Furthermore, the demand for cultural products and services must be stimulated by accessibility and promotion policies. Accessibility has to do not only with purchasing power, but also with the possibility of appreciating and valuing what is consumed. Therefore, the strategy includes proposals to subsidise cultural consumption through direct and indirect discounts and subsidies. These mechanisms may include discounts on tickets to cultural performances or the assumption by the state of the operating costs of events and festivals. It is also proposed that cultural literacy programmes be created to complement educational policies in order to broaden the potential consumer base by improving the appreciation and enjoyment of culture.

In terms of regional cooperation, the strategy encourages the creation of networks among SELA member countries, which will allow for the sharing of best practices and joint projects that expand markets and audiences for cultural industries. It is a collaborative approach to strengthen regional integration and facilitate access of cultural products to a wider audience. In addition, it is proposed to invest in the improvement of existing cultural infrastructure and in the creation of new exhibition spaces, such as theatres, museums or cultural centres accessible to the entire population and favouring the dissemination of local cultural productions.

As for the feasibility of implementing this strategy, several factors need to be considered. At the legal level, some countries may need to adjust their regulatory framework to facilitate the creation of sectoral funds and the implementation of fiscal incentives. In financial terms, the proposal is based on the creation of public, private and mixed funds that will ensure continued investment in the cultural sectors. Governments could allocate resources from national budgets or international cooperation, while the private sector could participate through tax incentives and other forms of economic support. It will also be necessary to explore the feasibility of establishing alternative financing mechanisms, such as collective investment funds or crowdfunding, to enable small cultural enterprises to access financial resources.

From the institutional point of view, the implementation of this strategy will require the collaboration of various entities, both governmental and private, as well as the active participation of civil society organisations. Institutions in charge of cultural promotion and data collection will need to be strengthened, and greater cooperation between countries in the region will be necessary to promote joint initiatives. At the same time, the institutional capacities of each country must be assessed to ensure that public policies are implemented effectively and efficiently.

The proposal is directly related to the objectives set out in SELA's Work Programme for 2022-2026, particularly in Thematic Area I: Economic Recovery, and Programme III: SMEs, which aims to support economic reactivation through the strengthening of cultural and creative industries. It is linked to Project B: Seizing the opportunities of industries of cultural and creative goods and services for economic recovery, as it proposes specific measures to strengthen cultural industries, such as the creation of investment funds by sector, the collection of data to measure the impact of the policies implemented and the generation of conditions to promote cultural consumption. This responds to the need to strengthen the cultural and creative industries, contributing both to the reactivation of the economy and to the promotion of innovation and job creation.

In addition, the proposal is linked to the activities set out in the aforementioned Area, Programme and Project of the Work Programme. First, with Activity 1: Seminar on strengthening creative ecosystems, by proposing actions to strengthen the local capacities of cultural ecosystems through the promotion of public policies that favour investment, access to financing and the sustainability of cultural industries in the region. Suggestions for

investment funds and the creation of support networks are elements that can directly strengthen these ecosystems.

Secondly, the proposal is linked to Activity 2: Self-management system for updating the Regional Directory on Cultural and Creative Goods and Services Industries, by proposing the collection of data to obtain an accurate picture of the state of the cultural industries in each country of the region. This self-management system would facilitate the continuous updating of the Regional Directory, allowing for a constant record of the actors in the sector. Although not specifically designed for direct public policy monitoring, the Directory can be a useful tool to measure, through indicators such as the number of registered actors, the industry they represent and their longevity, the dynamism and evolution of the sector. This information would serve as a basis for assessing the situation of the cultural sector and support informed decision-making, helping identify areas for improvement or sectors that require further public policy support.

Thus, the proposal is in line with the guidelines and objectives established in SELA's Work Programme and promotes an integrated approach to strengthen cultural and creative industries as part of the strategy for economic recovery of member countries. By promoting the development of these sectors, it seeks to generate new employment opportunities, stimulate entrepreneurship in cultural areas and diversify the region's economic offer. Cultural and creative industries have the potential to boost local economies, especially in areas that have not traditionally benefited from investment in conventional industrial or commercial sectors. By integrating cultural manifestations into the economic agenda, it favours the preservation of cultural heritage and innovation in creative production, from handicrafts to digital media, strengthening regional competitiveness in the global market.

Expected impact

The implementation of the proposal is designed to generate effects in several key areas of the cultural and creative industries in SELA countries. The optimisation of investment funds earmarked for these sectors is expected to increase the availability of resources to support projects and ventures within the cultural industries. This would especially benefit emerging actors, providing them with the opportunity to access both public and private funding, which can result in increased cultural production, job creation and expansion of these sectors.

In addition, the collection and analysis of data on the impact of implemented policies will provide governments and responsible entities with a clearer picture of the state and evolution of cultural industries in each country. With this information it will be possible to adjust, improve the effectiveness of public policies and ensure that resources are allocated more efficiently so that interventions have greater reach and success.

Boosting the demand for cultural products will also generate a change in public behaviour by encouraging greater cultural consumption in the region. This could translate into an increase in participation in cultural activities which, on the one hand, would expand markets and, on the other hand, strengthen people's connection to local and regional culture. The implementation of access strategies and subsidies for cultural products would facilitate the inclusion of a wider public by reducing economic barriers to the consumption of cultural goods and services.

Finally, strengthening cultural and creative industries would contribute to economic growth and job creation in these sectors. Improving the availability of funding and expanding markets for cultural products would allow more start-ups and small businesses to consolidate and grow, with a positive impact on the local economy and the creation of sustainable jobs in various areas, from production to distribution of cultural products.

Final considerations

The strengthening of cultural and creative industries in SELA member countries is a complex process that requires a coordinated and sustained approach over time. The proposals presented here aim to provide a framework for investment, monitoring and promotion of these sectors, recognising their capacity to contribute to economic reactivation, job creation and cultural enrichment. However, their implementation is not without challenges. One of the main obstacles lies in the need to create favourable environments for the development of these industries. While governments should not guarantee an efficient allocation of resources in the short term, they should ensure adequate conditions that foster innovation, creativity and the formalisation of the sector's actors, especially small and medium-sized enterprises within the creative economy.

Another important challenge is the creation of reliable and standardised information systems that can effectively measure the impact of policies. Data

collection is a step towards understanding the situation in each sector and making the necessary policy adjustments. However, this process requires an adequate infrastructure, both technical and organisational, to allow for a continuous assessment of the development of cultural industries. In this regard, it is necessary for SELA member countries to strengthen their capacities in terms of data collection, analysis and dissemination in order to have accurate information to guide decision-making.

Furthermore, the promotion of cultural consumption through the creation of conditions of economic and cultural accessibility is another aspect that can benefit from a more articulated strategy. In the long term, the formation of audiences that consume, value and support cultural production will be decisive in guaranteeing the viability of cultural industries and their capacity to generate economic impact. Education in the cultural field, as well as the promotion of specialised criticism, are necessary steps to cultivate a more informed and engaged market for local and regional cultural products.

As these proposals are implemented, it will be important to continue to adapt them to changes at both local and global levels, and to foster continued cooperation between the public and private sectors. Strategic partnerships, the exchange of best practices between countries in the region, and support from international organisations can ensure that the proposed policies have a lasting impact. The sustainability and success of these measures depend on the ability of nations to maintain a shared vision and joint effort for the development of cultural and creative industries, not only as an economic driver, but also as a pillar for social cohesion and the strengthening of the cultural identity of the region.

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Sustainable development of coffee and cocoa: SELA's initiatives for their strengthening and promotion in Latin America and the Caribbean

Executive Summary

Latin America and the Caribbean have historically been recognised as a producer of high-quality coffee and cocoa. However, the potential of these industries has not been fully exploited. The products, especially fine-flavoured cocoa varieties and coffee grown in various parts of the region, are highly valued in international markets. Nevertheless, the lack of value added and the limited industrialisation of the products in their place of origin limit the economic opportunities for producers in both industries.

During the workshop held in Caracas, Venezuela, in 2024, the various challenges facing the cocoa industry in the region were discussed. One of the central issues was the need to comply with the new EU legislation on deforestation-free products. This legislation requires that all products entering the European market come from deforestation-free areas, which represents a considerable challenge for local producers, who often lack the resources and technical knowledge to meet these standards.

The importance of establishing mechanisms to help producers adapt to the demands of the global market, improving the quality of their products and adding value at each stage of the production chain was also highlighted. In this context, the Comprehensive Proposal for the Creation of a Coffee and Cocoa Promotion Institution in Latin America and the Caribbean is presented as a strategic solution to face these challenges. This institution seeks to guarantee the economic, social and environmental sustainability of both

industries, promoting capacity building and the integration of producers into the international market.

Introduction

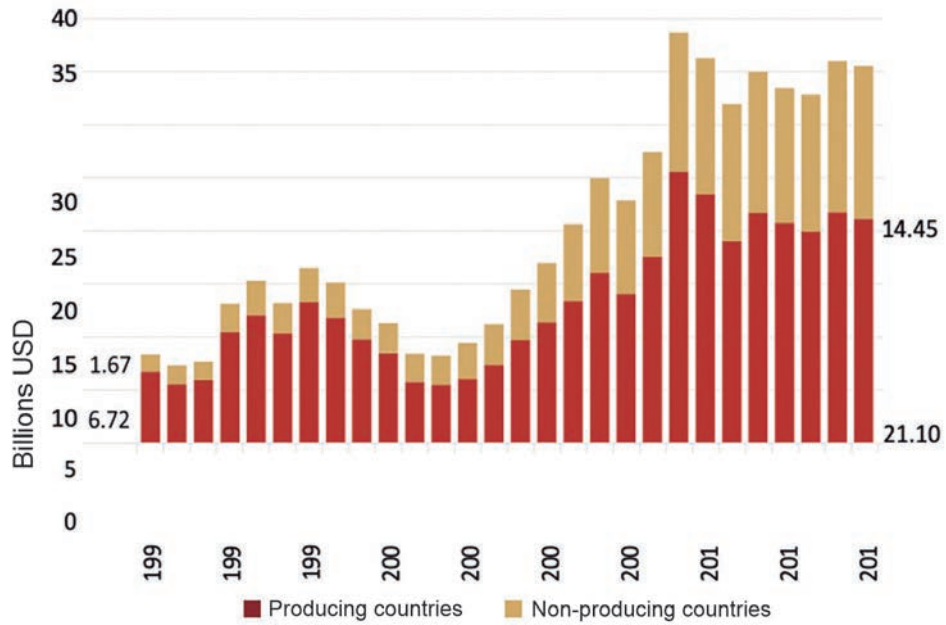
This document aims to propose the creation of a regional institution committed to promoting the competitiveness, sustainability and expansion of the coffee and cocoa industries in Latin America and the Caribbean. Both industries have played a relevant role in the economic development of the region, thanks to their favourable agro-ecological conditions and the high quality of the products grown there. However, the challenges they face in terms of industrialisation, value added and compliance with international regulations limit their full development. Within the framework of SELA's Work Programme for 2022-2026, specifically in Thematic Area I: Economic Recovery, Programme III: SMEs, and Project A: Productive Articulation for Stronger SMEs, activities are included that focus on strengthening the cocoa and coffee industry through the creation of better production protocols and best practices. It is in this context that the activities described in this document are developed and that the policies detailed in this chapter are proposed.

The Workshop "Strengthening the cocoa industry in Latin America and the Caribbean," held on 22 April 2024, highlighted the importance of addressing these challenges in a joint and coordinated manner, promoting greater collaboration between the countries of the region and international organisations. In this context, the proposal to create a regional institution is presented as a strategic step to strengthen the value chains of both industries and ensure their competitiveness in the global market.

Production in countries such as Brazil, Colombia, Ecuador, Peru and Venezuela has been important in the consolidation of these industries at a global level, generating products that are internationally recognised for their quality and distinctive flavour. Currently, the volume of coffee produced in South and Central America and Mexico represents 60% of the global total. However, despite this comparative advantage, the region faces a series of structural challenges that limit its growth and competitiveness in international markets.

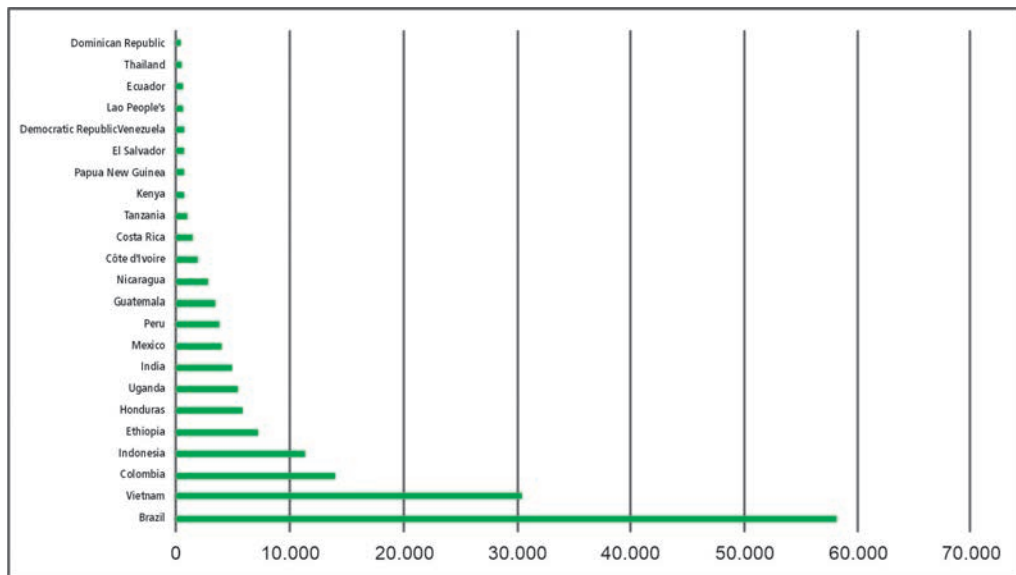
However, Latin America and the Caribbean also account for approximately 21% of world cocoa production (estimated by the International Cocoa Organisation for the 2022/23 harvest), with a highly valued product, especially the fine flavour cocoa varieties. However, the lack of value

added and limited industrialisation of products at origin limit economic opportunities for producers.



Source: International Coffee Organisation.

Coffee production per year, 2019-2020 (in thousands of 60 kg bags)

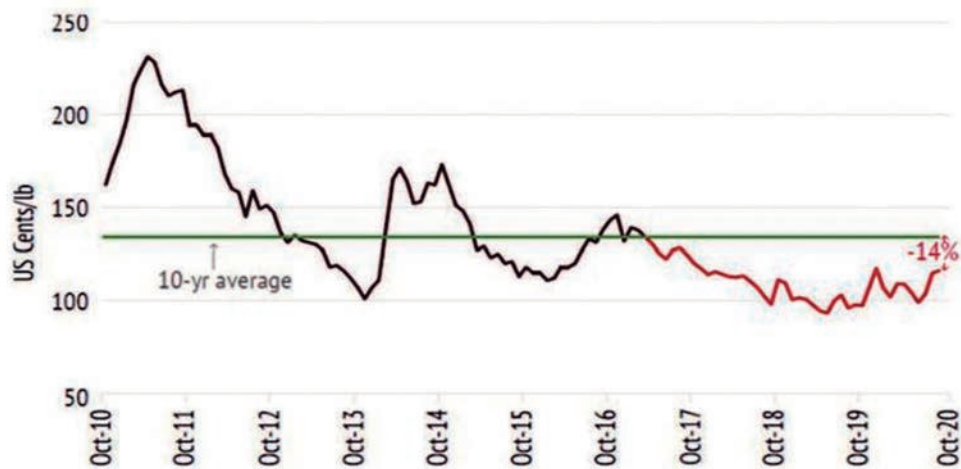


Source: International Coffee Organisation.

The aforementioned workshop highlighted the importance of jointly addressing the challenges faced by these industries. The need to promote greater collaboration between the countries of the region and international

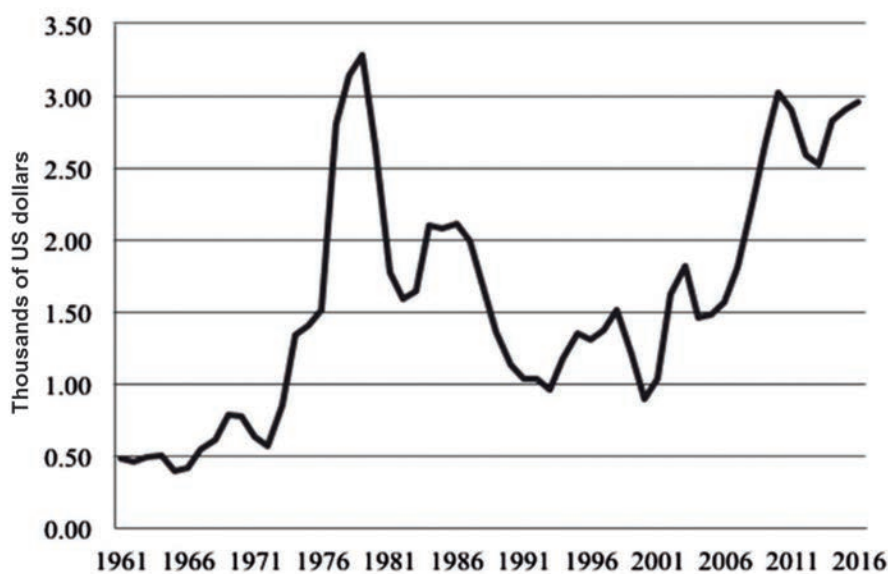
organisations was emphasised, as well as the need to establish public policies that promote the industrialisation and value added of products. In this context, the urgency of creating mechanisms to support producers, especially small farmers, in improving their production conditions and their access to new markets was also identified. The proposal of a regional institution for the promotion of coffee and cocoa is thus presented as a strategic step to strengthen the value chains of both industries, ensuring their economic, social and environmental sustainability in the global market.

Evolution of coffee prices, 2010-2020 (US cents per pound)



Source: International Coffee Organisation.

Cocoa price developments, 1961-2016 (prices in thousands of dollars)



Source: The Cocoa Value Chain in Latin America and the Caribbean, 2019.

Framework of reference

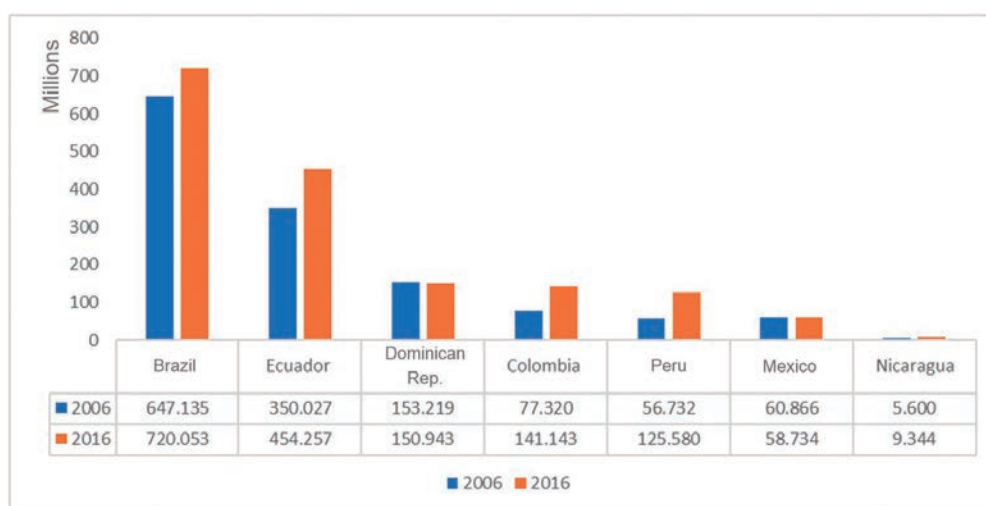
The productive context of the coffee and cocoa industries in Latin America and the Caribbean has witnessed important achievements, although it also faces major challenges that limit its potential. The region has established itself as one of the world's largest producers of coffee and cocoa, standing out for the quality of its products, particularly fine aroma cocoa, which has gained recognition in demanding markets such as Europe and North America. However, despite this favourable position, the region is lagging behind in terms of value added and product diversification. Insufficient investment in industrial infrastructure has limited the capacity of producers to transform their crops into higher value products, such as quality chocolate, roasted coffee and other cocoa derivatives. As a result, much of the production is exported in its raw state, reducing profits for producers and putting them at a disadvantage vis-à-vis countries that have developed more advanced processing industries.

Cocoa production year-on-year, 2020-2023 (thousand tonnes)

	2020/2021		2021/2022		2022/2023	
Africa	4.055,00	77 %	3.589,00	74 %	3634	73 %
Cameroon	292		295		290	
Ivory Coast	2248		2121		2180	
Ghana	1047		683		680	
Nigeria	290		280		280	
Others	178		210		204	
America	934,00	18 %	973,00	20 %	1052	21 %
Brazil	200		220		220	
Ecuador	365		365		440	
Others	369		388		392	
Asia and Oceania	254,00	5 %	265,00	5 %	268	5 %
Indonesia	170		180		180	
New Guinea	42		42		42	
Others	42		43		46	
World	5.243,00	100 %	4.827,00	100 %	4.954,00	100 %

Source: prepared by the author with data from the International Cocoa Organisation (ICCO).

Cocoa harvested area, 2006-2016 (thousands of hectares)



Source: prepared by the author with data from “The Cocoa Value Chain in Latin America and the Caribbean, 2019.”

This highlights the need to address these challenges in a coordinated manner. The April 2024 workshop discussed the increasing pressure from international markets to meet quality and sustainability standards, exemplified by the EU’s deforestation-free regulations. This legislation requires producers to prove that their products do not come from deforested areas, which represents a considerable challenge, especially for small farmers who lack the technical and financial resources to meet these requirements.

The workshop also highlighted the importance of improving the livelihoods of coffee and cocoa farming families. Many of these farmers are smallholders who depend on plots of less than five hectares for their livelihoods. The lack of access to credit, technical assistance and international markets places them in a situation of economic vulnerability, which limits their capacity to invest in productive improvements and adopt new technologies. This scenario highlights the need to create a regional institution to provide technical and financial support, facilitating access to resources and tools to enhance the productive capacity of these farmers.

The proposal to establish a regional institution for the promotion of coffee and cocoa in the region emerges as a strategic solution to address these problems. With the aim of fostering collaboration between countries, improving industrialisation and value added, and facilitating compliance with international regulations, it seeks to contribute to the economic and social

sustainability of the coffee and cocoa industries in the region. This body could operate under the institutional umbrella of SELA, as an action committee with operational independence and autonomy in its management, under the responsibility of the countries themselves. Thus, a forum would be created where producers, exporters and the foreign market can actively participate, and where there is promotion of direct dialogue and effective coordination to face the challenges of the sector.

Problem and needs analysis

The coffee and cocoa industries in Latin America and the Caribbean face multiple problems that require coordinated intervention to be solved effectively. One of the main challenges is the insufficient infrastructure for product processing in the region. Most producing countries export coffee and cocoa in its raw state, which prevents the generation of value added through industrial processing. This situation not only reduces producers' incomes, but also limits the region's competitiveness in international markets, where processed products have a higher value. Without adequate infrastructure, producers are forced to accept low prices for unprocessed products, which hampers their economic sustainability.

Another relevant problem is the restricted access to international markets, derived from the lack of certifications that guarantee compliance with the quality standards demanded by the main consumer markets, such as the European Union and the United States. Organic and fair-trade certifications are increasingly in demand by consumers, but many producers in Latin America and the Caribbean lack the resources and technical knowledge to obtain them. This limits their ability to compete in a market where quality and sustainability are increasingly valued. In addition, climate change has had a negative impact on the coffee and cocoa industries, altering weather patterns and affecting crop yields. In several regions, pests and diseases have increased as a result of these changes, reducing productivity and creating uncertainty among producers. Smallholder farmers, in particular, are the most vulnerable to these conditions, as they often lack the resources to adopt resilient agricultural practices to mitigate the effects of climate change.

Throughout the work carried out on these issues, the need to improve the living conditions of producers, who in many cases live in poverty and depend on coffee and cocoa cultivation as their only source of income, was also highlighted. Fluctuations in international prices and the lack of access

to adequate financing have made it difficult for producers to invest in their plantations and improve their production systems. This situation creates a cycle of poverty that perpetuates itself, affecting the quality of life of producer families. It is therefore necessary for the new regional institution to focus on providing technical, financial and logistical support to producers, helping them improve their agricultural practices, access new markets and generate more income for their families. By addressing these problems in a comprehensive manner, it can contribute to the sustainability and development of the coffee and cocoa industries in Latin America and the Caribbean.

Objectives and alternatives for solutions

The main objective of this proposal is to improve the competitiveness and sustainability of the coffee and cocoa industries in the continent through the creation of a regional institution that will provide technical, financial and logistical support to producers. This institution will be in charge of promoting the adoption of better agricultural practices, fostering the industrialisation of products and ensuring that they comply with international quality and sustainability standards.

The 2024 workshop recommended strengthening the institutions involved in the cocoa industry to improve their functioning and effectiveness. It also raised the need to professionalise a team in charge of an Internal Management System, ensuring that it has adequate training to handle the challenges of the sector. In addition, it was suggested that continuous assessments be carried out in the production chain with a risk-based approach to identify and mitigate potential problems.

Another aspect highlighted was the importance of maintaining the reputation of organic products, especially cocoa, on the international market. It was recommended that local development be strengthened through self-management of production processes, which could contribute to the sustainability of the sector. It was also suggested adding value to cocoa products to improve competitiveness in the market and promoting inclusive models of adaptation and eco-intensification to increase the sector's sustainable productivity. It was also mentioned that partnerships should be built to make certification accessible to stakeholders, both in economic and geographical terms, using local staff. Finally, it was proposed to establish national plans involving the industrial and export sector to channel social care for cocoa families, promote the strengthening of germplasm banks, promote the renewal of plantations, support the rehabilitation

of cocoa farms and promote agroforestry systems to contribute to the reduction of the carbon footprint.

To address the challenges facing the coffee and cocoa industry, several alternatives for the creation of this institution were considered. One option was to allow producers to operate without coordinated intervention, but it was concluded that this alternative would not solve the existing structural problems, as leaving them to operate in isolation would perpetuate their vulnerability and competitive disadvantage in the global market. Another alternative was to implement training and technical assistance programmes by non-governmental organisations and international agencies. However, their impact is limited and fragmented, as they lack an institutional structure to ensure sustainability and continuity of actions.

It was also envisaged to foster partnerships between producers, cooperatives and private companies to improve access to finance and markets. However, the lack of a clear institutional framework could result in uncoordinated efforts and generate tensions between value chain stakeholders.

In contrast, the creation of a regional institution is proposed as the most viable and effective solution. This entity would not only provide a space for the articulation of efforts among producer countries, but would also facilitate access to financial resources, technical assistance and continuous training for producers. By centralising promotion and development efforts, it is expected to maximise the impact of the initiatives implemented and ensure that the benefits are distributed equitably among all actors in the value chain.

Key strategies for the creation of this institution include the creation of a Research and Development Centre that will focus on improving crop varieties and techniques and processing methods, as well as research into sustainable agricultural practices and innovative technologies. In this regard, it is proposed to implement extensive training programmes for farmers, emphasising sustainable and organic farming practices, as well as workshops on quality control and post-harvest processing.

It is essential to foster strong partnerships with international organisations, research institutions and global stakeholders in the coffee and cocoa industries by engaging in collaborative projects to share knowledge, technology and best practices. It is also proposed to establish a dedicated market intelligence unit to provide real-time data on global market trends and

consumer preferences to guide strategic decision-making by local producers. In addition, marketing campaigns will be developed to highlight the unique qualities of Latin American and Caribbean coffee and cocoa, facilitating participation in international trade fairs and events to expand market access for local producers.

Finally, it is suggested that the institution develop an evaluation and monitoring framework to measure progress and the results of implemented actions, ensure transparency and accountability, and adjust strategies as necessary to maximise benefits for producers and their communities. This framework could be supported by an action committee under the institutional framework of SELA, with operational independence and autonomy, allowing the countries to manage the functioning of this committee. In addition, a space would be created where producers, exporters and foreign market actors can contribute their perspectives, and direct participation in the evaluation and adjustment of the sector's strategies would be favoured.

Strategy and feasibility of the proposal

The strategy to establish the regional institution is articulated along several axes that seek to address in a comprehensive manner the challenges faced by the coffee and cocoa industries in Latin America and the Caribbean. First, the creation of a Research and Development Centre under the umbrella of SELA is proposed, which will focus on improving crop varieties, sustainable agricultural practices and processing technologies to increase the value added of products. Through this centre, training and technical assistance will be offered to producers, with the aim of facilitating the adoption of best practices and ensuring compliance with international quality standards.

Another pillar of the strategy is the promotion of financial inclusion for small and medium-sized producers. Strategic partnerships with international organisations such as the United Nations Food and Agriculture Organisation (FAO) and other development funds are envisaged to mobilise financial resources for projects that promote the sustainability and competitiveness of industries in the region. This will include the implementation of accessible credit lines, as well as the promotion of business models that integrate the most vulnerable producers, helping them improve their economic conditions and productive capacities.

The feasibility of this proposal also relies on the collaboration and commitment of the countries in the region. The creation of a body representing the interests of coffee and cocoa producers will be essential to ensure that their voices and needs are heard. This body will be able to act as a bridge between producers and government institutions, thus facilitating communication and cooperation in the formulation of policies that benefit these industries. In addition, it seeks to strengthen existing institutions involved in the cocoa industry to improve their functioning and effectiveness.

From a legal perspective, it is expected that the creation of this institution will not require changes to existing regulatory frameworks. However, it will be important to coordinate efforts to harmonise quality and certification standards at the regional level, which will allow producers to comply with international regulations and improve their competitiveness in global markets. In this regard, it is recommended to maintain the reputation of organic products, especially cocoa, on the international market and to establish national plans involving the industrial and export sectors to channel social attention to producer families.

The proposal also considers the implementation of comprehensive training programmes that emphasise sustainable and organic agricultural practices, as well as workshops on quality control and post-harvest processing. In addition, it seeks to foster local development based on self-management of production processes, which can contribute to the sustainability of the sector. A dedicated market intelligence unit will also be established to provide real-time data on global market trends and consumer preferences to guide strategic decision-making by local producers.

The creation of this regional institution represents a response to the current challenges facing the region. It is hoped that, through the implementation of this strategy, it will not only improve the quality of life of producers but also increase their production capacity and guarantee equitable access to international markets. This proposal envisages the creation of an action committee under the institutional framework of SELA, with operational autonomy and in charge of the countries themselves, to ensure a comprehensive approach that considers the specific needs of small and medium-sized producers. It also seeks to promote social and economic inclusion in the coffee and cocoa sector in order to create a space where producers, exporters and other relevant actors can collaborate directly.

Expected impact

The implementation of the proposal to establish a regional institution will have an impact on the coffee and cocoa industries in Latin America and the Caribbean to generate benefits not only for producers, but also for local economies and sustainable development in the region. One of the main expected effects is the increased competitiveness of coffee and cocoa products in international markets. Through the adoption of better agricultural practices, the use of advanced technologies and compliance with the quality standards demanded by consumers, a significant increase in exports of value-added products is expected. This will result in higher incomes for producers and improved living conditions for them and their families.

The creation of this institution will also foster research and development in the sector with innovations that will benefit producers in terms of efficiency and sustainability. As industry adapts to market demands and changing climate conditions, new business and employment opportunities are expected to emerge in producing communities.

Another relevant impact will be the promotion of sustainability in agricultural practices. With a focus on responsible production and reduction of the environmental footprint, it is anticipated that producers will adopt more sustainable methods that protect the environment and ensure the long-term viability of their crops. This change will not only benefit farmers but will also contribute to the conservation of natural resources and biodiversity in the region.

In addition, strengthening the institutions involved in the cocoa and coffee industry will facilitate the professionalisation of the internal management team, ensuring that they have the right skills to address the challenges of the sector. Continuous assessments in the production chain, with a focus on risk identification and mitigation, will help maintain the reputation of organic products, especially cocoa, in the international market.

Finally, the development of partnerships for certification and the creation of national plans involving the industrial and export sector will contribute to strengthening the sector through the renewal of plantations, support for the rehabilitation of cocoa farms and the promotion of agroforestry systems. Together, these elements will not only improve the competitiveness and

sustainability of the coffee and cocoa industries in the region but will also have a positive impact on the well-being of the producing communities.

Final considerations

The creation of a regional institution for the promotion of the coffee and cocoa industries in Latin America and the Caribbean represents an essential step forward in addressing the challenges affecting these strategic industries. The 2024 Workshop has emphasised the need for regional cooperation, as collaboration among producing countries is vital to overcome the obstacles faced by farmers and to ensure the long-term sustainability of the sector.

Implementing this proposal will improve the competitiveness of the coffee and cocoa industries, while promoting the social and economic inclusion of producers. Ensuring that they receive a fair price for their work and products will not only help improve their quality of life but will also benefit millions of families in the region who depend on these activities for their livelihoods. The comprehensive approach proposed by the creation of the regional institution will allow efforts to be channelled towards training, access to finance and the adoption of sustainable practices.

In a global context where competition is increasingly intense, it is necessary for Latin America and the Caribbean to transform themselves from simple suppliers of raw materials to relevant players in the market for high value-added products. To do so, the region must adapt to market demands, comply with international standards and guarantee the quality of its products. The creation of strong institutions is essential to support producers and foster innovation, as well as to promote responsible agricultural practices that minimise environmental impact.

As progress is made in the realisation of the regional institution, it is important to establish monitoring and evaluation mechanisms to measure the impact of the initiatives implemented, so that strategies can be adjusted to the changing realities of the sector. These mechanisms could be managed by an action committee under the institutional framework of SELA, with operational autonomy and direct participation of the countries. This would ensure a continuous and adaptive evaluation that responds to the needs of coffee and cocoa producers and contributes to a more equitable and sustainable economic development in Latin America and the Caribbean, in addition to strengthening the resilience of producing communities in the face of future challenges.

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Strengthening economic cooperation between Latin America and the Caribbean and China: a proposal for diversification and sustainability

Executive Summary

Trade and investment between Latin America, the Caribbean and China have shown sustained growth in recent decades, consolidating China as one of the region's main trade and financial partners. However, this relationship faces challenges, such as the growing trade deficit and the high dependence on the export of raw materials, which limits the capacity for economic diversification and the development of strategic sectors.

This document presents a series of public policy proposals aimed at strengthening economic cooperation through greater diversification and sustainability of Chinese investments in the region. Initiatives are proposed to address the diversification of the export structure, the strengthening of technological and energy infrastructures, as well as the creation of financing mechanisms that promote long-term sustainable investments. In particular, it seeks to promote greater collaboration in sectors such as infrastructure, renewable energy, advanced manufacturing and emerging technologies, aligned with the Sustainable Development Goals (SDGs). Proposals include the creation of joint investment funds, public-private partnerships and bi-national consortia that facilitate technology transfer, generate employment and contribute to balanced and sustainable economic growth.

Introduction

The economic relationship between Latin America and the Caribbean and China has been an important factor in the expansion of trade and investment in the region. Since 2000, Latin American and Caribbean exports to China have shown remarkable growth, especially in sectors such as mining, agricultural products and energy resources. This increase in trade has been a source of income for many countries, allowing them to take advantage of China's growing demand for raw materials. However, this relationship has generated a situation of dependency, where Latin American and Caribbean economies have become vulnerable to the fluctuation of international commodity prices. Most of the region's exports to China consist of primary products, while imports from China are mostly made up of manufactured goods with higher value added, which has contributed to a growing trade deficit.

Latin America and the Caribbean: evolution of trade with China, 2000-2023 (in millions of dollars)

	2000	2010	2015	2022	2023
Exports	3.794	74.512	81.219	183.944	193.996
Imports	10.278	131.775	181.050	311.881	268.316
Bilateral trade	14.072	206.287	262.269	495.825	462.312

Source: ECLAC, 2023.

This pattern of trade raises questions about sustainable growth opportunities for Latin America and the Caribbean, as the lack of diversification in export supply restricts the ability of the region's countries to develop other sectors with higher technological value. Latin American and Caribbean economies, being highly dependent on commodity prices, are exposed to variations in global demand and changes in international market conditions. This vulnerability has become evident at various times, when falling commodity prices have had a negative impact on the economic growth of several countries. The current pattern of trade relations with China perpetuates these risks and hinders progress towards a more diversified economy that is less exposed to international market swings.

In this context, it is important to rethink the approach towards greater export diversification and less dependence on primary commodities. Latin America

and the Caribbean have the opportunity to take advantage of Chinese investment to boost sectors that are more technologically advanced and offer greater development opportunities. These investments, which have been largely concentrated in extractive sectors, could be redirected towards activities that promote growth in strategic sectors, such as renewable energies and emerging technologies. This would contribute to reducing the trade deficit, while strengthening the capacity of Latin America and the Caribbean to compete in global markets with higher value-added products.

This document presents a public policy proposal aimed at taking advantage of China's growing investment in the region to address bilateral trade imbalances and promote a more equitable and sustainable economic development. The proposal is aligned with the objectives of SELA's Work Programme for 2022-2026, specifically with Thematic Area I: Economic Recovery, Programme I: Economic Integration and Project A: Institutional convergence and cooperation for integration. Within this framework, it seeks to boost regional integration and strengthen value chains by promoting policies that favour institutional cooperation and convergence among Latin American and Caribbean countries. These policies are designed to be consistent with the SDGs, focusing on industrial development, innovation, infrastructure improvement and access to clean energy.

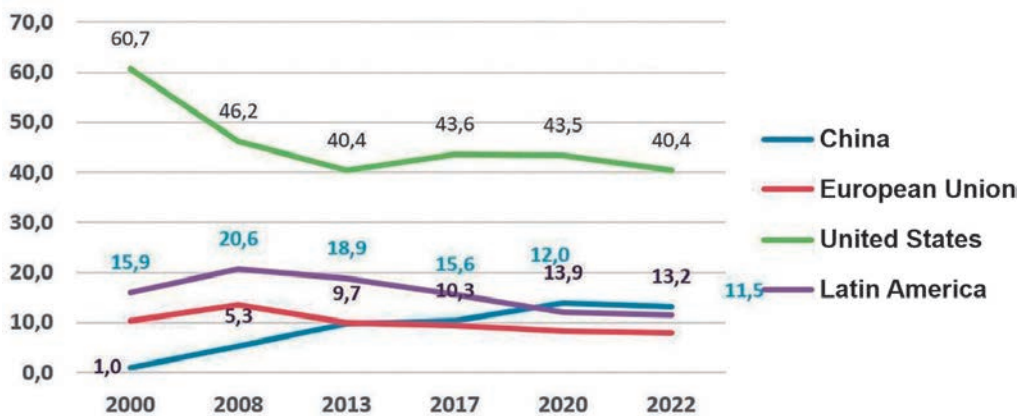
By proposing strategies aimed at diversifying exports and boosting sectors with high technological value, this document presents mechanisms that will not only improve the trade balance with China, but also stimulate greater cooperation in research, development and investment. Technology transfer and financing from China can help modernise the region's economies and facilitate a process of productive transformation that reduces dependence on commodities. This, in turn, can open up new opportunities for sustainable development in sectors such as renewable energy, technological infrastructure and advanced manufacturing.

It is an approach that seeks to balance the economic relationship with China, taking advantage of its investments and lines of financing to foster more balanced and sustainable growth. Through public policies that promote greater regional integration and the strengthening of strategic sectors, the aim is for Chinese investments to respond to both infrastructure needs and the creation of local capacities in high-tech areas. This would contribute to a change in the productive structure of Latin America and the Caribbean, allowing it to consolidate a stronger position in global trade and reduce the vulnerabilities derived from dependence on exports of primary products.

Framework of reference

Since the beginning of the 21st century, global trade has undergone transformations driven by factors such as geopolitical tensions, the digitalisation of economies and the growing role of renewable energies. These dynamics have affected trade relations at the global level and, in particular, the relationship between Latin America and the Caribbean and China has gained relevance. Over the last two decades, trade between the two sides has increased considerably, with China consolidating its position as one of the region’s main trading partners, especially in South America. Countries such as Brazil, Chile and Peru consider China as their main export destination, reflecting the magnitude of this trade link, while at the regional level it is Latin America and the Caribbean’s second largest trading partner, underlining the strategic relevance of the relationship in economic terms.

Main export destinations of Latin America and the Caribbean, 2000-2022 (percentage of total exports)



Source: ECLAC, 2023.

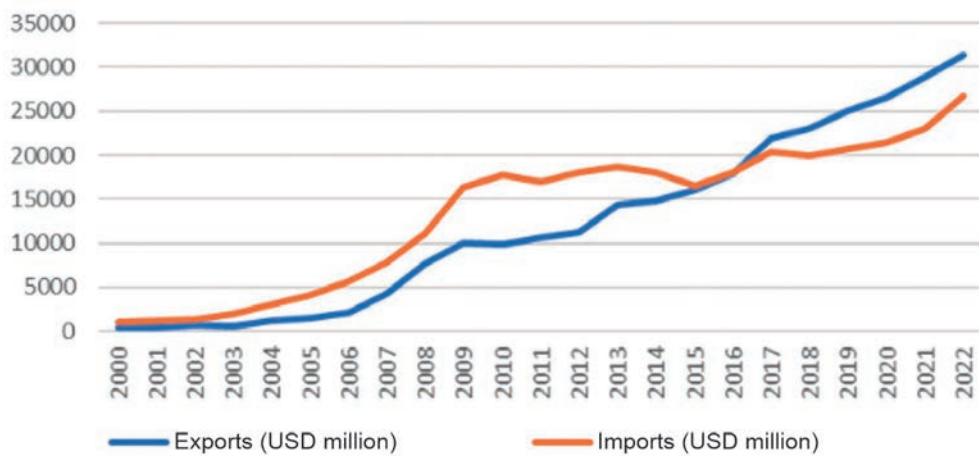
However, this trade growth has presented certain challenges for Latin America and the Caribbean, particularly the re-primarisation of its economies. As the region has increased exports of commodities, such as minerals, food and energy products, its capacity for further industrialisation has declined. Instead, imports from China consist mostly of manufactured goods and advanced technology, which has led to trade imbalances. This pattern of trade perpetuates Latin America and the Caribbean’s dependence on sectors of low productive complexity, limiting its potential to diversify its economic structure and create more sophisticated industries.

Alongside these challenges, the region faces obstacles in terms of infrastructure, technology and energy integration. These areas, if properly developed, can be key to reducing the gap between the export of raw materials and the import of advanced technology. In this connection, Chinese investment in sectors such as infrastructure, renewable energy and digitalisation offers a unique opportunity to improve regional competitiveness. The global energy transition, coupled with increasing digitalisation, opens new windows of opportunity for Latin America and the Caribbean to participate more actively in the global economy and use its abundant natural resources to position itself as a key supplier of clean and sustainable energy.

Since joining the World Trade Organisation (WTO) in 2001, China has experienced a rapid rise as a global economic power, which has profoundly transformed trade relations with Latin America and the Caribbean. This trade growth has been remarkable, exceeding USD 495 billion by 2022. However, various studies, such as those conducted by the Economic Commission for Latin America and the Caribbean (ECLAC), have pointed out that, despite the immediate benefits, the region has witnessed a process of re-primarisation that limits its capacity to move towards greater industrialisation. It is a phenomenon that has affected the region's economic structure and its ability to generate long-term sustainable growth.

The main challenge in the relationship with China lies in how to take advantage of this link to foster more inclusive and sustainable development. In this context, it is essential to seek export diversification towards higher value-added products and to take advantage of Chinese investments to strengthen strategic sectors such as advanced technology and renewable energy. Attracting Chinese investment to support the development of technological capabilities, modern infrastructure and clean energy projects is fundamental to achieving greater integration of Latin America and the Caribbean into the global economy, both as an exporter of raw materials and as a relevant player in more sophisticated and sustainable value chains.

Evolution of trade between LAC and China, 2000-2022 (in USD million)



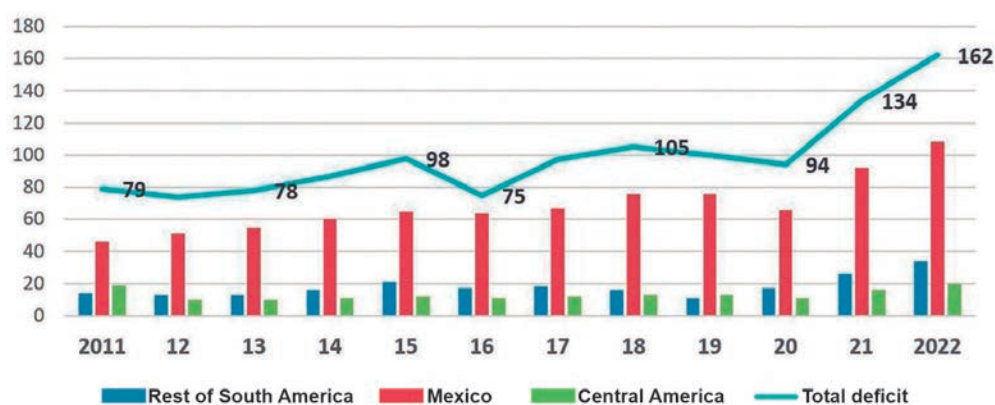
Source: ECLAC, 2023.

Problem and needs analysis

Trade between Latin America, the Caribbean and China poses both challenges and opportunities for the region. Some countries, such as Brazil, Chile and Peru, have managed to maintain a trade balance due to their exports of minerals and agricultural products, while others face a trade gap, especially in the manufacturing sector. This pattern reflects the predominance of commodity exports, which, while providing an important source of income, also highlights the need to diversify economies to access higher value-added sectors and promote more sustainable growth. Chinese investment can play an important role in this process, either through financing for industrial infrastructure development or through strategic partnerships in high-tech sectors.

The concentration of exports in natural resources has made the region’s economies more vulnerable to economic cycles and international price volatility. In this context, moving towards a more diversified export structure can offer new job opportunities and foster more balanced development. Chinese investments in infrastructure, technology and renewable energy could help reduce these vulnerabilities by allowing countries in the region to move towards greater industrialisation and complement their natural resource exports with higher value-added manufactured products.

Latin America's trade deficit with China by sub-area, 2011-2022 (USD billions)



Source: DCII database, ECLAC. Only countries with deficits are included. For clarity in the chart, the Caribbean is excluded, an area that in the period under consideration has contributed between 4% and 7% of this deficit.

In relation to the above, over the last 20 years, Latin America and the Caribbean have recorded an annual trade deficit with China, driven mainly by imports of manufactured goods such as technology, household appliances and vehicles. Attracting Chinese investment in sectors such as advanced manufacturing, information technology and renewable energy represents an opportunity to improve the region's competitiveness and generate a more balanced economic structure. In addition, financing from China could be used to boost local productive capacity, which would facilitate more balanced trade and a sustainable economic boost.

As for food production, the region has a competitive advantage that should be exploited in its relationship with China. Aligning public policies with the principles of sustainability and agricultural development mentioned in SELA's book could strengthen this key sector. Cooperation with China in this area could both diversify exports and reduce dependence on low value-added primary products. Therefore, promoting Chinese investment in the development of agricultural infrastructure and sustainable food production could help Latin America and the Caribbean consolidate itself as a strategic partner in global food security.

Objectives and alternatives for solutions

The objective of this proposal is to establish a roadmap to strengthen economic, trade, cooperation, investment and social relations between Latin America and the Caribbean and China. Although it seeks to reduce

the trade deficit, the initiative focuses on a comprehensive agenda that promotes the diversification of exports, the improvement of technological and energy infrastructure, and the strengthening of regional value chains. The goal is to promote a transformation that will allow the region to increase its competitiveness through technology and knowledge transfer, as well as to encourage investment in specific infrastructure projects and strategic sectors. To that end, the following concrete steps are proposed:

- **Export diversification:** the identification and development of new productive sectors in the region, focused on higher value-added manufacturing, is proposed. This implies encouraging investment in sectors such as advanced technology and manufacturing, taking advantage of Chinese financial resources to generate new productive capacities in Latin America and the Caribbean.
- **Strengthening strategic sectors:** areas with potential, such as renewable energy and digitalisation, should be identified where Chinese investments can be directed to modernise regional infrastructure and improve productive capacity. These projects should include specific details in terms of timelines, objectives and collaboration mechanisms to ensure their viability.
- **Technology and energy infrastructure development:** regional infrastructure projects covering the expansion of telecommunications networks and the construction of renewable energy plants are envisaged. These projects should be financed by China, ensuring that they are sustainable and incorporate advanced technologies adapted to the region's needs.

In terms of food production, the proposal must consider the productive capacities of Latin America and the Caribbean in order to capitalise on the region's advantages in agricultural production. However, the focus should not be limited to increasing traditional agricultural exports. It is necessary to move towards modernisation and diversification of the agricultural sector, which implies improving rural infrastructure, promoting investment in technology and machinery to increase productivity, and moving towards sustainability. In addition, there is a need to establish technical cooperation with China to strengthen the sector's competitiveness, particularly in value-added food production.

The aim is for the region to export both raw materials and processed and manufactured agricultural products that meet the standards and requirements of the Chinese market. In this regard, collaboration with China should be oriented towards the creation of specific value chains that include everything from production to the marketing of products, taking advantage of market demand and optimising processes to reduce production costs. China should be a strategic partner in the development of these programmes and actively participate in technical training, technology transfer and local capacity building.

In view of the fact that the strategy cannot focus solely on the export of raw materials, a comprehensive plan is needed that seeks to diversify the products exported while prioritising investment in sectors such as technology, advanced manufacturing, renewable energy and other industries with long-term projection. This would allow the creation of value chains that generate quality employment and more competitive products in international markets, with an emphasis on reducing production costs to improve the profitability of exports.

To facilitate this trade exchange and ensure the success of Latin American and Caribbean products in the Chinese market, it is important that China relax some of its trade barriers, such as sanitary and phytosanitary measures, technical barriers to trade and rules of origin. In addition, it is advisable that both Latin America and the Caribbean and China establish a physical presence in the respective markets, which will allow for a better understanding of consumer characteristics and demands. In particular, it is essential that Latin American companies understand the complexity of the Chinese market, which has very specific characteristics and demands.

Based on the above, cooperation and investment with China should be treated as distinct strategies, as each pursues specific objectives and uses different mechanisms. In the case of cooperation, it should be divided into two main groups: technical cooperation and financial cooperation. Technical cooperation should focus on capacity building, including knowledge transfer, human resources training and advanced technology support. Financial cooperation should be geared towards mobilising resources for strategic projects, such as infrastructure, energy and other key areas for regional development.

Although both forms of cooperation require coordination, it is important to keep them distinct, as they involve different types of collaboration and

should be managed independently to ensure that each achieves its specific objectives without confusion. A clear distinction will allow Latin America and the Caribbean to take more effective advantage of the resources and opportunities offered by the relationship with China, optimising strategies both in terms of technical cooperation and attracting financial investment.

Strategy and feasibility of the proposal

The strategy to address Latin America and the Caribbean's trade deficit with China is based on a comprehensive approach that promotes export diversification, infrastructure development and the strengthening of technological and innovative capacities. Given the region's high dependence on commodity exports, it is necessary to implement policies that increase competitiveness in manufacturing sectors and value-added products while reducing vulnerability to international price fluctuations.

A first step in this strategy is to conduct market research in collaboration with Chinese academic and governmental bodies. The analysis should identify products that have both competitive and comparative advantages and that have the potential to be exported with added value to the Chinese market. The results of this study will make it possible to define a joint strategy aimed at developing products that respond to the specific demands of the Chinese market and take advantage of the opportunities and needs detected.

The next component of the strategy focuses on the diversification of the export basket. The region must move towards a broader export structure that does not rely exclusively on primary commodities and instead includes value-added manufactured goods. To achieve this, it is important to encourage investment in strategic sectors such as renewable energy, technology and advanced manufacturing. Dialogue forums between Latin America, the Caribbean and China can be used specifically to discuss and develop these solutions in a way that fosters collaboration between the public and private sectors of both regions.

In addition, the work that SELA has been carrying out to identify potential productive niches in the countries of the region provides a solid basis to guide efforts. These productive niches, combined with the results of the market study, will allow for the design of a joint strategy to promote the creation of value chains specifically aimed at the Chinese market and to take advantage of the region's capacities and strengths in key sectors.

For its part, technological development is important for economic progress in Latin America and the Caribbean, but it must be oriented towards specific objectives that respond to the region's needs. One such objective is to increase agricultural production by modernising production processes and adopting advanced technologies. The region faces challenges in terms of technological and educational infrastructure that limit its ability to compete in the global economy, and it is therefore necessary to improve the quality of education systems, with a particular focus on science, technology, engineering and mathematics (STEM), and to strengthen digital and physical infrastructure.

Cooperation with China can be a useful tool in this process, given its expertise in sectors such as artificial intelligence, digitalisation and electromobility. This cooperation should focus on facilitating the transfer of knowledge and technologies to modernise specific sectors, such as agriculture, renewable energy and advanced manufacturing. Thus, technological development will be aligned with productivity improvement in strategic areas, which will help increase the region's competitiveness in the international market.

Cooperation in science and technology offers an opportunity to accelerate the innovation process in Latin America and the Caribbean. Establishing joint platforms for the development of projects in strategic areas can help incorporate new technologies and improve regional productivity, but for this improvement to be sustainable, it is also necessary to invest in knowledge and training of human capital. Strengthening local capacities will allow the region to benefit from technology transfer while fostering home-grown innovation, generating quality jobs in high value-added sectors. Cooperation with China can be key in this process, as its expertise in areas such as artificial intelligence, digitalisation and electromobility offers valuable opportunities to form consortia between companies, governments and multilateral agencies to work together to develop local skills and improve productivity.

Infrastructure development, especially in the energy sector, is an element to consider in the proposal, as the region has great potential in renewable energy, particularly in solar, wind and hydropower. To take advantage of this, foreign investment, including from China, should be attracted to improve the region's energy infrastructure. Such investment would reduce dependence on fossil fuels and facilitate the achievement of the SDGs related to access to clean and affordable energy. In turn, boosting renewable energy would contribute to job creation in sustainable sectors and create opportunities to improve regional competitiveness.

In terms of regional cooperation, it is necessary to strengthen ties between the countries of Latin America and the Caribbean in order to improve their negotiating capacity and competitiveness. To that end, public-private partnerships should be promoted to facilitate the region's economic integration and enable the development of subregional value chains, especially in the area of manufacturing. These value chains would promote intra-regional trade while enhancing the region's ability to compete in more diversified global markets. This regional approach, which also facilitates collaboration in research, development and infrastructure, is a way to take advantage of growing Chinese investment in the region and improve competitiveness through innovation and human capital formation.

The implementation of this proposal will require a detailed assessment of feasibility in several areas. On the legal side, adjustments will need to be made to the regulatory frameworks of Latin American and Caribbean countries to facilitate the entry of foreign investment, especially in strategic sectors. This includes simplifying regulatory procedures, improving transparency in the awarding of public contracts and creating mechanisms to protect investment rights, ensuring compliance with environmental and social standards. Strengthening educational cooperation and human capital training should also be a priority in this assessment to ensure that the region can take full advantage of economic development opportunities.

From the financial point of view, the region should consider various sources of financing, such as the China-Latin America and the Caribbean Cooperation Fund, multilateral institutions such as CAF - Development Bank of Latin America and the Caribbean, and private funds. One aspect to highlight is the possibility of using the soft loans offered by China as a form of cooperation that can facilitate access to financing for strategic projects at lower rates and with conditions that favour the technological development of the region's countries. This alternative would make it possible to finance initiatives that strengthen productive and technological infrastructure and help close competitiveness gaps.

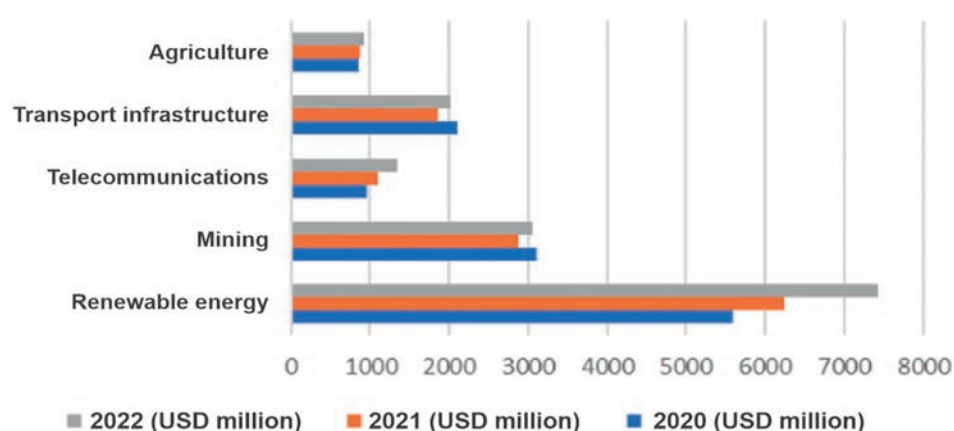
In addition, the creation of public-private partnerships will be key to ensuring that private investment is channelled into areas that truly contribute to strengthening the productive capacity of Latin American and Caribbean countries. These partnerships should not be limited to traditional sectors but should focus on areas that allow the region to learn, adapt and access higher value-added technologies. If China actively participates in these partnerships,

it can contribute to the creation of value in the region, both through investment and through the transfer of knowledge and best practices that boost economic development.

Furthermore, the creation of a specific fund to finance technological ventures should contemplate more accessible mechanisms than those available in the region's traditional systems. A fund aimed at supporting projects with high potential for technological development can offer more direct, simple and cost-effective access to capital, allowing Latin American and Caribbean countries to invest in sectors with high value added. This would complement public-private partnerships and allow them to strengthen their global competitiveness through the modernisation of their productive sectors.

For this proposal to succeed, it is important that national governments, private companies and multilateral organisations work in a coordinated manner. Governments must adopt public policies that favour innovation and technological development, in addition to facilitating the entry of foreign investment in strategic sectors. In this process, SELA can play an important role in promoting regional cooperation and aligning policies to improve the competitiveness of countries in the face of global challenges.

Chinese investment in Latin America and the Caribbean by sector, 2020-2022 (in millions of dollars)



Source: ECLAC, 2023.

Expected impact

The expected impact of the proposal aims to generate transformations that contribute to a more balanced and diverse economic development for Latin America and the Caribbean. By attracting investment, the proposal aims

to strengthen sectors such as renewable energy and technology, which would reduce dependence on raw materials and improve the region's competitiveness. This would also facilitate increased exports to China, helping reduce the trade deficit and improve the region's position in global markets.

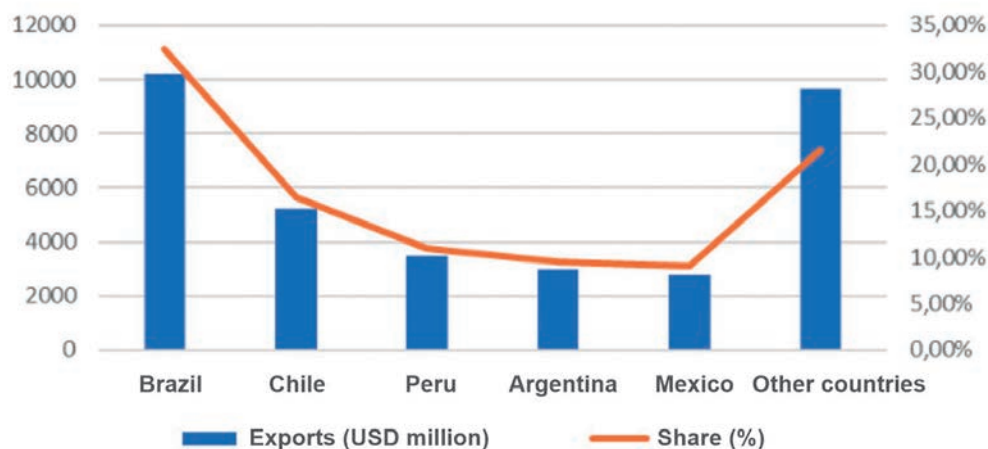
The agricultural capacity of Latin America and the Caribbean should be considered in this proposal, since despite the challenges arising from the reprimarisation of economies, food production remains a sector with potential. Enhancing relations with China in this area could help diversify exports, taking advantage of Chinese demand for agricultural products, which would benefit the region and strengthen trade strategies.

Strengthening regional cooperation, through the creation of consortia and cooperation between countries, could improve economic integration, foster exchange in areas of research and development, and advance infrastructure and renewable energy projects. This would make it possible to optimise collective resources and capacities and promote more balanced growth.

It is therefore important to differentiate between cooperation and investment strategies. Cooperation seeks to generate a common approach in strategic areas, while investment aims to attract capital for the development of emerging sectors. Both aspects should be managed separately, as they have different objectives and require specific mechanisms for action.

As a result of the proposal, the region's capacity to diversify its exports and improve its external trade is expected to increase, as reducing dependence on primary products and promoting the export of more complex manufactures could improve the position of Latin America and the Caribbean in international markets. Moreover, investment in sectors such as renewable energy, technology and infrastructure would contribute to more balanced and sustained development. Regarding the trade balance with China, a reduction of the trade deficit is expected through product diversification, which would strengthen the region's competitiveness and its integration into the global economy.

Share of LAC countries in exports to China, 2022 (in percentages and in millions of dollars)



Source: ECLAC, 2023.

Final considerations

The economic relationship between Latin America and the Caribbean and China highlights the importance of taking advantage of the opportunities offered by the complementarity of our natural resources with the needs of the Asian country. As a major producer of food and minerals, among other products, the region has the possibility of consolidating itself as a strategic partner of China, whose growth is based on sustained demand for these products. This reality presents an opportunity for Latin American and Caribbean countries to continue strengthening their role in global supply chains and take advantage of China's growing demand in these sectors.

However, the commodity-based trade model, while beneficial for regional economies, also poses challenges due to dependence on volatile international prices. To counter this vulnerability, raw materials must be transformed within the region, which requires foreign investment that brings both capital and knowledge and allows Latin American and Caribbean countries to process these resources and export them with value added to the target market. This transformation model, which implies cooperation for the creation of regional value chains, would be an important step towards breaking dependence on the major powers and would foster a balance in which the region is both a provider of natural resources and a generator of higher-value products.

To move towards a more diversified economy, the region should continue to strengthen sectors where it already has comparative advantages, such

as agricultural and mineral products, while facilitating the incorporation of advanced technologies and the promotion of emerging sectors. Cooperation with China should go beyond traditional exports; it should include strengthening regional infrastructure, improving productive capacity in areas such as manufacturing, technology and green industry, and creating favourable conditions to attract investment to boost these emerging sectors.

In addition, in order for the benefits of this trade relationship to be more evenly distributed across the region, it is important to intensify intra-regional cooperation. Economic integration in Latin America and the Caribbean, based on building local capacities and mutual cooperation, will allow countries to increase their competitiveness in international markets as well as to manage resources and investment opportunities more efficiently. In this way, the region will be able to better integrate its economies into global value chains and optimise the opportunities arising from its relationship with China.

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Strengthening South-South and Triangular Cooperation (SSTC) in Latin America and the Caribbean: a public policy proposal

Executive Summary

This document proposes a public policy framework aimed at strengthening South-South and Triangular Cooperation (SSTC) in Latin America and the Caribbean. Based on the recognition of its relevance as an effective tool to address the development challenges facing the region, it proposes an approach to cooperation between countries and organisations in order to continue moving towards more sustainable development. In the context of persistent inequalities and economic vulnerabilities, SSTC fosters solidarity among developing countries based on principles of unconditionality, while implementing inclusive and distributive demand-driven development models and promoting the exchange of knowledge and experiences. A modality characterised by its horizontal approach that allows the nations of the Southern Hemisphere to adapt solutions to their local realities and strengthen their capacities and autonomy in the development process.

The analysis of the current cooperation framework reveals significant opportunities to expand collaboration among countries in the region, so as to take advantage of their shared resources and experiences. Through the initiatives promoted by SELA, the aim is to facilitate technical exchanges and the creation of institutional capacities that allow for a more effective implementation of the Sustainable Development Goals (SDGs). The proposal presented advocates for a strategy that contemplates the creation of cooperation networks, the promotion of trade exchange, the development of

capacities and the promotion of strategic partnerships, in order to consolidate an inclusive and adaptable system to the specific needs of each country. SSTC, and consequently the projects implemented in this area in Latin America and the Caribbean, are characterised by their basic principles of solidarity, complementarity, equality, non-conditionality and respect for sovereignty.

The document also addresses the specific objectives to be achieved, aligned with the SELA goals and the SDGs, and examines various evaluated alternative solutions to address the problem of inequality in the region. The proposal is based on a comprehensive approach that considers the legal, financial and institutional feasibility of SSTC, identifying the necessary resources and the key actors that should be involved in its implementation. It also presents an analysis of the potential benefits of this strategy and highlights its capacity to promote sustainable development and regional integration.

Finally, the document includes considerations on the possible challenges in the implementation of public policy and its long-term sustainability. As implementation progresses, it is recommended that indirect impacts continue to be assessed and new areas of research to strengthen SSTC in the region should be explored. In short, this is a public policy framework that seeks to establish a path towards more equitable and sustainable development in Latin America and the Caribbean, emphasising the importance of collaboration among countries to achieve a more inclusive and resilient future.

Introduction

SSTC has proven to be an effective and appropriate modality to promote sustainable development, regional integration and resilience in Latin America and the Caribbean. In an international context characterised by structural inequalities between the global north and south, the countries of our hemisphere face challenges that require innovative collaborative approaches adapted to their realities. Cooperation among developing nations has gained relevance in the region as a model that prioritises solidarity and equity, while favouring knowledge sharing, capacity building and the search for collective solutions. This public policy proposal analyses the characteristics, achievements and challenges of SSTC, as well as the possibilities of expanding and consolidating this modality within the framework of SELA's Work Programme for 2022-2026.

In contrast to “traditional cooperation” or North-South Cooperation, which is usually conditioned by external criteria and agendas, SSTC is based on a horizontal relationship between the countries involved. According to Ayllón (2013), SSTC offers an alternative model of development in which the countries of the global south exchange experiences and knowledge to address shared challenges, fostering relations of equality and solidarity. This approach promotes autonomy and ownership of development initiatives by recipient countries, as each nation contributes its experiences, resources and capacities without the imposition of external economic or political conditioning. Thus, they are able to adapt their actions to the needs and priorities of their specific contexts, and the long-term sustainability of interventions is promoted. In this regard, Latin America and the Caribbean have adopted SSTC as a tool which promotes shared development and contributes to the strengthening of sovereignty and local decision-making capacity.

Within SELA’s strategic planning for the period 2022-2026, SSTC occupies an important place in the Work Programme, especially in Thematic Area III: Social Development, Programme I: Sustainable and resilient development. In particular, Project A: Technical support for cooperation and sustainable development in Latin America and the Caribbean is dedicated to facilitating SSTC through technical activities aimed at strengthening collaboration among countries. Through this project, SELA supports initiatives for the exchange of experiences, technical training and institutional capacity building that seek to promote a more equitable and sustainable development in the region, aligned with the priorities of the SDGs.

This proposal is based on the analysis of the results of the meetings of cooperation directors organised by SELA, events that have allowed for the gathering of representatives of different countries and international organisations. The meetings have demonstrated the potential of South-South Cooperation to strengthen national capacities, foster sustainable development and promote integration in the region with spaces for dialogue to identify priority areas and common challenges, as well as to coordinate efforts to increase the impact of cooperation initiatives.

Framework of reference

SSTC in Latin America and the Caribbean is developing in a context characterised by persistent challenges in terms of inequality, poverty and economic vulnerability, despite the advances in democratisation and

economic growth observed in recent decades. The countries of this region share histories, economic and cultural contexts which, although diverse, offer a common ground that favours mutual learning and the implementation of shared policies. SSTC, promoted as an approach that supports development based on local experiences and resources, has gained ground in recent years as an alternative that allows them to address their needs in a more autonomous way, without depending on external models.

The constantly changing regional political context has prompted a search for horizontal alliances and flexible cooperation among the countries of the global south. The multipolarity that characterises the current international system opens a window of opportunity for Latin American and Caribbean nations to explore new forms of collaboration without the conditionalities that are usually present in traditional North-South Cooperation models. Mosquera and Morales Rubalcaba (2018) highlight that the transition towards a multipolar international system provides developing countries, particularly those in Latin America and the Caribbean, with the opportunity to diversify their partnerships and access cooperation modalities that are not subject to external interests. Regional organisations such as the Community of Latin American and Caribbean States (CELAC), the Pacific Alliance and the Common Market of the South (Mercosur) have been key actors in this reconfiguration, through the promotion of regional integration and the creation of spaces where cooperation can be adapted to local specificities and priorities. Thus, the exchange of knowledge and resources in critical sectors, such as education, health, information technologies and agriculture, has become a mechanism that enhances regional capacities.

From an economic perspective, SSTC is emerging at a time when the region is experiencing unequal economic growth, with many countries facing cycles of indebtedness and financial dependence which limit the possibilities of sustainable development and hinder the implementation of effective social policies. In this situation, the SSTC allows them to support each other and take advantage of the resources and knowledge that already exist in their territories, without the need to rely on external financing. Instead of generating additional debt, SSTC promotes resource mobilisation based on solidarity and mutual understanding, giving them greater autonomy in the design and implementation of their policies. This is possible because it is based on principles of solidarity and reciprocity, allowing countries to mobilise resources and knowledge without relying on external debt, and

with a focus on strengthening their national capacities (Larsen, 2016). This horizontal collaboration also enables greater flexibility and adaptation to the specific needs and conditions of each nation, which increases its relevance in the Latin American and Caribbean context.

Since its initial formal initiatives, SSTC has played a growing role in our continent. The High-Level Conference on South-South Cooperation, held in Buenos Aires in 1978, marked a milestone by establishing guiding principles based on solidarity, reciprocity and respect for the sovereignty of the countries involved. This approach has been consolidated over the years and has been reinforced by international and regional organisations that promote South-South Cooperation in different development sectors. The series of Meetings of Cooperation Directors organised by SELA provides a platform for the countries of the region to discuss and strengthen their cooperation practices and creates spaces for representatives to share experiences, strategies and best practices, in order to identify common challenges and propose joint solutions to advance on issues of sustainability, inclusion and development.

For their part, the Economic Commission for Latin America and the Caribbean (ECLAC) and the United Nations Development Programme (UNDP) have developed studies and reports that emphasise the role of SSTC in key sectors such as energy transition, access to health and education services, and the digitalisation of public services. ECLAC has highlighted on multiple occasions that cooperation can act as an engine for sustainable development in the region, as it fosters a direct exchange of knowledge and resources which facilitates the adaptation of projects to local contexts. This is particularly relevant at a time when global and regional crises, from climate change to economic fluctuations, require more immediate and coordinated responses among countries in the global south. Furthermore, these agencies have actively supported the implementation of the SDGs through SSTC, highlighting their value as a tool that mobilises local resources and knowledge without imposing external agendas.

At the multilateral level, the Organisation of American States (OAS) and CAF-Development Bank of Latin America have launched initiatives that include both technical and financial cooperation, aimed at strengthening national capacities in the areas of public health, infrastructure and digital technology, among others. Framed in horizontal cooperation agreements, they consolidate South-South Cooperation as a mechanism adapted to regional realities and aligned with the development priorities of Latin American

and Caribbean countries. It has also allowed the countries of the region to develop innovative approaches to disaster risk management and adaptation to climate change, issues of great relevance for their future.

At present, SELA has reaffirmed its commitment to SSTC through its Work Programme for 2022-2026, which includes various activities of this type and aims to provide technical support and promote a sustainable development framework for the countries of the region. Among its initiatives, it proposes the consolidation of strategies with a regional approach through the creation of a SSTC guide enriched by the proposals and best practices of the countries in the region and open to intra-regional cooperation. It is an instrument that seeks to establish itself as a platform to encourage the exchange of ideas and experiences in thematic areas relevant to the cooperation agenda, thus contributing to the UN's efforts to strengthen the 2030 Agenda. The organisation facilitates access to technical assistance, resources and expertise in order to support countries in achieving their development goals and implementing the SDGs, by establishing an enabling environment for more equitable and tailor-made cooperation.

The review of this background and the analysis of the current context allows us to understand how SSTC is presented not only as a strategy for the implementation of sustainable development policies in Latin America and the Caribbean, but also as an instrument of autonomy and regional integration. Based on solidarity and reciprocity, it offers an innovative alternative to traditional development models by promoting mutual strengthening and the construction of local capacities. Thus, it responds to the specific needs of Latin America and the Caribbean and contributes to a more sustainable and adapted development system.

Problem and needs analysis

SSTC faces multiple challenges that limit its consolidation as an effective and sustainable development mechanism in a region marked by persistent social and economic inequalities, limited resources and institutional frameworks in transformation. Despite the efforts made by governments and regional organisations to promote it, difficulties in coordination, financing and project sustainability hinder its effectiveness and scope. The absence of a common framework for action and adequate financial resources, together with the historical dependence on traditional cooperation models which are often accompanied by conditionalities, has meant that many countries lack a robust

institutional infrastructure capable of developing SSTC initiatives that respond to their local needs and realities.

An illustrative example of this situation is the series of Meetings of International Cooperation Directors for Latin America and the Caribbean, organised by SELA, which have functioned as a space for dialogue and learning in which multiple specific needs and challenges have been identified. At the XXXI Meeting held in 2023, the urgency of establishing financial and management mechanisms that allow the countries of the region to collaborate in a more autonomous manner and less dependent on tied aid was stressed. In addition, the need to build knowledge exchange platforms that facilitate the transfer of experiences in critical areas such as climate change, technological innovation and rural development, which are particularly relevant in the regional environment, was highlighted.

The economic context in which this cooperation takes place is characterised by dependence on external economies and a high exposure to global financial crises, which translates into an obstacle to the implementation of sustainable models. Thus, the lack of an integrated economic system and coordinated fiscal and monetary policies limits the capacity of Latin American and Caribbean countries to mobilise their own resources for regional cooperation. According to UNDP (2021), the COVID-19 pandemic has exacerbated the vulnerabilities that already existed in the region, which has directly affected the well-being of the population and led to an increase in poverty rates and an increase in the risk of indebtedness for both families and governments. ECLAC data indicate that, in 2020, more than 30% of the population lived in poverty and indebtedness rates increased considerably as a result of the effects of the pandemic, which has restricted the possibilities for investment in self-sustaining development projects. This highlights the urgent need for countries to have alternative financing mechanisms in place to facilitate cooperation and reduce reliance on traditional models.

From an institutional perspective, countries face challenges in terms of managing and planning SSTC projects. The Meeting of Cooperation Directors, held in 2020, highlighted that many lack adequate institutional infrastructure to manage horizontal and multi-sectoral cooperation projects, which limits both their effectiveness and sustainability. It also emphasised the need to strengthen the capacities of officials in negotiation techniques and international project management, so that they can effectively implement, monitor and evaluate initiatives.

In the social sphere, increasing inequality and lack of inclusion are obstacles to the effectiveness of SSTC. At various Meetings of Cooperation Directors, issues such as gender inequality and unequal access to education and health, identified as barriers to equitable and sustainable development, have been addressed. The evidence presented at this meeting suggests that the focus on social equity has an ethical component that contributes to social stability and cohesion, factors that are central to sustainable development in the region. For aid programmes to be effective, they need to be aligned with social policies that address inequalities and ensure that benefits reach the most vulnerable and marginalised groups. According to UNDP (2021), it is essential that these programmes are designed and implemented in collaboration with social policies that emphasise inclusion and equity, so as to ensure that benefits are targeted to the most disadvantaged sectors of the population.

A broader diagnosis reveals that the limitations of SSTC stem from structural and circumstantial factors that affect the countries of Latin America and the Caribbean in a cross-cutting manner. From a structural perspective, the region faces political fragmentation that hinders the creation of a common framework for cooperation, resulting in the duplication of efforts and inefficiency in the use of resources, as well as limited coordination among countries. The obstacles that appear in this regard are closely related to structural factors, including the scarce political and economic integration in the region, as well as to conjunctural aspects, such as economic and political crises that impact countries unevenly and hinder effective coordination (Oviedo, 2021). Insufficient investment in technological infrastructure and research and development capacities also limits countries' ability to innovate and share solutions adapted to their realities.

At the conjunctural level, the effects of the COVID-19 pandemic, climate change and current geopolitical tensions have exacerbated the region's vulnerabilities and highlighted the need for more integrated and adaptive cooperation. The pandemic, in particular, highlighted the fragility of health, education and social protection systems in many countries, prompting regional actors to prioritise cooperation in these sectors. However, challenges remain in resource mobilisation and coordination of efforts, especially in technology transfer and access to vaccines and medicines. In response to these difficulties, during the XXXI Meeting of Cooperation Directors in 2023, the need to strengthen South-South partnerships in areas such as health security and disaster risk management was reaffirmed, as well as to create

mechanisms to share experiences and resources in real time, which would improve the region's capacity to respond to future crises.

Objectives and alternatives for solutions

The main objective of the proposal to strengthen SSTC is to promote sustainable development and economic resilience in the region. A series of specific objectives are proposed to measure the progress and effectiveness of the initiatives, ensuring their alignment with the established goals. One of the objectives is the strengthening of institutional capacities, which implies increasing the capacity building and technical training of public officials and local leaders. This strategy seeks to ensure that these actors are equipped with the necessary tools to implement effective and sustainable South-South Cooperation policies, thus contributing to more comprehensive development. This approach is based on the idea that adequate knowledge and skills are essential for the success of any cooperation initiative.

In addition, it seeks to promote the exchange of experiences among the countries of the region, which is essential to establish connections and generate collective learning. Facilitating from SELA platforms for dialogue and collaboration becomes a priority, since these instances will allow sharing best practices and developing joint projects in areas such as education, health and climate change. This interaction fosters mutual learning and strengthens ties between nations, creating a more robust and effective collaboration network.

Another relevant objective is to increase the mobilisation of resources for SSTC projects. It is proposed to increase funding in this area over the next five years, using innovative mechanisms that promote solidarity and mutual understanding. This will allow the countries of the region to have greater autonomy in the design and implementation of their policies and avoid depending on external funding that may be accompanied by restrictive conditions.

The promotion of regional integration is also one of the objectives. The aim is to continue promoting and strengthening cooperation initiatives in strategic areas, such as disaster management and climate change adaptation, involving multiple countries. This, which responds to the need to address common challenges, also reinforces the idea that the solution to the region's problems lies in the ability of countries to work together and take advantage of their shared resources and knowledge. To ensure that initiatives have a real and lasting impact, it is suggested that a monitoring and evaluation system be

implemented to measure the progress of SSTC so that there is effective accountability and transparency in the implementation of projects. These aspects are necessary to maintain trust between participating countries and to continuously improve the effectiveness of public policies.

Ultimately, the proposal to strengthen the SSTC was selected for its ability to promote a horizontal approach that respects sovereignty and local realities, while fostering solidarity and joint learning. This alternative not only aligns with SELA's priorities and the SDGs but also allows countries in the region to design and implement solutions tailored to their specific contexts. By prioritising the development of local capacities and the exchange of experiences, the option seeks to create an enabling environment for long-term sustainable development and contribute to the creation of a more integrated and solidarity-based development system in Latin America and the Caribbean.

Strategy and feasibility of the proposal

The proposal to strengthen the SSTC is based on a comprehensive strategy that seeks to address the multiple dimensions of sustainable development and regional integration. In this context, various concrete measures are proposed which are articulated around the creation of a robust framework for capacity building, the establishment of platforms for dialogue and the promotion of strategic partnerships to maximise the impact of cooperation initiatives. In terms of capacity building, it is necessary to implement training programmes aimed at public officials, community leaders and members of civil society. These training courses will focus on providing participants with practical tools and technical knowledge to facilitate the formulation and implementation of aid policies. At least two thematic activities are planned, ensuring the inclusion of diverse perspectives and experiences. This will promote an environment of continuous learning and adaptation to changing realities.

Simultaneously, a platform including a catalogue of SSTC will be established to facilitate the exchange of activities carried out by countries, including common challenges and identification of best practices. The activities to be carried out will provide an opportunity for participants to share their experiences and adapt other countries' strategies to their own contexts.

The creation of a Working Group of SSTC, announced at the XXXII Meeting of Directors, held in Lima, Peru, on 27 and 28 November 2024, will be another

pillar of this strategy that will connect key actors to promote the flow of information and collaboration in joint projects. In this regard, a registry is proposed that combines actions by governments, international organisations and the private sector, with the aim of increasing the projection of cooperation through initiatives that are aligned with sustainable development and social inclusion, ensuring that resources are channelled towards projects that really have a positive impact on communities.

The feasibility of this proposal will also be assessed from different perspectives, considering legal, financial and institutional analyses for its implementation. Regarding the legal framework, it will be necessary to carry out a detailed review of the regulations in force in each country, identifying possible barriers that could hinder cooperation. This may involve the need to recommend adjustments to legislation related to international cooperation, public funding and public-private partnerships. By addressing these recommendations, an enabling environment for collaboration between the different actors involved will be facilitated, which will increase the chances of success of the proposal.

From a financial perspective, it is imperative to consider the economic sustainability of the initiative. Resources to implement the proposed measures will come from multiple sources, including government budgets, contributions from international organisations and contributions from the private sector. To ensure long-term financial viability, a funding model is proposed for interested countries that combines short- and long-term contributions and ensures the continuity of capacity building programmes and dialogue platforms. Funding opportunities will also be explored through partnerships with non-governmental organisations and foundations, which could contribute resources and expertise in the implementation of SSTC projects.

As regards the institutional dimension, it is necessary to identify the portfolios of foreign affairs, social development and other relevant governmental institutions in each country, as well as international and regional organisations that can contribute knowledge and resources. It is important to encourage the participation of civil society and the private sector in the design and implementation of cooperation initiatives to ensure that the voices of diverse actors are heard and addressed in the process. This multidimensional collaboration will strengthen the implementation of the proposal while promoting a sense of ownership and shared responsibility among participating countries.

Thus, a timetable for implementation will be drawn up to cover the various stages of the process, including deadlines for training, the holding of meetings to exchange experiences, the creation of the cooperation network and the mobilisation of resources. Implementation will be monitored and evaluated on an ongoing basis and adjustments will be made as necessary to ensure that the objectives are achieved.

Expected impact

The implementation of this proposal has the potential to generate multiple benefits that will have a positive impact on the region in both the short and long term. One of the most important of these is the increase in the countries' technical and operational capacity, which will allow them to design and implement more effective policies tailored to their specific realities. By fostering the exchange of knowledge and experiences, public officials and other stakeholders are expected to be trained in innovative practices that foster sustainable development, social inclusion and resilience to economic or environmental crises. In addition to benefiting institutions, this will also have a positive impact on communities to improve the quality of services and projects carried out at the local level.

In addition, the initiative will promote greater regional integration by establishing platforms for dialogue and collaborative networks to facilitate joint work among countries. By addressing common problems and generating collective solutions, it will strengthen intergovernmental relations and contribute to building a more cohesive regional space, where local interests and realities are prioritised. SSTC collaboration will also result in a reduction of dependence on traditional cooperation models, fostering a more autonomous approach to policy and programme development. The creation of a regional cooperation catalogue will make it possible to prioritise sustainable and socially inclusive projects which promote a more supportive financing model in line with the needs of the countries.

The ability to measure the success of this proposal will be related to the establishment of specific indicators to assess the results of implementation, as these instruments will reflect the degree of collaboration and the effectiveness of cooperation initiatives. The first indicator to consider will be the number of training programmes implemented, as well as the number of participants trained in South-South Cooperation and sustainable development issues in the region. An increase in these numbers will reflect

greater technical and operational capacity among officials and community leaders, which in turn will facilitate more effective policy implementation.

Likewise, considering that ECLAC and the Ibero-American General Secretariat (SEGIB) already have records of meetings on these issues, it is proposed to adjust the follow-up of the annual meetings in the platforms for the exchange of experiences and the documentation of shared best practices to avoid duplication of efforts. Projects financed through the regional cooperation fund and their impact on beneficiary communities will also be monitored, which will involve the evaluation of their social, economic and environmental effects to assess their contribution to quality of life, poverty reduction and resilience to crises. In this context, SELA's Meeting of Directors is presented as a privileged space for better coordination and consolidation of these initiatives.

Furthermore, the number of projects financed through the regional cooperation fund and their impact on the beneficiary communities will be measured. The evaluation of the social, economic and environmental impact of these projects will make it possible to measure the success of the strategy in terms of improving the quality of life, reducing poverty and strengthening resilience to crises.

In addition, changes in public policies adopted as a result of the trainings and the exchange of experiences will be monitored, assessing whether these policies effectively respond to local needs and contribute to the achievement of the SDGs. Finally, the participation of diverse actors in the design and implementation of SSTC will be another indicator, as the diversity of voices and approaches in the process will contribute to greater legitimacy and effectiveness of the initiatives. Collaboration among governments, civil society and the private sector, as well as the degree of ownership of the policies by communities, are key to measuring the success of this proposal.

Final considerations

SSTC is a valuable strategy in the context of development in Latin America and the Caribbean, revealing its potential for tackling the complex challenges the region is currently facing. From the analysis carried out, it has been observed that this form of collaboration promotes solidarity among countries and facilitates the exchange of knowledge and experiences which are crucial for sustainable development. The findings indicate that, by building relationships

based on trust and mutual respect, countries can learn from each other, adapting solutions to their local realities and contributing to the creation of capacities that will last over time.

The public policy proposal presented seeks to establish a framework that promotes SSTC in a systematic manner, aligning with the targets set by SELA and the SDGs. The potential benefits of this initiative are broad, including the strengthening of regional collaborative networks that allow for the sharing of resources and best practices, as well as the mobilisation of knowledge and experiences that can accelerate progress towards sustainable development. However, its implementation also poses challenges, given that the diversity of political, economic and social contexts in the countries of the region can make it difficult to coordinate efforts and align priorities. This calls for a flexible and adaptive approach to find common ground and work together to overcome obstacles.

In looking to the future, the long-term implications of this public policy for the construction of a more equitable development system in the region should be considered. The SSTC can act as an engine for change, but its success will depend on the ability of governments and institutions to commit to a more horizontal and participatory approach. This not only implies political will, but also the capacity of the actors involved to adapt to the changing dynamics of the global and local environment. It is also important to reflect on the indirect impacts that this modality of cooperation can have in areas such as social cohesion, institution building and economic resilience. The construction of a cooperation framework that considers these dimensions will be essential to ensure that the benefits translate into concrete improvements in the lives of people in the region.

In addition, it is recommended that ongoing research be carried out to assess the impact of SSTC initiatives, which will allow lessons learned to be identified and strategies to be adjusted as necessary. Monitoring and evaluation studies help understand how these collaborations can be improved and effectively respond to the needs of participating countries. Continuing to work on promoting research in areas related to SSTC is viable for opening up new opportunities for sustainable development and regional integration, while exploring new partnerships and strategic sectors will deepen the potential of this modality as a development tool, thus enriching the cooperation landscape in Latin America and the Caribbean.

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Public policy proposals for disaster risk management in Latin America and the Caribbean

Executive Summary

This document is presented as a complement to the compendium of best practices of SELA in collaboration with the Inter-American Conference on Social Security (CISS) for Disaster Risk Management with a Social Protection Approach. It is a compilation of lessons learned from a series of workshops held in Honduras, Belize and the Dominican Republic between 2022 and 2024, organised by SELA in partnership with CISS, and with the collaboration of the Economic Commission for Latin America and the Caribbean (ECLAC) and other international organisations.

Thus, the lessons learned in the workshops are summarised and recommendations are offered for the implementation of public policies focused on the protection of vulnerable populations in the face of natural disasters. Several issues are addressed, such as disaster assessment from a multi-sectoral approach, the integration of social protection in recovery strategies and the strengthening of coordination between the different sectors involved in disaster risk management.

Key recommendations include building local capacities, promoting public-private partnerships and improving social protection systems to respond to people's needs before, during and after a disaster. These proposals are aligned with the Sendai Framework for Disaster Risk Reduction 2015-2030, as well as with the Sustainable Development Goals (SDGs), ensuring that international standards are considered in policy implementation at the regional level. In this regard, on 5 December 2024, SELA and the United

Nations Office for Disaster Risk Reduction (UNDRR) jointly presented an assessment of compliance with the Regional Action Plan (RAP) for the implementation of the Sendai Framework, within the framework of the Sixth High-Level Meeting of Ministers and Authorities on the Implementation of the Sendai Framework for Disaster Risk Reduction 2015-2030 in the Americas and the Caribbean, held in Saint Kitts and Nevis.

Introduction

In a global context marked by climate change and increased mobility of goods and people, states face increasingly complex challenges to protect their populations from the impacts of disasters caused by natural hazards and other catastrophic events. The Latin American and Caribbean region is one of the most exposed to large-scale natural phenomena, such as hurricanes, earthquakes, floods and landslides, which frequently affect diverse communities. This geographical vulnerability has prompted countries to develop response mechanisms and strategies aimed at mitigating damage to affected populations and improving their resilience. However, disaster risk management in the region has largely followed a reactive approach, as intervention takes place after the event. This limits the capacity to anticipate risks and to strengthen the resilience of communities to future events and exposes the population to cycles of damage and reconstruction that do not contribute to reducing vulnerabilities in the long term.

The incorporation of social protection into risk management policies has been identified as a priority to strengthen disaster response capacity. This approach seeks to ensure that the most vulnerable populations - such as the elderly, children, women and people living in poverty - have support mechanisms that enable them to cope more effectively and resiliently with shocks. Measures such as cash transfers, health and life insurance, and targeted assistance programmes can be instrumental in reducing the economic and emotional burden faced by affected communities. Integrating these tools into risk management provides immediate support, helps reduce structural inequalities and enables vulnerable groups to recover more quickly and sustainably from an adverse event. This approach promotes a comprehensive response that facilitates the participation of sectors involved in assistance, recovery and the restoration of basic living conditions for those most at risk.

SELA has promoted, in collaboration with CISS, ECLAC and other institutions, a series of workshops in Honduras, Belize and the Dominican Republic,

between 2022 and 2024. These events have allowed decision and policy makers in each country to discuss, share experiences and design strategies that seek to improve disaster response capacity, with an emphasis on the inclusion of social protection as a central element. They have also provided space to assess existing regulatory frameworks and capacities, as well as to identify areas for improvement in coordination between different government sectors and non-governmental actors.

The workshops organised by SELA respond to the need to align risk management efforts with the SDGs, particularly those related to poverty reduction, promoting equity and ensuring social security for all. This alignment is reflected in SELA's Work Programme for 2022-2026, which includes Programme II: Comprehensive Disaster Risk Management and Climate Change, and which aims to improve social protection policies to cope with disasters caused by natural hazards in the region.

Framework of reference

The Sendai Framework for Disaster Risk Reduction 2015-2030, adopted by the countries of Latin America and the Caribbean, underlines the relevance of a comprehensive approach to managing these events. The instrument covers all phases of the risk management cycle: prevention, mitigation, preparedness, response and recovery. Disaster risk reduction, a cost-effective investment in preventing future losses, has driven sustainable development in many countries through effective management and enhanced national capacities, complemented by international strategic advisory mechanisms (UNDRR, 2019).

Workshops organised by SELA have examined how countries in the region have initiated the application of the Sendai Framework principles in their disaster risk management policies, with a view to strengthening their resilience and adaptation strategies. In Honduras, Belize and the Dominican Republic, efforts have been undertaken ranging from improving early warning systems to creating community action plans for post-disaster protection and recovery. These include progress in promoting greater coordination between the civil protection and social sectors, based on the recognition of the importance of a response that integrates both risk mitigation and social support for affected populations. Through these efforts, they have also implemented recovery policies that support communities in rebuilding infrastructure, as well as in restoring their livelihoods, allowing for faster

and more sustained recovery. These advances reflect their commitment to adapt international guidelines to their local contexts in order to strengthen their capacities to anticipate disasters and reduce their impact on the most vulnerable populations.

One challenge identified in these meetings is the lack of integration between the sectors responsible for disaster risk management and social protection policies, as these are areas that often work in isolation from each other, which hinders a coordinated and efficient response to emergencies. Therefore, the need to include social protection in disaster risk management has been a central issue to ensure that vulnerable populations receive the necessary resources and services at critical times. In relation to the above, the Sendai Framework also underlines the importance of international and regional cooperation to strengthen national capacities in risk management. In this context, SELA, together with other regional organisations, has facilitated the exchange of experiences among countries that has allowed decision-makers to learn from other contexts and adapt solutions to their national needs.

In addition, disaster risk management in Latin America and the Caribbean benefits from a comprehensive framework that includes other international agreements and regional commitments. The United Nations 2030 Agenda for Sustainable Development, for example, establishes an approach that directly links resilient development to overall planning and promotes risk reduction as a cross-cutting component in development policies. This Agenda, while addressing sustainability, also directs countries to integrate risk management into areas such as infrastructure, health and social protection. Within the framework of its own commitments, SELA contributes through programmed activities that include diploma courses, forums and workshops designed to analyse current challenges in risk management, promote the exchange of best practices and propose improvements in public policies.

The integration of frameworks and programmes provides a structure that facilitates regional cooperation and promotes a holistic approach to disaster preparedness, response and recovery. This strengthens the capacity of countries to deal with catastrophic events in a more coordinated manner and to increase the effectiveness of policies so that the most vulnerable populations are adequately supported at every stage of risk management.

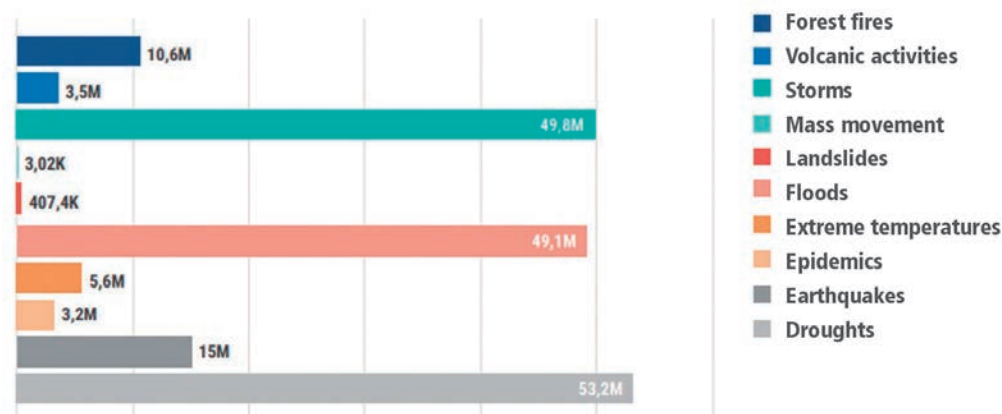
Problem and needs analysis

As mentioned, Latin America and the Caribbean face constant exposure to natural phenomena such as hurricanes, earthquakes, floods and droughts that affect both communities and local economies. The geographic characteristics of the region, together with increasing climatic variability, contribute to the recurrence of these events, although their impact is not homogeneous, as communities in situations of socio-economic vulnerability are those that tend to suffer the most severe consequences. The lack of adequate infrastructure, limited access to basic services, and the scarcity of financial resources increase the adverse effects of these phenomena, especially in the most disadvantaged areas. Social vulnerability accentuates the impact of disasters on the development process, as the degree of social vulnerability determines the capacity to anticipate and recover from the impact of disasters caused by natural hazards (Thomas Bohórquez, 2013).

One point addressed during the workshops organised by SELA has been the disconnect between social protection systems and disaster risk management policies. In many countries in the region, social protection programmes are not designed to be activated quickly during an emergency, which means that the most vulnerable people, such as the elderly, women and children, often do not receive the necessary assistance in time. This lack of integration between social assistance systems and disaster response strategies has been identified as an area in need of urgent improvement. In order to move towards strengthening national disaster institutions, it is beneficial for national risk management agendas to be integrated with social protection agendas and to be framed and guided by international institutions and guidelines (Cecchini et al., 2021).

In addition, data collection has been another critical area discussed in the workshops. The lack of reliable systems that provide disaggregated information on vulnerable people and communities has made it difficult for governments to adequately plan their responses to disasters. Accurate and up-to-date data is essential for social protection programmes to be tailored to the real needs of affected people, both before and after a disaster. However, in many countries, social information systems are insufficient or outdated, preventing timely and well-targeted intervention. Without such data, it is difficult to distribute resources equitably in times of crisis and this increases the risk that some people will be left unprotected.

Number of people affected by disasters in Latin America and the Caribbean, 2000-2022



Source: Latin America and the Caribbean disaster outlook 2000-2022, UNDRR, 2023.

The lack of sufficient funding was also a prominent issue at SELA's workshops. In many cases, countries in the region rely heavily on international aid to cope with disasters, highlighting a weakness in financial planning for risk management. Although international aid has been crucial on many occasions, it is not always sufficient and does not always arrive quickly enough to cover all the needs of the affected population. Preventive policies often do not receive the same attention as emergency measures, as national budgets dedicated to risk prevention and mitigation are limited, affecting governments' ability to prepare their communities for future disasters and to respond effectively when they occur.

Furthermore, the increasing frequency and intensity of disasters, exacerbated by climate change, also aggravates the situation. Climate projections indicate that events such as hurricanes and droughts will become more intense and frequent, posing a greater challenge for countries in the region. This not only implies a greater economic burden but also increases the likelihood of human and material losses, mainly affecting communities that already face significant livelihood constraints. This is because exposure to environmental risks is closely linked to the lack of adequate infrastructure in rural and marginalised urban areas, thus increasing the potential damage when disaster strikes.

Government response capacity has also been identified as an area requiring improvement. Although many countries have made progress in strengthening their disaster risk management systems, there are still problems related to the lack of coordination between different levels of government, as well as between the entities responsible for civil protection

and social actors. The lack of trained human resources and the limited availability of materials for rapid response in emergencies reduce the effectiveness of the efforts made, a situation that has highlighted the need for greater training and preparation so that those responsible for risk management can act efficiently in the event of a crisis.

In addition to response, preventive approaches have also been identified as areas that need strengthening. There is an urgent need for countries in the region to develop strategies that go beyond just reacting to disasters and also address prevention and mitigation. This implies the need to improve infrastructure to make it more resilient to disasters, as well as to implement sustainable construction practices in risk-prone areas. There is also a need to promote community resilience through education and empowering people to better prepare for future disasters.

Regional cooperation and partnerships between different actors, such as governments, non-governmental organisations and the private sector, have proven to be invaluable in addressing the challenges of disaster risk management. Sharing resources, knowledge and experience between countries and sectors contributes to strengthening response capacities at all levels, from preparedness to recovery.

This collaboration facilitates the implementation of best practices, adapted to the characteristics and needs of each country, and allows for a more efficient use of available resources. In addition, public-private partnerships have shown good results in other regions, where they have been successful in reducing the impact of disasters through shared funding, the development of technological solutions and technical assistance. It is an approach that can help reduce gaps in funding and technical expertise by ensuring that countries can respond more quickly and effectively to adverse events. In turn, partnerships have the potential to strengthen each country's capacity to anticipate risks and promote an approach to risk management that is aligned with international standards and responsive to the needs of the most vulnerable communities.

Finally, the COVID-19 pandemic has highlighted the interrelationship between public health and disaster management. In this regard, it has highlighted the need to integrate public health strategies into emergency response plans, as health systems can be severely affected during crisis situations. The pandemic has highlighted the urgent need for robust health systems capable

of responding to both health emergencies and natural disasters, which in turn has underlined the importance of improving intersectoral coordination and strengthening social protection systems to ensure an effective response in crisis situations.

Objectives and alternatives for solutions

This report seeks to promote the integration of social protection into disaster risk management policies. To that end, a number of objectives have been set that aim to improve both emergency response capacity and the prevention and mitigation of risks associated with natural hazards. The strengthening of social protection systems is a priority and includes greater coordination between the institutions in charge of managing these systems and those responsible for disaster response and mitigation. The aim is to create a more cohesive and efficient environment for dealing with events.

A specific objective is to ensure that social protection programmes are able to respond adequately to emergencies. This involves adjusting social security systems so that they can provide immediate support to disaster-affected people and can take the form of direct cash transfers, access to essential services such as health and education, and assistance in rebuilding livelihoods. These programmes also need to identify the most vulnerable populations before a disaster occurs to ensure rapid and well-targeted intervention.

Another goal is to improve coordination between the sectors involved in risk management. In many countries in the region there is fragmentation between the different sectors responsible for disaster response, such as civil protection, health, education and social protection. The lack of cooperation limits the effectiveness of responses and can lead to duplication or gaps in assistance. To correct this problem, it is proposed that inter-institutional mechanisms be created that allow for smooth collaboration between sectors and that assign clear responsibilities to each actor during emergencies. This collaboration should include both central government and local levels to ensure that the response is as rapid and effective as possible.

Risk management also encompasses policies and investment programmes that take into consideration existing vulnerabilities and include instruments aimed at reducing the exposure of a community or asset in relation to a particular hazard (ECLAC, 2019). These measures will not only reduce the impact of future disasters but also facilitate faster and less costly recovery.

Relocation, understood as “a population relocation procedure, within the same environment of original permanence, but away from all risk”¹ (Hurtado Isaza and Chardon, 2012, p. 11), for example, has been a strategy discussed in several countries to relocate communities located in areas prone to flooding, landslides or seismic activity.

In terms of funding, new sources must be explored to ensure that countries have the necessary resources to implement these policies. Public-private partnerships are a viable alternative to mobilise additional resources and share knowledge and technologies that can strengthen governments’ capacity to deal with disasters. At the same time, they can leverage private sector competencies in areas such as technology, infrastructure and logistics that are important for improving disaster response. In addition, international cooperation and access to global funds for risk reduction, such as those offered by multilateral organisations or cooperation agencies, should be promoted.

Another objective is to increase public awareness and the capacity of communities to prepare for and respond to disasters, thus the active participation of the population in risk management is relevant for reducing the vulnerability of communities and ensure a faster and more efficient response (UNDRR, 2019). This would include training in emergency protocols, local risk assessment and response strategies adapted to the specific conditions of each region. Educating the general population is also an aspect to consider when ensuring that people know how to act before, during and after a disaster. Preparedness at the community level can make a difference in the effectiveness of emergency response, as well-organised communities are able to respond more quickly and in a more coordinated manner.

Prevention strategies should include the implementation of infrastructure that is able to withstand natural disasters, which involves improving building construction, urban planning and drainage systems, especially in urban areas prone to flooding. Projects such as the construction of dikes, the improvement of roads to ensure access to affected areas and the development of safer housing are essential to mitigate the effects of disasters. In addition, the modernisation and expansion of early warning systems will allow communities to receive sufficient warning to evacuate or take protective measures. These systems must be accurate and accessible to the entire population to ensure that information reaches them in a clear and timely manner.

Finally, it is proposed to establish continuous monitoring and evaluation mechanisms to measure the effectiveness of the strategies implemented and to adjust policies where necessary. Effective disaster risk management needs to be conceived as a constantly evolving process, where the monitoring of results will identify areas for improvement and ensure continuous adaptation to changing needs. In addition, such mechanisms will facilitate accountability and ensure that resources allocated to disaster prevention and response are used efficiently.

Strategy and feasibility of the proposal

The proposal presented in this report emphasises the implementation of public policies that link social protection with disaster risk management from a comprehensive approach that encompasses multiple sectors and promotes closer collaboration between the different actors involved. It includes various measures aimed at strengthening the capacity of governments to respond to disasters, as well as to protect the most vulnerable populations.

One of the suggested actions is the implementation of early warning systems, which are designed to more accurately identify individuals and communities at risk, and which should be integrated with social protection programmes to ensure that those identified as vulnerable receive immediate support in emergency situations. It is equally important to train disaster risk management officials so that they can use these tools effectively.

From a financial point of view, it is proposed to diversify the sources of funding related to this type of management. This includes the creation of national funds dedicated to risk reduction, the possibility of accessing contingent credit lines and the promotion of sovereign insurance to cover the costs generated by natural disasters (Hallegatte et al., 2017), which increases the capacity of countries to respond efficiently and minimise the economic impact. In addition, collaboration with the private sector should be encouraged to mobilise additional resources and ensure the sustainability of social protection programmes.

At the institutional level, the feasibility of this proposal depends on the capacity of governments to coordinate efforts between different sectors and administrative levels. To achieve this, the creation of interinstitutional committees that include representatives from areas such as civil protection, health, education and social protection is recommended in order to improve

coordination and assign clear responsibilities at each stage of disaster response. These committees will be responsible for planning and coordinating disaster response, ensuring efficient use of resources and coherent policy implementation. Their actions should be aimed at promoting common initiatives in partnership with the scientific and technological community, academia and the private sector to establish, as well as disseminate and share best practices at the international level (UNDRR, 2019).

The strategy to address disaster risk management in the continent must be comprehensive and multifaceted. An important aspect is the participatory approach, which involves the participation of local communities in the identification of risks and in the planning of mitigation actions, ensuring that solutions are relevant and adapted to the specific needs of each community. In addition, it is essential to implement training and education programmes that strengthen the skills of community leaders, officials and the general population in disaster risk management. These programmes can include drills, workshops and courses focused on prevention and response.

Furthermore, disaster risk management needs to be deeply integrated into all development, urban and environmental policies so that it is considered at every stage of planning and decision-making. This requires effective collaboration between sectors such as health, infrastructure, education and economics, as well as coordination between different levels of government. By creating a cohesive and cross-cutting approach, risk management efforts can be aligned with sustainable development goals and make communities more resilient in the long term. Such integration ensures that both infrastructure construction and natural resource management incorporate preventive and adaptive measures that reduce the vulnerability of populations to disasters. Thus, urban and environmental development is achieved that responds to current needs and, in turn, anticipates and mitigates the impacts of future catastrophic events.

Investing in resilient infrastructure is also of paramount importance. Systems that can withstand disasters caused by natural hazards, such as adequate drainage, safe buildings and effective transport networks, must be developed and maintained, and consideration must be given to rehabilitating damaged infrastructure and transforming it to make it more resilient in the future. There is also a need to create cooperative networks and foster partnerships among governments, non-governmental organisations, the private sector

and international agencies to share resources, information and best practices in disaster risk management.

The implementation of a monitoring and evaluation system is a necessary action to measure the effectiveness of risk management strategies. Such a system allows for the collection of detailed data on the occurrence and impact of disasters, as well as the regular assessment of the resilience and response capacity of affected communities. This data facilitates the identification of areas for improvement in current policies while providing a solid basis for adjusting prevention and recovery programmes according to local realities. In addition, a continuous monitoring system allows for benchmarking and measurement of progress over time, which helps determine which interventions have been most effective and replicate them in other areas. With this information, governments and organisations can prioritise resources, adapt to change and ultimately strengthen the resilience of communities to future adverse events.

The feasibility of the proposal is assessed on the basis of several interrelated factors that determine its success. Firstly, the availability of funding is an important aspect and there is a need to explore various sources, including government funds, international donations and public-private partnerships that can provide the necessary capital. The creation of a dedicated regional fund for disaster risk management could be a viable option to ensure sustainable and accessible resources to support initiatives across the region.

In addition, political commitment is of paramount importance in the implementation of this strategy. It is imperative that governments in the region prioritise disaster risk management in their political agendas and allocate the necessary resources for its implementation. Effective risk management depends to a large extent on the existence of strong technical and human capacities in the institutions in charge of its implementation. It is therefore essential to invest in continuous training and capacity-building programmes and to ensure that staff acquire the necessary skills to successfully implement the proposed strategies.

Collaboration among different levels of government and sectors is also relevant to the success of the proposal. Establishing clear coordination and communication mechanisms between the various entities involved in disaster risk management facilitates the flow of information and allows for a more agile and effective response to emergency situations. In addition, community

participation is needed for strategies to be implemented effectively. It is therefore important to carry out awareness-raising campaigns that inform the population about the relevance of disaster risk management, promoting their involvement and empowerment in the process. This helps build a culture of prevention, while strengthening community resilience to future disasters.

SELA, together with the CISS, has promoted regional workshops that favour the incorporation of integrated disaster risk management (IDRM) into public policies for social protection. These workshops, which have been held in Honduras, Belize and the Dominican Republic, aim to strengthen the resilience of health and social protection systems in the face of natural disasters. The actions are aligned with Thematic Area III: Social Development, in Programme II: Comprehensive Disaster Risk Management and Climate Change of SELA's Work Programme for 2022-2026, whose purpose is to promote public policies for social protection that meet the challenges posed by natural disasters in the region, with a focus on reducing the vulnerability of groups at higher risk, such as people living in poverty, women, children and the elderly.

During these workshops, various topics have been addressed, including disaster assessment, which allows for the measurement of losses and damage caused by disasters, and facilitates the allocation of resources for prevention and recovery. Work has also been done on the registration of affected people, which makes it possible to adapt social programmes to the specific needs of the impacted communities. In addition, the incorporation of risk management approaches into public policies has been promoted, considering international guidelines on climate change and natural disasters. These actions seek to protect the income and access to basic services of affected people, while ensuring their economic and social recovery through a comprehensive approach that considers both prevention and recovery.

Finally, SELA highlights the value of public-private partnerships to develop tools to strengthen social protection. These partnerships are fundamental for the design of financial instruments and support mechanisms that facilitate recovery after disasters. In this way, they contribute to building an ISDR model that, in addition to responding to disasters, favours adaptation and the strengthening of the resilience of communities in a sustainable manner in the long term.

Expected impact

The implementation of a comprehensive strategy for DRM in Latin America and the Caribbean has the potential to trigger a range of positive effects in a number of areas. One of the most anticipated impacts is the reduction of human and material losses. As disaster preparedness and response capacity is strengthened, it is expected that both injuries and deaths, as well as economic losses associated with catastrophic events, will be reduced. The implementation of proactive measures, such as early warning systems and evacuation drills, will enable communities to react more effectively to adverse situations. This approach not only safeguards people's lives but also protects economic assets and contributes to the stability of local and national economies.

Another relevant impact is the increase of resilience in communities. The active participation of inhabitants in identifying risks and planning mitigation measures gives them a sense of ownership over the actions taken that enhances their ability to adapt and recover from adverse situations while fostering social cohesion. Communities that work together to address challenges tend to develop stronger ties that contribute to the social and economic stability of the region and create an environment in which prevention becomes a shared value, and a culture of solidarity and collaboration is promoted.

Improved infrastructure is another significant aspect of this strategy. Investing in resilient buildings protects communities during extreme events and enhances the quality of life for citizens in their daily lives. For example, the implementation of adequate drainage systems and safe buildings reduces vulnerability to floods and landslides, improves access to basic services and facilitates economic development. Investing in resilient infrastructure is essential to ensure that communities overcome disasters, emerge stronger and can continue to develop.

Networks of cooperation between countries and organisations are needed to foster a coordinated approach to disaster risk management that facilitates the exchange of knowledge, resources and best practices leading to increased response capacity at the regional level. By working together, countries can learn from the experiences of their neighbours and adapt successful solutions to their own contexts. While these partnerships increase the effectiveness of the strategies implemented, they also build a sense of unity and shared purpose in the region in the face of common challenges.

In addition, risk awareness and education are enhanced through the implementation of training and awareness programmes. Increasing public knowledge about disaster preparedness empowers communities to actively participate in disaster management and fosters a more robust and ingrained culture of prevention, where preparedness becomes an everyday aspect of community life. These issues need to be embedded in the training of future generations through education to ensure that risk management awareness is an integral part of community life.

Economically, it is hoped that by mitigating the impact of disasters on local and national economies, communities and countries will be able to maintain more sustainable growth. Investing in risk management is a strategy that protects livelihoods and reduces economic disruption, while ensuring a more resilient future for communities, fostering continued economic development and preparing them to meet the challenges ahead.

The inclusion of disaster risk management in development, urban planning and environmental policies allows for a more holistic and sustainable approach and ensures that projects are planned and implemented in ways that reduce vulnerability and protect natural resources. It also enhances the response capacity of disaster risk management institutions and facilitates a faster and more coordinated response to emergency situations. This includes improvements in logistics, communication and resource mobilisation during crises, ensuring that communities receive the help they need at the most critical moments.

Final considerations

This report presents a series of recommendations based on the best practices identified during the workshops on Disaster Risk Management with a Social Protection Approach organised by SELA in Honduras, Belize and the Dominican Republic. Throughout the process, it has become evident that, although the countries of the region have made progress in improving their risk management policies, there are still important challenges that need to be addressed to ensure a more effective and equitable response to disasters.

One of the most relevant findings is the need to integrate the social dimension into disaster risk management policies, an approach that improves the resilience of affected communities and ensures that the most vulnerable

people have access to the necessary resources and support to cope with adversity. However, for these policies to be truly effective, it is essential to improve coordination among the different sectors involved, such as health, education, housing and social assistance. This cross-sectoral collaboration optimises disaster response and helps create a more robust and sustainable framework for the protection of at-risk populations.

Increasing investment in prevention and mitigation is another area of emphasis. Allocating adequate financial resources for building resilient infrastructure and implementing capacity building programmes can make a difference in the ability of communities to withstand and recover from catastrophic events. This implies political commitment at the national level, as well as the mobilisation of resources through public-private partnerships and international cooperation. It is important that all actors, both public and private, recognise the importance of investing in risk management as a priority for the sustainable development of the region.

In the future, it will be necessary to continue to strengthen local and national capacities in disaster risk management, including training policy implementers, promoting effective early warning systems and improving critical infrastructure. By empowering communities and local institutions, a more inclusive and context-specific approach to risk management is encouraged.

There is also a need to promote international and regional cooperation to address common disaster risk management challenges. The creation of collaborative networks will allow for the exchange of knowledge, experience and resources that will enhance emergency response capacity.

Finally, it is critical that disaster risk management policies are aligned with the SDGs and the Sendai Framework principles to ensure that they address the immediate needs of affected communities and contribute to more sustainable and equitable development in the region. As these recommendations are implemented, it is expected that Latin America and the Caribbean will move towards a more resilient future, where communities are better prepared to face the challenges posed by climate change and the increasing incidence of natural disasters.

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Cyberdiplomacy, artificial intelligence and digital governance: public policy proposals for the future of Latin America and the Caribbean

Executive Summary

This document presents a set of public policy proposals to address the main challenges facing Latin America and the Caribbean in the context of digital governance, cyberdiplomacy, digital transformation and cybersecurity.

The region is undergoing a slow process of digitalization, with unequal access to technologies, that generates significant economic and social divides. Despite the growing importance of the digital economy, technological infrastructures in many countries are still limited and this restricts the ability of businesses and governments to participate fully in the global economy. In addition, regulatory frameworks in many nations are not sufficiently adapted to facilitate effective cross-border digital trade, limiting the growth of sectors such as e-commerce.

Furthermore, cyberdiplomacy is a useful tool to address the challenges of digital governance in the context of an increasingly interconnected and threat-prone cyberspace. Countries in the region, like many globally, face growing concerns about cybersecurity, as such attacks are becoming increasingly sophisticated and can destabilise both national economies and democratic systems. In this regard, it is necessary to strengthen regional cooperation mechanisms for the defence of critical infrastructure, the exchange of best practices in cybersecurity and the harmonisation of regulations.

Among the recommendations proposed in this document is the creation of a regional framework for cooperation in cybersecurity, including the signing of multilateral agreements to strengthen the capacities of states to address cyber risks. Harmonisation of personal data protection and privacy policies is also suggested, aligning the countries of the region with international standards and improving trust in digital platforms.

It also advocates the need to promote the digitalisation of trade, especially through the inclusion of small and medium-sized enterprises (SMEs) in digital platforms that allow them to access global markets. To do so, it is appropriate to implement public policies that promote investment in digital infrastructure and the development of technological capabilities in key sectors, such as artificial intelligence (AI) and the internet of things (IoT), which could improve the region's economic competitiveness.

The expected impact of these proposals includes the integration of the region into a more secure and accessible global digital environment, the creation of conditions for more dynamic e-commerce and the promotion of international cooperation in digital governance. Indicators of success relate to the increased adoption of digital technologies in key sectors, the reduction of the digital divide and the strengthening of cybersecurity in the countries' critical infrastructures.

Introduction

At a time when digitalisation and new technologies are advancing uninterrupted, the Latin American and Caribbean region is in a transitional stage where the opportunities and challenges of digital governance, e-diplomacy and AI are interrelated and become more complex. As countries immerse themselves in the digital age, global dynamics are changing, driven by the growth of the digital economy, the proliferation of new technologies, the strengthening of connectivity and the expansion of cyberspace. This has reshaped international relations, trade and security, and places new demands on both government and civil society.

One of the main challenges facing countries in the region is building effective digital governance. The ability of governments to regulate and manage the digital environment, promote technological inclusion, protect citizens' privacy and ensure cybersecurity has become a central element of the political agenda. However, differences in the level of digital development

among countries, together with the lack of coordinated public policies, have generated significant disparities. The lack of adequate digital infrastructure, low access to advanced technologies and resistance to change in certain public and private sectors make it difficult to implement strategies that can maximise the benefits of digitalisation.

In addition, the rise of cyberdiplomacy has highlighted the need to strengthen international cooperation frameworks on cybersecurity and to establish global norms for the responsible and ethical use of digital technologies. Cyberdiplomacy, as an extension of international relations, seeks to foster cooperation among states on issues related to cybersecurity, the control of information flows and the governance of cyberspace. However, despite its relevance, Latin American and Caribbean countries face the absence of a common consensus on digital policies that limits the creation of shared regional strategies to address emerging threats, such as cyberattacks and mass surveillance practices.

Furthermore, AI has been recognised as a disruptive technology that is rapidly transforming diverse economic and social sectors, from healthcare to agriculture, education and industry. However, its adoption in the region has been uneven, with some countries leading the way in integrating these advances and others still struggling to overcome technological and regulatory barriers. AI has the potential to increase competitiveness, foster innovation and improve efficiency in the public and private sector but harnessing its benefits in an equitable manner requires the development of public policies that promote local capacity building, training in digital skills and adequate infrastructure, while ensuring ethics in its application.

The purpose of this document is to analyse these interconnected challenges and offer concrete proposals for public policies that can help Latin American and Caribbean countries move forward in building strong digital governance, with a robust cybersecurity approach, and effectively integrate AI into their economies and societies. The proposals are based on the exchanges carried out in the events organised by SELA, such as Digital governance and cyberdiplomacy in Latin America and the Caribbean: Challenges and opportunities, organised in Asunción, Paraguay, in October 2024 in collaboration with CAF-Development Bank of Latin America and the Caribbean, and Digital governance and cyberdiplomacy in Latin America and the Caribbean: Innovation and Future, which was held in November 2024 in Lima, Peru, in coordination with the Andean Community (CAN). These events

provide an analysis of the regional situation and priorities for strengthening cooperation in the areas addressed. They also draw on the Handbook on Cyberdiplomacy for Regional Convergence (SELA, 2024a) and the book *AI and Diplomacy: International relations in the era of disruptive technologies* (SELA, 2024b), which examines its impact on modern diplomacy and public policy.

This document proposes a comprehensive approach that links digital governance, cyberdiplomacy and AI, in order to promote a more secure, inclusive and competitive digital environment in the region. The analysis and proposals are aligned with SELA's Work Programme for 2022-2024, specifically within Thematic Area II: Digitalisation and Infrastructure, Programme I: Digital transformation and energy infrastructure, and Project A: Information technologies and sustainable energy infrastructure for development. These recommendations seek to advance towards effective and sustainable digital inclusion that benefits all sectors of society. They also address issues such as regional cooperation, the creation of regulatory frameworks, the training of human resources, the promotion of an adequate digital infrastructure and the development of public policies to maximise the use of emerging technologies, such as AI, in the context of digital diplomacy.

Framework of reference

The political, social and economic context in Latin America and the Caribbean is marked by a transformation resulting from the advance of digitalisation. At the political level, the countries of the region are facing a scenario in which digital governance, cybersecurity and digital diplomacy are becoming increasingly relevant. However, public policies related to these issues vary widely among them, creating a fragmented governance environment that hinders the adoption of common solutions. Political and economic diversity means that digitalisation processes develop at different paces, with a high degree of inequality in digital infrastructure and institutional capacity to manage technological transformation. This picture is more complex in lower-income countries, as they face difficulties in accessing technology and adopting efficient digitalisation policies. Existing regulatory frameworks in many states are still incipient, hindering the creation of a suitable environment for technological innovation and digital security. In addition, cooperation on cyberdiplomacy and cyberspace management is not yet strong enough and this limits the effectiveness of responses to cyberthreats such as cybercrime and disinformation attacks.

From a social point of view, digitalisation has had an unequal impact on different layers of society, because while some sectors have managed to take advantage of the opportunities offered by new technologies, others remain on the margins of this change. The lack of access to high quality internet, especially in rural or less developed areas, creates a digital divide that perpetuates economic and social inequalities and is not only limited to access to digital infrastructure, but also to the ability of individuals to take advantage of it, due to the lack of education in digital skills. The integration of advanced technologies such as AI and big data into the economy is also affected by these inequalities, as their implementation requires both technological infrastructure and specialised human skills that are not available in all sectors of society. While the region has made progress in terms of connectivity, it faces the challenge of ensuring an equitable distribution of these benefits, so that the digital transformation does not exacerbate existing inequalities.

Economically, Latin America and the Caribbean faces several challenges related to digitalisation. Despite advances in connectivity and the use of new technologies in certain sectors, digital infrastructure remains insufficient in many areas, hindering the adoption of advanced technologies, such as AI and blockchain, by businesses and society at large. This is compounded by a lack of investment in research and development (R&D) and a lack of incentives for technological innovation, as countries in the region, especially those with weaker economies, find it difficult to create an enabling environment for financing new technologies. Digitalisation has the potential to transform sectors such as agriculture, manufacturing, financial services and health, but the lack of clear and coordinated public policies, as well as poor training in technological skills, limit its reach. Moreover, dependence on traditional economies and resistance to change in many productive sectors exacerbate this challenge. Digitalisation policies must be accompanied by measures to foster the creation of an innovation ecosystem and the strengthening of local capacities to integrate new technologies into productive processes.

Digital transformation in Latin America and the Caribbean is also reflected in the growing relevance of cyberdiplomacy. Although in recent years there has been progress at the multilateral level, with the creation of forums and working groups on cybersecurity and digital diplomacy, the region still faces obstacles in consolidating a common strategy. Existing initiatives have not always been sufficient to address the growing challenges of cyberspace, such as transnational cyberattacks, the proliferation of fake news and

the protection of personal data. Moreover, international cooperation in the field of cybersecurity is still in its early stages and there is no regional policy framework to effectively address problems arising from the use of cyberspace. Added to this is the lack of trust between countries in the region, which hinders the creation of common agreements that would allow progress in cybersecurity cooperation and in the management of risks arising from new technologies.

In terms of AI, despite the opportunities that this technology offers for improving public services, education, health and the economy in general, Latin America and the Caribbean lags behind in its adoption and development. Lack of adequate infrastructure, gaps in access to education in science and technology, and insufficient public policies are obstacles to its deployment. At the institutional level, governments in the region are still in the early stages of developing regulatory frameworks for AI, which makes it difficult to implement policies that promote its adoption in an ethical, inclusive and human rights-friendly manner. In addition, legal frameworks and regulations around data privacy, transparency of algorithms and protection of citizens' rights remain weak areas and create uncertainty around the use of these technologies. However, there is huge potential to harness AI in key sectors such as agriculture, manufacturing and healthcare, but it requires well-designed public policies that facilitate its adoption and mitigate the risks associated with its use.

Finally, in terms of background and previous initiatives, SELA has promoted important discussions on digital governance and cyberdiplomacy through its reports and regional events. The events organised by the organisation on Digital Governance and Cyberdiplomacy in Latin America and the Caribbean, held in Asunción and Lima in October and November 2024 respectively, made it possible to identify the main barriers to regional cooperation in cybersecurity and digital governance. In turn, through the Handbook on Cyberdiplomacy for Regional Convergence, SELA (2024a) has proposed solutions to improve multilateral cooperation and the creation of a common regulatory framework in cybersecurity. For its part, the book *Artificial Intelligence and Diplomacy* (SELA, 2024b) is an important reference in which researchers and experts from different countries participated with the aim of understanding how AI can be used in diplomacy and in the resolution of global problems, but also highlights the challenges involved in its implementation in an ethical and regulated manner. These SELA initiatives have allowed progress to be made in understanding the need for a coordinated regional approach, although

much remains to be done in terms of public policy, infrastructure investment and international collaboration.

Problem and needs analysis

In Latin America and the Caribbean, the challenges arising from digitalisation, AI and cyberdiplomacy have generated issues that affect both economic development and social cohesion. Digitalisation, despite progress in some areas, remains an uneven phenomenon in a region where large gaps in access to technology persist, especially in rural areas and among vulnerable populations. The use of quality Internet, appropriate devices and telecommunications infrastructure is not yet a reality for all, which limits the benefits that digitalisation can bring in terms of social, economic and educational development. Remote regions, in particular, lack sufficient coverage and modern connectivity networks, perpetuating digital exclusion and exacerbating pre-existing inequalities.

This inequality of access is reflected in the public sector, as many governments have failed to implement effective policies to reduce these gaps and ensure that all citizens can access the benefits of digitalisation. Insufficient infrastructure and limited investment in technology hinder digital inclusion and, consequently, the implementation of digital services that can improve citizens' quality of life. Added to this are the obstacles governments face in integrating advanced technologies such as AI into their public policies and services, as lack of training and low levels of investment in these fields limit the development of technological solutions that could optimise key sectors such as education, health and public administration.

In addition, the challenge of digital governance is particularly relevant. In many countries in the region, regulatory frameworks on the use of digital technologies and the protection of personal data are insufficient. The lack of clear legislation and the institutional weaknesses in some states hinder the implementation of data protection measures and the creation of a safe environment for technological innovation that puts both citizens and businesses at risk, generates distrust in digital platforms and limits their wide-scale adoption. In many cases, the lack of a coherent cybersecurity strategy has also left governments vulnerable to cyberattacks, which can have serious consequences not only at the institutional level but also at the economic and social levels.

Although AI is recognised as having the potential to improve key sectors of the economy, such as health, agriculture and manufacturing, the region faces several barriers to its adoption. Many nations lack the necessary technological infrastructures to integrate it into their productive systems, and this causes a delay in its development. In addition, the lack of adequate regulation on the ethical and responsible use of AI exacerbates the risks associated with algorithmic discrimination, invasion of privacy or reliance on foreign technologies without adequate control. At the institutional level, few countries have developed clear public policies on how to incorporate this technology into their national strategies, which has slowed down local innovation and left them at a disadvantage compared to more developed economies in terms of innovation.

Another critical issue is the lack of regional cooperation in the area of cyberdiplomacy. While some bilateral and multilateral efforts have been made to establish frameworks for cooperation on cybersecurity and digital governance, the lack of a cohesive regional approach impedes an effective response to transnational cyberthreats. Cyberdiplomacy in the region is still at a nascent stage and there are no binding agreements or common protocols to address cybercrime, attacks on critical infrastructure or disinformation in cyberspace. In this context, collaboration among governments, the private sector and civil society is insufficient to build a regional cybersecurity strategy to protect the population and critical systems in the region.

The problem is intensified by the lack of digital education and training. Poor preparation in digital skills limits the workforce's ability to adapt to new market demands. Gaps in science, technology, engineering and mathematics (STEM) education affect both the training of young people and the continuous training of workers and put the competitiveness of countries in the region at risk. Without human capital prepared to face the challenges presented by new technologies, LAC countries will find it difficult to integrate AI and other advanced technologies into their economy and society, perpetuating the development gap with more advanced economies.

The situation also poses a number of economic risks for the region. Digitalisation and automation of production processes can disrupt key sectors of the regional economy, such as agriculture and manufacturing. Without a clear plan for the transition to the digital economy and a strategy for training workers in digital skills, there is a risk of losing competitiveness vis-à-vis other, more prepared regions. Moreover, the investments needed to strengthen

technological infrastructure and promote innovation are insufficient and limit the potential for economic growth in the context of digitalisation.

Objectives and alternatives for solutions

The proposal is structured around several objectives that aim to address the challenges identified in the region in relation to digitalisation, AI and cyberdiplomacy. These objectives are aligned with SELA's goals and the Sustainable Development Goals (SDGs), particularly those addressing quality education, reduction of inequalities, innovation, digital infrastructure and regional cooperation. First, it aims to promote digital inclusion across the region, which implies expanding access to high-quality Internet and developing technological infrastructure in rural areas, marginalised areas and vulnerable sectors of the population. This requires governments to implement public policies that contribute to reducing the digital divide, ensuring that all citizens can benefit from digitalisation, from access to basic services to active participation in the digital economy.

Secondly, it seeks to strengthen cybersecurity and the protection of personal data through the creation of regional regulatory frameworks. This approach will establish clear rules and cooperation mechanisms among countries in the region to prevent and mitigate cyberattacks, as well as to protect critical infrastructure. By developing a regional cybersecurity network, common challenges arising in the context of an increasingly complex and threatening digital environment could be addressed more effectively. It is also proposed to foster the development and adoption of AI in strategic sectors by encouraging public policies that promote R&D in areas such as health, education and public administration. This initiative should include the creation of regulatory frameworks that ensure the ethical and responsible use of AI, minimising the risks associated with its implementation and favouring its equitable adoption in the region.

In the area of cyberdiplomacy, it is envisaged to establish a framework for regional cooperation to enable a unified response to cyberthreats, disinformation and other transnational issues. This approach includes the development of a common agenda in which governments, international organisations and the private sector work together to promote international norms on cybersecurity, digital rights and the global governance of cyberspace. In addition, there is a need to boost digital education and training in emerging technologies through the implementation of training

programmes that prepare the workforce for the challenges presented by digitalisation and automation in the productive sectors.

Furthermore, several alternatives to address these problems were considered. One option is to allow each country to develop its own digitalisation, cybersecurity and AI strategies tailored to its specific needs. This alternative would offer flexibility, but it would also make harmonisation of standards and regulations and cooperation among countries more difficult and could hinder a cohesive regional response to transnational problems. Alternatively, solutions could be sought through bilateral and multilateral partnerships with international actors, such as UN agencies or the European Union. While this is a strategy that could bring resources and expertise, it could also carry risks related to digital sovereignty and technological dependence.

Options also include encouraging the creation of private sector-led innovation and technology hubs through tax incentives or regulatory benefits. This alternative would promote the involvement of the business sector in problem-solving, but it could also result in uncoordinated action and lack of involvement of the most vulnerable sectors. Finally, another option would be the development of national policies without a regional framework, where some countries choose to create digitalisation and AI strategies tailored to their domestic realities. However, this could create even wider gaps between countries in the region and hinder the integration and joint exploitation of the digital economy.

The final proposal is presented as the most coherent option, as it seeks a comprehensive solution based on cooperation and synergy among countries, international organisations and the private sector. By adopting a regional approach, it is envisaged that LAC countries will be able to better leverage their shared resources and experiences, ensuring that the benefits of digitalisation, AI and cyberdiplomacy reach all sectors of society and promote sustainable and equitable development in the region. This will not only contribute to the modernisation of local economies but also strengthen the region's position in an increasingly digitalised and connected world.

Strategy and feasibility of the proposal

The strategy proposed here is based on a series of actions aimed at strengthening the region's technological capacities, guaranteeing cybersecurity and promoting international cooperation, in order to improve

the competitiveness of Latin American and Caribbean countries in the global arena and ensure that the digital transformation process is inclusive and sustainable. The first component focuses on the development of digital infrastructure and proposes increasing investments in telecommunications networks, seeking an equitable expansion of high-quality Internet access in all countries, especially in rural and marginalised areas. This is a prerequisite for any progress in digitalisation, so it is essential to create incentives for telecommunications companies to invest in less profitable areas, in addition to implementing regulations that promote competition and lower costs. It is also necessary to establish legal frameworks that guarantee interoperability among the different Internet service providers and that facilitate connection without technological or geographic barriers, so that universal coverage is achieved.

At the same time, the creation of regional regulatory frameworks focused on cybersecurity and data protection should be promoted. The lack of unified regulations in the region on these issues is one of the biggest obstacles to the security of citizens' data and countries' critical infrastructures. It is therefore necessary to promote regional agreements that establish common standards on data protection, prevention of cyberattacks and regulation of AI. One aspect of this part of the strategy is the creation of cybersecurity cooperation networks among Latin American and Caribbean countries that would allow for the sharing of information on cyberthreats and the coordination of responses to transnational incidents. In addition, the training of specialised teams in each country, with the help of international experts, will build a strong local capacity to prevent and mitigate this type of risk.

As regards the promotion of AI, the strategy proposes a boost to AI R&D in key sectors such as health, education, the public sector and agriculture. To that end, incentives are proposed for technology companies to invest in the development of AI-based solutions that can have a direct impact on the improvement of public services and administrative efficiency. In this regard, it is necessary to promote education and training of this content, both in academia and in the business sector, as training citizens in the use of digital tools and the adoption of AI will improve the region's competitiveness and reduce the existing technological gap. This will also boost local innovation, allowing countries in the region not only to adopt foreign technologies, but also to contribute to their development.

The strategy in the area of cyberdiplomacy aims to strengthen the region's role in the global governance of cyberspace. This will be achieved through

the creation of a regional cooperation network that allows countries to negotiate collectively in international fora on issues such as AI regulation, Internet governance and cybersecurity. In addition, the creation of a space for dialogue among governments, the private sector, civil society and international organisations to discuss issues related to cybersecurity and digital rights should be promoted. Cyberdiplomacy should also focus on building mutual trust among countries, creating mechanisms to ensure the exchange of information in a transparent manner and to prevent conflicts arising from cyberattacks or conflicting technology policies.

The feasibility of the proposal must be considered in terms of its legal, financial and institutional viability. As regards the legal dimension, countries in the region need to adjust their national regulations to align them with international agreements on cybersecurity, data protection and the use of emerging technologies. This will involve reforms to privacy laws, as well as the creation of specific regulatory frameworks for AI and cybersecurity. Governments must ensure that these laws are effectively implemented, and this may involve the creation of new institutions or the restructuring of existing ones.

From a financial perspective, the implementation of this proposal will require considerable investment in digital infrastructure, human capital training, the creation of cybersecurity agencies and the promotion of technological innovation. Since it is possible to finance this strategy through a combination of public and private funds, national governments and multilateral agencies such as the Inter-American Development Bank (IDB) and CAF-Development Bank of Latin America and the Caribbean can provide resources to support investment in infrastructure and capacity-building projects. In addition, public-private partnerships are necessary for technological development and the creation of innovative solutions. In terms of resource allocation, it is essential that Latin American and Caribbean governments allocate funds to key areas such as technology education, the creation of public policies on AI and the strengthening of cybersecurity.

In the institutional sphere, relevant actors within each country must be mobilised and efforts coordinated at the regional level. This implies collaboration among various ministries, such as those of Economy, Science and Technology, Foreign Affairs and Justice, among others, to ensure that the strategy is implemented in a coherent and coordinated manner. At the regional level, SELA, CAN and Mercosur should encourage the creation of common regulatory frameworks, the promotion of dialogue and technical cooperation among member

countries. In addition, collaboration with international organisations and the private sector will be essential to ensure access to technology and the creation of a favourable environment for innovation.

Expected impact

The implementation of the policy proposal will bring a number of tangible benefits to Latin American and Caribbean countries, focusing mainly on improving digital infrastructure, adopting new technologies, strengthening cybersecurity and boosting regional competitiveness on the global stage. As countries in the region modernise their digital systems, more equitable access to digital services is expected to be achieved for both citizens and businesses. Improved infrastructure will enable the expansion of Internet services and connectivity in rural and marginalised areas, which will help bridge the digital divide between urban and rural areas. This connectivity will facilitate greater participation in the digital sphere leading to greater social and economic inclusion, especially for those sectors that have traditionally been out of reach of technologies.

From an economic perspective, digitalisation and the incorporation of AI will provide an opportunity to increase productivity and efficiency in key sectors in the region, such as health, education, trade and agriculture. The adoption of advanced technologies will allow Latin American companies to become more competitive globally, especially in e-commerce. This will foster a more conducive environment for foreign direct investment, as well as open doors to new markets for SMEs. At the same time, job creation in the digital sector, due to the expansion of technological infrastructure and the adoption of new tools, is expected to help reduce unemployment and improve working conditions in the region.

The application of technologies such as AI in health, education and agriculture, among other sectors, can transform the services citizens receive. For example, in health, AI has the potential to improve the accuracy of medical diagnoses, optimise treatments and make services more accessible, especially in rural areas or in resource-limited contexts. In education, its use can facilitate the personalisation of learning, adapting content and methodologies to the specific needs of each student, which could contribute to reducing inequalities in education in the region. Similarly, in the agricultural sector, the adoption of advanced technological tools will

allow for better resource management, resulting in greater sustainability and productivity in the primary sector.

In terms of cybersecurity, the implementation of robust national regulatory frameworks and policies will be essential to ensure the security of personal and business data. This will not only protect users and businesses against cyberattacks but also increase trust in the digital environment. As governments in the region strengthen their capacities to protect their critical digital infrastructures and promote compliance with international data protection regulations, it is expected that citizens and businesses will more readily adopt digital services to facilitate greater integration into the global digital economy.

A prominent component of the proposal is cyberdiplomacy, as by strengthening the capacities of Latin American and Caribbean countries to collectively negotiate at the global level on Internet regulation, digital rights protection and cybersecurity cooperation, the region will be able to play a more proactive role in global digital governance. This cooperation will not only benefit governments but will also contribute to creating a secure environment for businesses, improving the region's digital resilience to transnational cyberthreats.

The results of the proposal will also be measured in terms of indicators such as increased Internet penetration in rural areas, technology-enabled improvements in the quality of health and education services, the number of new technology start-ups in the region, and the extent to which countries adopt cybersecurity regulations. In addition, international cooperation in cybersecurity, AI and other digital areas will be another key indicator of success, evidenced by the number of agreements and regulatory frameworks adopted regionally.

In the long term, the benefits of implementing this public policy will be reflected in a structural transformation of Latin American economies, with a region that is more competitive in the global market, better connected and better prepared to face the challenges of digitalisation. The creation of a robust digital ecosystem will not only improve the prospects for economic growth but also contribute to greater social cohesion by ensuring that all sectors of society benefit from technological advances. Ultimately, the proposal will enable Latin America and the Caribbean to adapt to the challenges of the 21st century by leading innovation, cooperation and digital security.

Final considerations

The implementation of public policies aimed at digital governance, cyberdiplomacy and digitalisation requires an inclusive vision that considers not only the context of the region, but also the long-term implications of these emerging technologies. While the potential benefits of these policies are undeniable, Latin American and Caribbean countries face a number of challenges that could hinder their proper implementation. The adoption of new technologies, especially AI and digitalisation, is generating profound transformations in the economic, social and political sectors, requiring adaptive capacity on the part of governments, businesses and civil society. However, for this transition to be effective, a sound regulatory framework is required, based on principles that promote regional and global cooperation, as well as the protection of citizens' digital rights.

Digital governance, understood as the set of policies, regulations and infrastructures that facilitate access and security in the digital environment, presents a unique opportunity to strengthen the region's economic competitiveness. However, for this competitiveness to be effective, countries must overcome the technological and social barriers that limit access to digital infrastructure, especially in rural or less developed areas. It is therefore necessary to ensure that technological infrastructure is aligned with international cybersecurity and privacy standards, so that both personal data and national interests are protected. Cooperation in this area will be indispensable, as cybersecurity does not recognise borders and cyberattacks can affect multiple countries simultaneously. In this context, cyberdiplomacy, as a tool for negotiating and establishing international agreements on cybersecurity and digital standards, is crucial.

AI has great potential to optimise processes, improve efficiency in various sectors and foster innovation. However, its large-scale implementation can lead to labour market disruptions and increase inequality if inclusion measures are not implemented. Workforce training, retraining and the creation of social welfare policies to mitigate the negative effects of automation cannot be overlooked.

In addition, the ethical use of AI is a central concern, as its unregulated implementation could result in the violation of human rights, such as privacy or non-discrimination.

Another challenge is the increasing amount of data generated by the digitalisation of different sectors. The collection, storage and use of this data poses risks related to privacy and protection of personal information, so creating legal frameworks that regulate the use of data in an ethical and responsible manner will be important to build trust with citizens and economic actors. Public policies must ensure that data are not used for purposes that harm individuals, such as unauthorised commercial exploitation or invasive tracking. In this respect, international agreements on data protection and privacy, together with the creation of national data security infrastructures, will be necessary to strengthen trust in digitalisation.

Digitalisation also has environmental implications. As this infrastructure grows, so does the consumption of energy resources, and public policies must consider a sustainable approach that favours the use of renewable energy and technologies that optimise it. This will not only contribute to reducing the ecological footprint of digitalisation but will also provide new economic opportunities in emerging sectors related to clean technologies. Importantly, digitalisation can be a valuable tool in the fight against climate change by facilitating the collection of data to monitor the environment or improve energy efficiency in various sectors.

Furthermore, the adoption of these policies cannot be an isolated process but must be the result of a joint effort between governments, businesses and civil society. The public and private sectors have to work in a coordinated manner to create an enabling environment for technological innovation and the adoption of best practices in cybersecurity, while citizens must be engaged in the digital transformation process. This implies not only training in the use of technologies, but also a cultural change that allows digitalisation to be seen as a tool for inclusion, growth and development.

Issues related to digital governance, cybersecurity and AI are not limited to national borders, and multilateral agreements will be indispensable to define global norms and standards governing these areas. In this regard, Latin America and the Caribbean have the opportunity to position themselves as relevant actors on the international scene, advocating for an ethical and sustainable approach that prioritises human rights and digital equity. As it moves forward in policy formulation, the region should consider global best practices, adapting them to its local realities and promoting closer cooperation with other countries and regional blocs.

The implementation of public policies oriented towards digitalisation and AI is a complex process that cannot be achieved immediately and requires a long-term approach that considers technological evolution and changes in the global context. Continuous evaluation of implemented policies, flexibility to adapt to new challenges and the ability to incorporate emerging technologies will be key factors for a successful transition to a digital economy. Digitalisation can offer great opportunities to improve competitiveness, social inclusion and citizens' well-being, but only if the associated risks are properly managed and the necessary conditions are ensured so that all the actors involved can benefit from this transformation.

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