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**Tenth Inter-American Conference of Mayors and Local
Authorities**

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I am very happy to be here today at the Inter-American Conference of Mayors and Local Authorities in what I consider to be a pivotal time in the history of the Americas. As Deputy Administrator of the Agency for International Development, I am excited to be able to join with you in energizing of the resources of the Latin American people into a new age of global dialogue and trade. During my career, I have spent considerable time in Latin America – in Chile, Bolivia, and Ecuador, and was director of several USAID missions, including in Guatemala.

From this experience I gained an appreciation of the role that many of you play today in your localities and cities. In many ways, you are the front line for development of Latin America. The fact that 10 years ago attendance at this conference was 100 people and today about six times that number are here strongly reinforces the rising sense of opportunity and empowerment most of us feel in the room today.

An icon of the United States Supreme Court, Justice Louis D. Brandeis, put it this way in 1932: That to prevent “experimentation in things social and economic is a grave responsibility. Denial of the right to experiment may be fraught with serious consequences to the nation.” Local government, he went on, if it has the requisite courage and “if its

citizens choose” can “serve as a laboratory... and try novel social and economic experiments without risk to the country.”

A powerful theoretical case can be made for the decentralized politics that the “laboratory” metaphor suggests. For many reasons, local institutions oftentimes are more capable of adapting to changing social and economic conditions. The advantage of locally initiated change is in facilitating gradualism and therefore feedback and learning. Successful local experiments teach valuable lessons, build public confidence in innovative policies, and provide a testing ground for change that may well go unheeded in a centralized political setting.

The history of the United States confirms the wisdom of Brandeis’s counsel. Initiatives across a wide policy front have been initiated at the local level. And some of these have proceeded to change policy direction at the national level that has profoundly transformed the destiny of the whole country.

The “progressive” cause that Brandeis himself championed had its initial breakthroughs locally. It became the seedbed of ideas out of which Franklin Roosevelt’s “New Deal” and the modern administrative state grew. In the 1970’s, a “tax revolt” - involving local property taxes – spread

from California to Massachusetts and paved the way for the so-called "Reagan Revolution."

The mayors in the audience know that it is at the municipal level that the responsibility lies for improving the living conditions of working men and women. It is at the municipal level that most of the turnkey necessities of these conditions lie – access to safe and drinkable water, roads, hospital, schools, and the infrastructure of a modern market economy. It is at the municipal level that you work with the basic tools of managing democracy – and it is these fundamentals that ultimately fortify the will, confidence, and determination of the people.

We in the development world have come to see the necessity of change at the grassroots and to appreciate the role of local officials in our reform agendas. As the history of my country affirms, a successfully run local "experiment" can have a much broader impact, even a regenerative effect on national politics.

Latin American historians will tell you that many mayors and local officials been played a significant role in their respective countries. As you well know, for different reasons many national governments throughout

the region have not directed affairs of the country in the best interests of the whole.

What has evolved in the vacuum of national leadership is a subsequent decentralization of democratic reform to the local levels, where local mayors and officials have by necessity accepted the responsibility of managing local interests. The result is that it has been at the *local level* that dynamic, energetic thinkers have emerged to fill the leadership void.

It is no coincidence that former Mayors Alvaro Uribe and Oscar Berger both are serving as Presidents of their countries after successful experiences in managing the state of affairs in Medellin and Guatemala City respectively.

We come together in the tenth annual Inter-American Conference of Mayors to share our experiences with our peers. From each other, we learn how similar our problems are or how different our solutions to them have been. For sure, what works in Honduras may not work in Colombia or Bolivia. But we come here, products of different cultures and histories, speaking different languages and dialects, but increasingly sharing a

common set of experience in a world of “globalization” whose forces leave no one exempt.

I mentioned at the outset that this is a pivotal time for us – a moment of challenge, certainly, but also of opportunity. Our common task is to harness the forces that are changing the world and to turn them to our advantage. Our world will brighten if we are able to adapt, darken if we don't.

Monterrey, Mexico 2002 marked a new consensus on the directions we will have to take if we are to exploit the opportunities that the new era offers. It was there that international trade was embraced as the way to break down barriers between countries and open the path to a more prosperous future. Only those with longer memories can appreciate the change this represented from generations past, when proponents of international trade were seen as “crypto-imperialists” and economic “autarky” was embraced in the name of independence and modernization. We are still living with the legacy of this “forced march” to industrialization that profited a narrow elite, all too often at the expense of the mass of citizens, democratic governance, and the environment.

“Free trade is a proven strategy for building global prosperity and adding to the momentum of political freedom,” President Bush said in Monterrey. “Trade is the engine of economic growth. In our lifetime, trade has helped lift millions of people and whole nations and entire regions out of poverty and put them on the path to prosperity.” This was the experience of the Asian nations that have graduated to the ranks of the developed world. And it is being confirmed in Mexico, where over three million new jobs have been added since its accession to NAFTA.

President Bush is moving simultaneously on multiple fronts –globally, hemisphere-wide, regionally, sub-regionally, and even bilaterally – to put this “proven strategy” into wider play.

At the November 2003 Ministerial Meeting in Miami, President Bush reaffirmed his commitment to complete negotiations in 2005 for a hemisphere-wide free trade area of the Americas - which now includes over 800 million people, in 34 countries, and an economy of \$14 trillion. He commended leaders there for commitments to advance the World Trade Organizations Doha negotiations.

This year saw the landmark signing of the U.S. Central American Free Trade Agreement (CAFTA) which demonstrates the commitment of

Guatemala, Honduras, Nicaragua, El Salvador, and Costa Rica to implement trade and economic reform. Steps are being made to prepare the Caribbean sub-region to integrate their island economies into a single market. USAID has developed a regional program to help the Andean community countries address trade issues, including custom reform, sanitary and phytosanitary measures, and competitiveness policy.

The Agency has been instrumental in preparing countries for these various trade agreements and for helping them build appropriate trade capacity that will allow them to connect with global markets and take full advantage of the opportunities for economic growth that they afford.

The visions that were outlined in Doha and Monterrey are a long way away from the nitty-gritty life in the communities you represent. Some may wonder: What does a free trade agreement have to do with what we in this room do on a day-to-day basis?

The short answer is "It has everything to do with what you are doing."

The past decade has witnessed notable economic reform at the national or "macro" level in the countries represented here. But we are

convinced that economic growth will be short-circuited unless change at the “micro” level complements these efforts. In other words, market reform must deepen and an environment created that can engage in productive enterprises those populations that are now marginalized. What I am saying is that reform at the local level, reform that touches the lives of each of your constituents, is fundamental. And USAID is committed to partnering with you and the community of non-governmental organizations to help you bring this about.

I’m here to report that the “experimentation” that is taking place in the hemisphere is widespread, active, and on-going. I want to briefly mention but a few of the more promising results that we might want to build on.

In the remoter regions of Paraguay, Ita Municipality depended on a dirt road for access to any number of vital services – health clinics, schools, jobs, food markets. During heavy rains, access could be delayed for days.

Ita Mayor Rafael Velazquez was all too aware of the problem. With USAID assistance he held a grassroots meeting and asked the local

residents to help him decide what the top priorities for the city were. The revenue-strapped community identified paving the road but cautioned that costs needed to be kept to a minimum.

Using newly collected tax dollars, the city hired local workers to pave the road with quality cobblestones, which they gathered from local streams and quarries. The road now provides easy access to neighboring towns and to local markets. With support from the community, the city residents have agreed to the assessment of a voluntary fee to supplement maintenance and expand the road.

The spirit of innovation witnessed in Las Piedras is also in evidence in other areas of Latin America and the Caribbean.

Two years ago, my colleague at USAID spoke to this group and discussed how effective "*mancomunidades*" have been for many cities. Again, where no state, provincial or departmental government operated or was able to operate between the central government and the local governments, local officials took matters in their own hands and created their own legal "authorities" to fill the void. These *mancomunidades* now provide essential services, such as road maintenance, as well as measures

to protect the environment and to move regional economic development forward.

The spirit and concept that these local authorities pioneered is spreading, especially in Central America. Guatemala now has eleven *mancomunidades* in operation, Honduras has 55, El Salvador has 50, Nicaragua has seven, Costa Rica has 10 and Panama has 4. *Mancomunidades* in Honduras are managing regional development projects, natural resource management, and municipal administration.

In Peru, the Apurimac-Ene River Valley is a remote river valley that has historically been plagued with terrorism and narco-trafficking. USAID has brought 12 cities there together through a “community connectivity” project. The Agency was instrumental in pooling the resources of the Ministry of Education, the National Decentralization Council, the Ministry of Economy and Finance in establishing the architecture for advanced communications in the region. The residents of this expanded community are now “wired.” New opportunities beckon in the expanded horizons that information technology brings – in business, distance learning, telemedicine, and the sharing of resources and knowledge. The people of the region know more about what each other are doing and frankly about other parts of Peru and the world.

In Honduras, the citizens of Sabanagrande, a small rural community, thirty minutes from Tegucigalpa, set up a Transparency Commission with USAID support to combat corruption. As fiscal watchdog of municipal funds, it has brought citizen oversight to public affairs and enhanced the credibility of the elected government that serves them. The commission reportedly also played a role in mobilizing participation of the local citizenry around the government to set priorities and indirectly in selecting its new mayor. I understand Mayor Guillermo Diaz from Sabanagrande is here today and we can look forward to hearing more about this project when he presents later in the week.

In the Honduras, President Ricardo (Joest) Maduro requested assistance to reform its tax collection system. USAID and the U.S. Department of Treasury provided funding and worked with the Honduran Ministry of Finance and the Executive Income Directorate (DEI) to develop a plan to improve tax collection. The team trained management in leadership, communications, and technical auditing skills. It has also established a training center to help the country keep pace with the latest developments in managerial science.

Total tax collection in the Honduras following the project increased 41 percent over the previous year. Collections for the first four months of this year have exceeded revenue targets. The project is being credited for Honduras being able to fully fund its poverty reduction strategy and to meet the Heavily Indebted Poor Countries (HIPC) completion point in early 2005.

One more example: Earlier this month, Colombia President Uribe announced with Mexico President Vicente Fox that Colombia wants to join the Mexico-Central America development pact (Puebla-Panama Plan) and build a highway, gas ducts and electricity links to Panama, the first such connections between North and South America.

From cobblestone roads – culled from rocks from local streams and quarries – to a superhighway that connects the North and South Americas to a hemisphere of free trade is admittedly a huge leap. But the underlying truth of such a vision is the importance of the foundation that you officials in this room are laying.

The above examples typify the decisions that nearly each of you in this room make on a daily basis. Many of make these decisions which by themselves may not be directly related to each other. But many of them

can evoke a ripple, eventually a wave that in the end improves the standard of life for those who elected you.

Many of these decisions may have been based on “experiments,” as Justice Brandeis referred to them, and collectively they formulate a fundamental truth around which popular will, confidence and determination coalesce.

We at USAID stand behind constructive partnerships, especially at the municipal level. We are committed to build and fortify democracy and see local government as essential building-blocks. We know the road to the future, like the cobblestone road, will be bumpy from time to time. But the U.S. Agency for International Development will continue to support local governments as we work together to strengthen democracy and economic progress throughout the hemisphere.

Thank You.