Rebuilding Trust. Experience from Latin America and the Caribbean

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WHAT DO WE MEAN BY **TRUST**?

Trust is the **belief** that others will not act opportunistically.

People/firms/governments do not

- make promises they cannot keep,
- renege on promises they can keep,
- violate norms to take advantage of those who respect them
WHY IS TRUST **LOW?**

**OPPORTUNISTIC BEHAVIOR IS MORE COMMON IN SOCIETIES WHERE THERE ARE AMPLE:**

<table>
<thead>
<tr>
<th>Information asymmetries</th>
<th>Power asymmetries</th>
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<td>When information is scarce, people cannot distinguish between good or bad luck and the reliable or opportunistic behavior of others. Trust falls.</td>
<td>Unreliable behavior is not punished even if everyone is adequately informed about it.</td>
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TRUST AND CITIZENSHIP STRATEGY

TRUST SHOULD BE AN OBJECTIVE OF PUBLIC POLICY

The uninformed are more likely to believe (correctly) that others will take advantage of them.

The powerless are more likely to believe (correctly) that others will take advantage of them.

REFORMS THAT INFORM

REFORMS TO STRENGTHEN INSTITUTIONS
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<tr>
<th>Test scores in schools</th>
<th>Crime rates by neighborhood</th>
<th>Mortality rates in hospitals</th>
<th>Subnational government performance</th>
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PUBLIC SECTOR REFORMS: TRANSPARENCY AND COMMUNICATION

MAKE
COMMUNICATE
KEEP

PROMISES
Reducing information asymmetries
CITIZENS MISTRUST OPAQUE GOVERNMENTS
TRANSPARENCY ABOUT PROMISES AND FULFILLMENT INCREASES TRUST

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BUENOS AIRES SURVEY

INFORMATION THAT GOVERNMENT FULFILLED OR DID NOT FULFILL ITS PROMISES

INFORM: EVIDENCE

Cantidad de jóvenes capacitados en el programa “Empleos del Futuro”

Construcción de obra hidráulica, en porcentajes

Tablets gratuitas distribuidas a adultos mayores
INFORM: EVIDENCE

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**EMPOWER: SUPPORT FOR THE RULE OF LAW**

**RULE OF LAW:** LAWS, CONTRACTS, AND PROPERTY RIGHTS PREDICTABLY AND SYSTEMATICALLY ENFORCED.

TRUST RISES SHARPLY WITH THE RULE OF LAW

Source: Keefer and Scartascini (2022).
EMPOWER: SUPPORT THE RULE OF LAW

We typically think of tax administration reform in terms of revenue maximization, but . . .

Fair and systematic enforcement of the obligations of citizenship

For example

Fair and efficient tax enforcement
**EMPOWER: INCREASE THE CAPACITY OF GOVERNMENTS TO FULFILL PROMISES**

We typically think about public sector reform in terms of efficiency.

Two other key outcomes:
- Empowering citizens by aligning incentives of public servants with interests of citizens.
- Enabling government to fulfill promises.

Public sector management reform aims to align. For example:
- Police recruitment and training
- Information systems to track policing performance
EMPOWER: INCREASE THE CAPACITY OF GOVERNMENTS TO FULFILL PROMISES
EMPOWER AND INFORM: REGULATORY AND SUPERVISION AGENCIES
TRUST AND CITIZENSHIP STRATEGY

TRUST SHOULD BE AN OBJECTIVE OF PUBLIC POLICY

- REFORMS THAT INFORM
- REFORMS TO STRENGTHEN INSTITUTIONS

TRUST SHOULD BE AN OBJECTIVE OF POLITICS

• Create a common identity
• Strengthen positive social norms
• Serve efficient and effective but also people should believe the governments is benevolent
  • In most languages, trust has a component of hope and faith
TRUST

The Key to Social Cohesion and Growth in Latin America and the Caribbean

DOWNLOAD THE REPORT: www.iadb.org/DIAttrust