



oportunidades para todos

***A New Local Agenda: Democracy, Inclusive
Development and Environmental Sustainability***

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Check against Delivery

Good morning!

It is an honor to address you at the end of what I hear has been a very fruitful and motivational conference. I am sorry that I can only join you now but I was in Rio de Janeiro until last night, participating in several days of intense and substantive discussions around the Rio+20 United Nations Conference on Sustainable Development.

Probably many of the same themes have emerged here and there. I was particularly struck by the underlying message of my conversation with mayors representing the 40 largest cities in the world.

To them, sustainable development is the objective -- development that has to be green from the start, having people at the center, and can no longer be driven by the model of yesteryears: grow first, clean later. And while global agreements would be helpful, they are determined to take action and move forward even without them.

And move forward is indeed what this hemisphere has been doing. Today, the Latin America and the Caribbean region stands at the forefront of some of the most innovative green practices in the world. It currently boasts the lowest carbon energy matrix of the developing world, the world's most extensive Bus Rapid Transit system, and the first catastrophic risk insurance facility to enhance resilience against natural disasters.

It also has adopted payment schemes for preserving the environment, the likes of which helped turn Costa Rica into a global environmental icon and a paradise for eco-tourism after being the worst deforester in the region back in the mid 1990s.

Through its Amazon Region Protected Areas program that covers an area the size of France, Brazil has achieved a four-year record decline in deforestation rates.

Behind these actions have been many local leaders, such as you -- leaders who understand the increasing significance of local governments in dealing with key public policy challenges. I would venture to say that local governments have never been as crucial as they are today in ensuring the security of citizens, in reducing poverty, increasing local productivity, and in contributing to environmental responsibility.

LAC's Challenges

Latin America and the Caribbean is by and large a region of the world where we see stability, increased equality, and economic growth. **During the past decade, the region has leaped forward, lifting more than 73 million out of poverty while increasing wealth, posting growth rates of 4 percent on average and becoming a source of stability in the midst of global uncertainty.**

This is a positive state of affairs which has resulted from a decade of consolidation of critical economic institutions and from a decade of implementation of good and sound economic and social policies.

We must recognize, however, that macroeconomic stability is a necessary condition for progress but it cannot bring about by itself a better life for the people.

Macroeconomic stability, while important, does not improve the quality of services provided by governments or the welfare of the least fortunate in the region.

Frankly, the residents of the slums of Lima, or the favelas in Rio de Janeiro, or rural areas of Mexico don't know, nor do they care, about the levels of FOREX reserves at the Central Bank or the fiscal primary surplus of their countries.

They care about the education and health of their children and whether there is clean water flowing into their homes. They are concerned about their personal safety and about protecting the few things they own. They care about making a decent living through hard work.

These are the types of things that have a tangible and daily impact on people's lives.

These are the type of things provided in most cases by local governments. Indeed, local governments in Latin America and the Caribbean account for an increasing share of public expenditure as more public services are delivered by local authorities. The average share is around 22 % with some countries such as Argentina, reaching more than 40 %.

This is why I believe local governments are the true face of the state and the ultimate foundation of democracy. In a region with a consolidated democratic tradition as Latin America's, the issue is not how leaders are elected but how well they do once in office.

The task, therefore, is by no means complete. If democracy and inclusive development are to be sustained and strengthened, then local governments need to become more effective.

Well functioning Public Management, Procurement, and Investment systems, together with more participatory approaches to decision making and accountability, are indispensable to guarantee a more efficient, transparent and inclusive local government – a government that delivers the services that citizens demand.

To put the challenge ahead of you in historical perspective, please consider that in 1925 only 25 percent of the region's population lived in cities.

This ratio was turned on its head in less than a century: today around 80 percent of the region's population lives in urban areas, while cities represent less than 3 percent of the world's land area.

This transformation is in itself part of the natural trajectory of economic development, growth, and modern progress.

Urbanization has brought about enormous economies of scale in the provision of public services. It created vast markets. It concentrated investment, culture, talent, and innovation.

Urbanization still engenders the potential of improving the living standards of the large majority of people.

Naturally, urbanization also brings challenges. For instance, we have seen urbanization breeding social division.

We know cities where too many people lack access to housing, essential services, and basic protection of their lives and property.

In contrast, in the very same cities –often only a short distance away--the few live in luxurious enclaves.

Overcoming such divisions requires political commitment as much as it requires technical and managerial skills.

The growth of urbanization attracts investment in modern industries and services. Unfortunately, it also increases the profits to be made from illegal activities.

We know that all urban centers suffer from crime and violence. However, crime and violence in the region have increased to levels that are already unacceptable,

Latin America is the region with the highest homicide rate in the world with 29 homicides per 100,000 inhabitants. San Pedro Sula and Ciudad Juarez suffer the unfortunate distinction of having the highest homicide rates in LAC at 158 and 147 homicides per 100,000 people respectively. Ten times the epidemic level!

Crime and violence has become a fundamental development problem. The aggregate cost of crime in Central America is today estimated to be above 8 percent of GDP – more than what most countries spend in education and health combined.

It is true this is a multi-dimensional problem that requires not only national but international coordinated action to be addressed. But local governments have also a role to play.

Community-based policing like implemented in many cities in Mexico; prevention programs for youth-at-risk like “*mi primer empleo*” in Honduras or the youth employability project in El Salvador; and basic local infrastructure to restore public spaces in our cities are some of the actions that local government could and are deploying and that proved to be effective deterrents of pervasive crime.

Beyond crime and violence, local governments should play the decisive role in improving quality of life. In too many of our cities people, especially the poor, must spend up to three or four hours a day travelling to and from work through congested streets and breathing smog.

The bottom quintile of LAC’s urban population lacks access to sanitation, and 75 percent of that bottom quintile does not have running water.

Confronting these challenges requires both effective planning and management, together with close coordination with central government authorities in the implementation of national policies.

But most importantly, confronting these challenges requires resources. Excluding Brazil, the average LAC country collects only about 17 percent of GDP in public revenue. The average OECD country collects twice as much.

The lack of sufficient resources is even more acute at the local level. Local governments in LAC are highly dependent on national transfers. As you discussed earlier today, the Mexican state of Oaxaca receives 90 per cent of its total revenue in the form of federal transfers.

Property tax in the region represents only one half of a percent of GDP. The corresponding figure in the OECD countries is four times larger at 4 percent of GDP.

It should be hardly surprising that such low levels of fiscal revenue contribute to hampering the quality of public sector services in the region.

LAC's Opportunities

While all these are tough challenges they're also opportunities to up our game.

I am sure we could all agree that LAC must continue in its path of transforming government at all levels. The people of the region want and deserve governments that deliver even better public services that are even more efficient and more accountable.

They want and need smarter governments supporting more innovation, better education, increased productivity, and an expanded and enlightened private sector – governments that ensure equality of opportunities for all children and youth in our society.

The Rio+20 Summit has been an opportunity to showcase governments' determination to take action and respond to current challenges.

This week, the City of Rio de Janeiro and the World Bank launched a ground-breaking, city-level program to address the two mega-trends of the 21st century: urbanization and climate change. The Rio de Janeiro Low Carbon City Development Program , an ISO certified initiative, will help Rio de Janeiro monitor and account for low carbon investments and climate change mitigation actions across different sectors in the city. The Program is a business model that can be applied to other cities around the world. Cities currently account for over two-thirds of the world's energy consumption and more than 75 percent of global greenhouse gas emissions.

I was also able to see firsthand how the city is contributing to its residents' wellbeing. Today Rio offers the second longest bicycle path in Latin America after Bogota. And through improvements to its suburban rail system, ridership has risen to levels that made subsidies unnecessary-- a savings of US\$121 million per year.

Speaking of Bogota, the Colombian capital today has some of the world's most detailed records of risk and vulnerability which has allowed the city's administration to build technical capacity, enforce building codes, and improve emergency preparedness. As a result, 36 schools and 27 kindergartens have been retrofitted or reconstructed to new seismic standards.

And it is not only large capitals that are taking action to improve their resilience to disasters. The Municipality of Teresina in Northeastern Brazil, with 100,000 residents, has invested heavily in an urban improvement project that, among other goals, aims to eliminate recurrent flooding of polluted water that tends to affect some of its poorest residents.

During the last decade the economic cost of major natural disasters was between 46 and 50 billion dollars. It costs an additional 4% to build earthquake resilient schools and hospitals, while it can cost from 50-90% of the cost of a new building to retro-fit an existing building to earthquake resistant standards. In Central America and the Andean region, we estimate that between 30-40 percent of existing schools and hospitals have not been built to earthquake resistant standards.

The challenge now is to maintain and expand these and other initiatives as LAC becomes more urbanized, its growing middle class aspires to a better life, and exposure to natural disasters increases.

That is what makes these times so critical. Choices we make today will determine paths for many years to come.

And that is what makes local leaders like you so essential. Act now, act with determination, bearing in mind that there are many green, efficient, resilient and inclusive growth choices that can improve the lives of the people in this great region today and in the future.

Thank you.