

*AS PREPARED FOR DELIVERY*

**Keynote Speech**

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Representatives of Miami-Dade County and Florida International University, members of the international community, mayors and local authorities, members of civil society and the media, ladies and gentlemen: **BUENOS DIAS!**

I want to begin by **thanking Miami-Dade County and Florida International University** for the warm welcome, and for hosting this important conference.

This is an event that is very near and dear to our hearts at the World Bank, and **we have had the pleasure of contributing to it for the last several years.** Colleagues who have participated in the past have had the opportunity to engage with many of you, and **have consistently left here inspired: by your passion, by your inventiveness, and by your commitment to improving the quality of life for citizens in your cities, your towns, and your communities.**

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**Together, we share the goals of eradicating poverty and building shared prosperity**, and of improving the management and delivery of the critical local services that are required to do so – from education, healthcare, and security, to water and sanitation.

Our meeting this year coincides with a **decisive moment for the Latin America and Caribbean region**. After a decade of tremendous optimism, driven by remarkable pro-poor growth, an impressively large decline in income inequality, and an unprecedented expansion of the middle class, we are confronted with a new reality of deceleration and economic challenges which we haven't seen for a long time.

At the same time, **the conditions and demands on governments have markedly changed**. Many of our countries have recently experienced massive civil society mobilizations that have flooded our streets, demanding more transparency and accountability from our governments. Today, I would like to talk about how these changes impact the lives of our cities and citizens and, at the same time, how important and relevant this is for the work you do as local leaders.

### **I. Context**

First, let me set the stage. As you understand well, **LAC today is radically different from the region we knew a decade ago**. During the ten years before 2012,

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**over 1 percent of the population per year** – translating into over ten million Latin Americans annually – **were lifted into the middle class**. I had the opportunity to witness these changes firsthand in Brazil, where I spent 6 of the last 10 years, working closely with mayors and local authorities as a public sector specialist and as Country Director. I saw powerful statistics coming to life, and the progress was remarkable.

**These gains were driven largely by expanding economies and the labor market**, through significant increases in participation and in incomes. **Social policies**, like conditional cash transfer programs (*Oportunidades* in Mexico, *Bolsa Familia* in Brazil), also made important contributions. **Income growth of the poorest 40 percent was higher in LAC than in any other region** relative to the total population, and the measures of household income inequality (the Gini index) dropped 6 percentage points. Social indicators improved, extreme poverty was reduced by almost 13 percentage points, and moderate poverty by almost 5.<sup>1</sup>

**However, the winds of this “golden decade” began to shift as external factors were reconfigured**. The engine of China’s growth slowed, commodity prices fell and remain uncertain, and related investments have sharply contracted. Because of its close links with the commodity cycle, the LAC region was hit hardest by these

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<sup>1</sup> 12.6 and 4.8 respectively.

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changes. Since 2011, for four years in a row, average growth continuously slowed, from close to 4 percent to around 1 percent in 2014. LAC didn't grow in 2015, and is expected to contract by 1% in 2016.

**Not all countries have been affected equally by this slowdown though.** Important economies like Brazil have been hit harder, while economies in the north such as Mexico, Central America and the Caribbean, linked to the upturn in the US economy, have fared better. Nonetheless, across the region, a “new normal” has indeed settled in.

**In this context, governments across the region, national and subnational alike, will have to fight hard to maintain the remarkable gains their societies have achieved.** While the poverty rate is decreasing at a slower pace,<sup>2</sup> the growth of the middle class has almost come to a halt<sup>3</sup>. This trend is explained by the growth of a group we've identified as **LAC's vulnerable population**, the group that is not in poverty, but not yet in the middle class. That is, the group that is on the teetering above the poverty line.

**This situation points to a region at a crossroads.** With the vulnerable population growing three times more than the middle class, policies to reduce the risks of regression, and to adjust to the new normal, are critical.

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<sup>2</sup> From 24.1% in 2013 to 23.3% in 2014

<sup>3</sup> Representing 35 percent of the population in 2014, up from 34.8 percent the previous year.

## II. Transparency at the forefront

Responses to this context are being shaped by the **rising expectations for improved public services**. These demands are being voiced by the expanded middle class, and also by growing democratic movements of citizen's from across the economic spectrum.

**Unfortunately, access to and quality of services – healthcare, education, security, water and sanitation – remain inadequate:**

- According to the World Development Indicators (WDI), almost one fifth of citizens in the region do not have access to adequate sanitation.
- **There are significant gaps between countries.** For example, in Bolivia and Guatemala, the lack of coverage in health facilities represents 50% and 36% respectively, while only 3.6% of Uruguayans lack access.
- **At the sub-national level, the disparities are even greater.** For example, in the Province of Misiones in Argentina, almost 30% of the population does not have regular access to drinking water, compared with less than half a percent<sup>4</sup> in the City of Buenos Aires. In Peru, in 4 of the 24 departments, more than 20% of households do not have basic sanitation, while in Lima, only 2.5% lack access.

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<sup>4</sup> 0.4%

**Frustrations about unmet expectations for improved public service delivery have been aggravated by mismanagement and corruption revelations, affecting people's trust in government.**

- Data from Transparency International<sup>5</sup>, AmericasBarometer<sup>6</sup>, and the Worldwide Governance Indicators have revealed that both risks and perceptions of public sector corruption remain high, while trust in public institutions remains low.
- This data indicates that there is also little confidence in the role of governments in the region as providers of services to citizens.
- In fact, the 2015 *Latinobarometro* showed that dissatisfaction with public education and public hospitals has actually been increasing.

**These perceptions, and responses to them, have been fundamentally shaped by the expanding access to and use of social media, which has reduced the cost of public expression and engagement. Citizens have wielded this capacity to express**

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<sup>5</sup> In Transparency International's 2015 report, most LAC countries were categorized as being at high risk for public sector corruption. The lowest rating belongs to Venezuela, (158<sup>th</sup>), not far from Nicaragua, ranked 133<sup>rd</sup>, Paraguay at 130<sup>th</sup> and Guatemala at 123<sup>rd</sup>.

<sup>6</sup> Vanderbilt University's Americas Barometer on public attitudes also reveals that perceptions of corruption remain high, while trust in public institutions remains low. The majority of citizens of Argentina, Mexico and Uruguay reported their beliefs that there is little transparency in the actions of their governments. In Mexico, three quarters of the population believe that there is little or no transparency in the state. In Argentina, the majority of respondents shared the same opinion. Uruguayans' outlooks were more favorable, with half indicating that there is some transparency.

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**demands for transparency and accountability in powerful, extraordinary ways.**

Think about recent dramatic experiences in Guatemala, Brazil or Chile.

**The WB, along with other members of the international community, have also placed transparency at the top of their agenda.** Since WB President James Wolfensohn's ground-breaking call to action against the quote "cancer of corruption" twenty years ago, our current president Jim Kim is rallying a movement toward a concept of "radical transparency." We have opened our finances and our records to scrutiny in unprecedented ways, while encouraging governments and the private sector to take wide-ranging actions.

**Many of your governments have both joined and responded to these calls with leadership and action.** I was recently in Uruguay for the *Cuentas Claras* conference, where government representatives from across the LAC region shared their advancements and loudly expressed their commitment to transparency. After that conference, in London, forty countries signed a global declaration with specific commitments to fight corruption and increase transparency. Over the next few days, I will be eager to see how this movement has reverberated on the local level.

### **III. The Role of Mayors**

**Why is this relevant for local governments? From my experience in working with subnational governments on public sector issues, I can relate to how you**

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**as Mayors and local authorities are personally affected by these events.** As the face of the government, you are responsible not only for delivering key public services that deeply affect people's lives, but also for dealing with repercussions of public dissatisfaction. This is no easy task!

**As trends of decentralization have increased your responsibilities for the delivery of services and the management of public expenditure, the pressure is on.** There is a growing need for local governments to proactively strengthen their own capacities for improved public sector management, fiscal responsibility and service delivery. Presenters and participants at this conference will show how you are rising to the challenge.

### **IV. Transparency as an opportunity**

**They will also show how the challenges of transparency can be converted into opportunities.** As most LAC countries, with very few exemptions, have now passed access to information and transparency laws, which have become effective or are being adopted sub-nationally, the pressure is also on to open your governments to the public.<sup>7</sup> Many may be understandably concerned that increasing transparency could also increase government vulnerabilities, that information demanded may not be available or accurate, that demands for information may outpace the capacity for

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<sup>7</sup> Only Bolivia, Costa Rica and Venezuela have not. Argentina is close to approving an ATI law.

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response, that responding may be too costly, or that public information might be used against the public interest.

**But as the transparency agenda evolves – from the establishment of normative frameworks to proactive transparency measures – interesting experiences from around the globe demonstrate how these challenges can be overcome,** and how open government and open data present critical opportunities. I'd like to highlight three today.

**1. First, transparency can improve service delivery.** We have seen many examples of how collaborating with citizens can inform priorities, while improving the quality, effectiveness, and responsiveness of public services. For example, in the state of Ceará, one of the poorest in Brazil, an Interactive Voice Response (IVR) system was created to proactively call health service users and solicit their feedback. The results at the facility-level are projected on a dashboard that are open to the public, to visualize and track performance according to different criteria. The feedback collected is being used to inform the State Government's health strategy, and its new process for Results-Based Management. The system is now being scaled to multiple sectors to improve the coverage and quality of services with real-time data.

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In Gran Concepción, Chile, the World Bank also supported a Smart Cities Project, a year-long series of activities using open innovation methodologies to transparently and collaboratively identify mobility challenges, and to encourage citizens and municipal stakeholders to co-design solutions and services. This was used to develop targeted tools, for example, so that blind people can more easily navigate the bus system.

A similar methodology was used in Barranquilla, Colombia, where a mobile phone application was collaboratively designed to enable people to report urgent situations, and communicate in real time with emergency responders, to request services, track their arrival, and report on their performance. **These examples show the power of communicating openly with citizens to identify problems and generate solutions, and that doing so can be done at a relatively low cost.**

**2. Second, transparency enhances trust in government.** Trust is built through the flow of communication and engagement with citizens in monitoring resources and results. OECD studies (2013) also show the link between citizens' trust in government and their experience with service delivery, with negative experiences having a greater impact than positive ones.

In Colombia, for example, royalties from extractive industries are an important source of subnational funding, and are constitutionally earmarked for

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social spending to reduce the rate of Unsatisfied Basic Needs (NBI). When it was discovered that many of these funds were not being used for their intended purpose, the Government devised a participatory instrument, the Visible Citizen Audit, to build capacity in local communities for social control of public investments.

The process involved public hearings with experts, community beneficiaries, and local government representatives to determine how investment projects should be implemented. Beneficiary communities were then engaged in monitoring compliance with binding agreements made in the hearings.

A World Bank Impact Assessment of this initiative showed that projects monitored by Visible Citizen Audits performed better than projects that were not. The participatory processes also had positive net effects on public perceptions of local government effectiveness. A multiplier effect was also observed, through which a citizen involved spread what they learned in the program to an average of four others in their community.

Lessons from this study are now being applied, (1) to expand the scope of citizen participation at all stages of the project cycle; (2) to enhance capacity building of the community to deepen participation; and (3) to incorporate the use of ICTs to increase the inclusiveness of participatory processes and reduce implementation costs.

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In addition to helping build trust in government, this example also illustrates a third important function of transparency:

**3. To strengthen sustainable public financial management.** As LAC adjusts to the new normal of slowed growth, transparency and good fiscal management are critical to inform equitable adjustments required for economic recovery.

**Transparency can also improve the efficiency of resource allocation.** For example, the state of Amazonas in Brazil has scaled-up the use of e-procurement, collecting and applying data on its own processes to rectify the most timely and costly bottlenecks. The data collected was made available to the State capital, Manaus, and online to the public, complete with monitoring tools to track the progress of government units towards goals to improve procurement performance. While strengthening transparency and accountability to suppliers and the public, these kind of reforms can reduce the time and cost of procurement, allowing line agencies to focus more on achieving their real objectives.

In another example, with the evolution of participatory budgeting in Cameroon, a budget database was created and opened to local councils, who are responsible for allocating tax revenue from logging concessions to improve their communities.

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In the context of limited internet access, a local NGO helped citizens engage with this data through “infograffiti” (or data murals), vividly illustrating on the walls of public spaces how resources are being spent. This is a great idea for bringing data visualizations to the offline world in a citizen-readable format.

**These experiences powerfully demonstrate how transparency can strengthen service delivery, trust in government, and efficiency of resource management.** They also demonstrate that simply making data available to the public, although important, is not enough. True advancement lies in the ability of governments and citizens alike to make sense of that data, and to leverage it to target reforms and find collective solutions, from national to local levels.

### **V. Closing Message:**

Let me stop there, and reinforce the idea that **the transparency agenda is here to stay**. It is up to all of you to transform these challenges into opportunities. And it does not require much – as the wall painting example shows us, **small and accessible actions can make a difference**, but it requires courage and determination. Resisting this new trend is not only politically risky but, in practical terms, it is no longer an option.

**The Mayors Conference provides a unique opportunity to learn how challenges and concerns have been addressed**, and to exchange and build on

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lessons and innovations in the region. I invite you to openly discuss and share your experiences and learn from each other, and I look forward to learning more from you as we go.

*Muchas gracias.*