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FEATURED Q&A

Would Expanding Preschool & Daycare Benefit Latin America?

Q Colombian Finance Minister Mauricio Cárdenas said last month that the country's tax reforms would help pay to expand early childhood education, adding that 2.4 million children younger than five are in families too poor to afford preschool. A few days later, Brazilian presidential candidate Aécio Neves proposed expanding preschool to all children in the country as well as creating universal access to daycare. To what extent would expanding preschool and daycare benefit Latin American countries, when even some industrialized countries like the United States do not offer those benefits? Are such initiatives likely to be realized in the region? Are there drawbacks to such plans?

A Claudio X. González Guajardo, president of Mexicanos Primero in Mexico City: "The first years of life are crucial for adequate development, and vigorous and coordinated action during this stage can help mitigate inequalities. The most critical stage for development is the prenatal to age 3 period, yet many children living in poverty lack opportunities for learning, protection and affection. As time goes by, the results of having begun life in poverty become greater obstacles. Between 3 and 5 years of age, children acquire the communicative, affective and thinking skills that will help them advance successfully toward primary school and the remainder of their education. Evidence from cognitive tests during this period suggests a widening gap between children from high- and low-income families. For children from disadvantaged backgrounds, then, the first day of primary school may already be too late. State support through early childhood education programs becomes key to helping them achieve their fullest potential. In Mexico, universal preschool was established in 2004, and average preschool coverage for ages 3-5 has increased considerably. This improvement has not been uni-

Continued on page 4

Ex-Mayor, Wife Arrested in Mexican Students Abduction

José Luis Abarca, the former mayor of the Mexican city of Iguala, and his wife were arrested early today in connection with the disappearance of 43 students in late September. The students were last seen being herded into police vehicles. See story on page 2.

Photo: City of Iguala.

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NEWS BRIEFS

Venezuela's Maduro to Boost Minimum Wage by 15 Percent

Venezuelan President Nicolás Maduro said Monday that he will increase the country's minimum wage by 15 percent as of Dec. 1, BBC News reported. The increase, which would be the third this year, comes as Venezuela is grappling with an annual inflation rate of 63.4 percent. The new minimum wage will be 4,889 bolívars per month, $776 at the official exchange rate or $49 on the black market.

CRCC-Led Group Wins $4.3 Bn Bid for Mexico High-Speed Train Line

China Railway Construction Corp. was the leader of a group that won the right to build a $4.3 billion high-speed train line in central Mexico that will shuttle 27,000 passengers daily between Mexico City and industrial hub Querétaro in just under an hour, Bloomberg News reported Monday. The company said it will ask the Export-Import Bank of China to help finance its portion of the contract.

Brazil's Industrial Production Unexpectedly Falls

Industrial production in Brazil fell an unanticipated 0.2 percent in September after seeing revised growth of 0.6 percent in August, the national statistics agency said today, Bloomberg News reported. The figure was lower than all but four forecasts from 38 economists surveyed by Bloomberg. Last week, the central bank unexpectedly raised the country's benchmark interest rate to fight inflation which may lead to higher borrowing costs for industry. Brazil's deputy finance minister said last week that the government will implement a number of stimulus measures to boost the sector.

Political News

Ex-Mayor, Wife Arrested in Mexican Students' Disappearance

The former mayor of the Mexican city of Iguala and his wife were arrested early today in connection with the disappearance of 43 students in late September, Reuters reported. Authorities have accused José Luis Abarca and his wife, María de los Ángeles Pineda, of ordering the students' abduction by corrupt local police officers. Abarca was mayor at the time of the students' abduction, but was removed in mid-October after he fled from the city. The students, who were studying to be teachers at a nearby college, were last seen being herded into police vehicles on Sept. 26. They had gone to Iguala, in Guerrero state, to raise money and participate in a protest. Local police officers have said they had been ordered to prevent the students from disrupting a speech that Pineda was scheduled to deliver that day, BBC News reported. The students, whom authorities suspect were handed over to a local drug gang, have not been seen since. Authorities have discovered mass graves in the area, but tests have determined that the bodies found there were not those of the students. Since then, additional bodies have been discovered, and officials have expressed doubts about the accuracy of the tests. Abarca and Pineda were arrested in an apartment in Mexico City and are being questioned. Persistent violence has continued in various parts of Mexico. On Monday, officials said that a security chief who had been sent by the federal government to stem violence in the northern state of Tamaulipas was fatally shot, BBC News reported. Ricardo Niño Villarreal and his wife were killed Saturday as they drove in neighboring Nuevo León state. Attackers ambushed their vehicle, firing more than 100 rounds at it, officials said. Mexico's army took control of Tamaulipas in May following scores of killings resulting from confrontations between the Zetas and Gulf drug cartels.

Authorities have accused the mayor and his wife of ordering the students' abduction.

Economic News

Mexico's Supreme Court Rules Against Energy Reform Referendum

Mexico's Supreme Court on Oct. 30 ruled that a proposed national referendum aimed at overturning the country's energy reform is unconstitutional, news site Animal Político reported. In two 9-1 rulings, the court determined that petitions filed by the leftist PRD and Morena parties are unconstitutional as Article 35 of the Constitution states that issues related to government revenue cannot be put to public consultation and the purpose of the energy reform is to help the state obtain resources for national development. Late last year, the government passed a constitutional reform to open the country's energy sector to domestic and foreign private investment for the first time in more than 70 years.

Padierna

File Photo: Mexican Government.

The ruling PRI and conservative PAN parties made sure the reform was linked to government revenues in the Constitution, while leftist parties opposed the reform. Sen. Dolores Padierna of the PRD criticized last week's ruling saying the issue is not income but "our natural resources… [and] their use for the nation's benefit," the Associated Press reported. "This was the last real hurdle to implementation," the **Eurasia Group** consulting firm said in a research note last week. "The government will now move swiftly ahead with the first bid rounds in 2015." While the PRD and Morena parties will likely try to make the energy reform an issue in next year's midterm election, the only way to reverse it would be through the legislative process, which is "unlikely in short and long run," the group added.

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Company News

Bank of Nova Scotia to Cut Jobs, Write Down Venezuela Investment

Bank of Nova Scotia said today that it plans to cut 1,500 jobs, two-thirds of which will be in Canada, and also write down its investment in Venezuela, Bloomberg News reported. Scotiabank said that it will take a charge of 451 million Canadian dollars ($396 million), which in part reflects a lower exchange rate used to value its holding in a Venezuelan lender. The Toronto-based bank, Canada's third-largest by assets, added that soured loans in the Caribbean were also partially responsible for the write-down. The charge, to be taken in the fourth quarter, will lower the bank's diluted earnings per share by 28 Canadian cents and will also reduce Scotiabank's common equity Tier 1 ratio by 10 basis points. "Notwithstanding these unusual charges, we remain confident that our 2014 reported results will be within our financial objectives for the full year," Scotiabank's chief executive officer, Brian Porter, said in a statement. As part of the job cuts, Scotiabank said it will eliminate some head-office positions and also shutter or shrink some 120 branches in the bank's international banking division. The lender said it expects to have $120 million in "ongoing cost savings" due to the restructuring by 2016.

Porter

File Photo: Scotiabank.

Brazil's Itaú Reports 36 Percent Rise in Profit for Third Quarter

Brazil's **Itaú Unibanco Holding**, the country's largest bank by market value, said today that its profit for the third quarter increased 36 percent year-on-year, beating analysts' estimates, Bloomberg News reported. The bank said higher lending margins and service fees fueled the profit increase. The bank's recurring net income for the third quarter, excluding one-time charges, rose to 5.46 billion reais ($2.19 billion), as compared to 4.02 billion reais for the same period of 2013. Eleven analysts surveyed by Bloomberg had expected, on average, recurring net income of 5.04 billion reais. The bank's net income grew 35 percent, to 5.4 billion reais. Itaú's chief executive officer, Roberto Setúbal, has been increasing lending margins as well as banking fees amid a declining level of competition from state-owned banks. The bank's net interest income increased by 18 percent year-on-year to 7.84 billion reais. The figure represents revenue from interest the bank earned on assets as compared to payments it was obligated to pay depositors. Itaú Unibanco's banking fees rose 18 percent in the third quarter to 6.56 billion reais.

The Dialogue Continues

What Are the Most Critical Issues Facing the Region's Women?

Q For the second year in a row, people in Latin America are less likely to say they live in countries where women are treated with respect and dignity than people in any other region, according to a recent Gallup survey. A median of 35 percent of adults across 22 Latin American countries said women are treated with respect in their nations, about half as high as percentages in any other region, Gallup said, though the figure disguises wide differences between countries. How are women faring in Latin America, and what are the most important issues facing women in the region? Where has progress been made and how has that been achieved? What more needs to be done to promote gender equality?

A Bibiana Aído Almagro, program advisor for U.N. Women Latin America and the Caribbean: "While progress has been made on the legal aspects, there are still countries in our region where there is formal discrimination in the legislation itself, which obstructs economic and political empowerment of women. Women living in poverty and social exclusion, particularly affected by high levels of inequality; violence against women and impunity for gender-related crimes; and cultural attitudes and norms related to traditional gender roles and stereotypes, particularly among indigenous and rural women, are just some of the top issues that women and girls face in Latin America and the Caribbean. In spite of being the region with the highest number of female heads of state and one of the highest proportions of female parliamentarians, the region is far from the 30 percent critical mass necessary to provoke a real transformation. The region's sustained economic growth in the past few decades has not yet translated to a corresponding uniform improvement in living standards for its population, and the region remains the most unequal in the world in terms of income distribution. However, the region has a strong human rights framework, particularly in terms of gender equality. For instance, all countries have ratified the Convention on the Prevention, Punishment and Eradication of Violence against Women, known as the Convention of Belém do Pará, and the Convention to Eliminate of All Forms of Discrimination against Women (CEDAW). The women's movement is vibrant and active in the region, and is a key to improve accountability, with a high level of ability to influence national legislative frameworks and an active commitment to global intergovernmental mechanisms and rules agendas. From our countries' offices, we are committed to addressing the challenges and becoming a dynamic and strong champion for women and girls, providing them with a powerful voice and working to end all forms of discrimination against them."

Editor's note: The above is a continuation of a Q&A published in the Oct. 24 issue of the Advisor.

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Featured Q&A

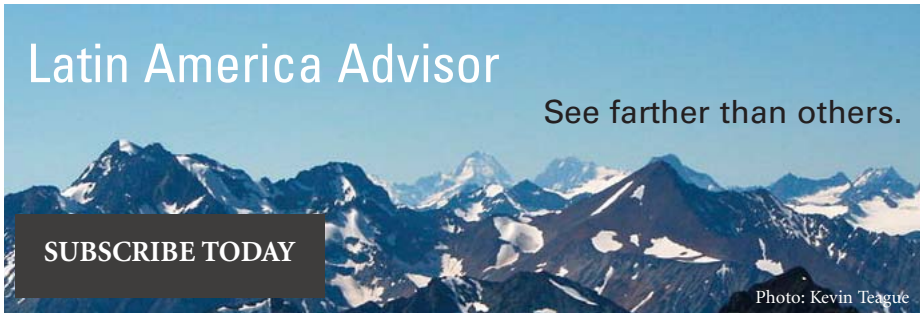
Continued from page 1

form across the country; in marginalized communities, still only about one out of every two young children attends pre-school. All children are born with not only the capacity, but also the right to learn. In Mexico, and in Latin America, many children under six, especially those who live in poverty, are socially invisible; their rights are not respected or exercised. Early childhood education is one policy lever that can enhance their healthy development and set them on a different course, at the same time generating lasting benefits for society."

> "All children are born with not only the capacity, but also the right to learn."
>
> — *Claudio X. González Guajardo*

Ariel Fiszbein, director of the education program (PREAL) at the Inter-American Dialogue: "There is increasing interest in and support for investments in early childhood development. Nobel Prize laureate Jim Heckman has become one of the most vocal voices in the United States and around the world arguing that investing in the human capital of young children is a fiscally responsible way of reducing costs and promoting economic growth. Many countries in Latin America are already expanding early education programs as a means of improving school readiness. This is often understood simply as establishing a large number of centers for early care. Is this the right approach? Will it yield the results that people like Jim Heckman are thinking about? The Bill and Melinda Gates Foundation released a report in late September on High Quality Pre-K programs. I believe the report, prepared by Jim Minervino, is extremely important for countries in Latin America. It offers us some food for thought. It cautions us against efforts that expand center-based care without sufficient focus on quality.A key message of the review is that low-quality programs not only don't help children, but also can have a negative impact on their school readiness. Only high-quality programs have reliable and large positive effects on school readiness. A key element of quality is the nature of the teacher-child interactions. Evidence shows the level of instructional quality—the cognitive demands teachers embed in their interactions with children—is very low in the United States. The report notes, however, that there are professional development models (online coaching, web-based video library, online and in-person courses) that make teachers effective with great consistency. In other words, it is possible to train teachers to be effective. In terms of structural quality in early learning, the report finds that class sizes above 20 students and teacher-child ratios above 2:20 (one lead teacher, one aide, and 20 children in a classroom) are associated with poorer outcomes for young children. I found the report both inspiring and cautionary: the payoff of expanding early education can be very large—but only if sufficient attention is paid to quality."

The Advisor *welcomes reactions to the Q&A above. Readers can write editor Gene Kuleta at gkuleta@thedialogue.org with comments.*



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