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*Latin America and the Caribbean: Getting Fit for the Next Big  
Challenge*

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Keynote Address at the Organization of American States

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Thank you very much for having me here today at the Organization of American States.

Before I start, I have a confession to make. I grew up in Iowa and I was not a fan of soccer, or what people around the world refer to as “futbol.” But as president of the World Bank Group, I will do anything to improve our relations with Latin American countries. I’d like to offer some proof.

Yes, that’s me last year, during my first visit as World Bank President to Bolivia. While in Bolivia I had the opportunity to play some ‘futbol’ with none other than President Evo Morales. I was hanging in there even at 3800 meters. But after just one minute of play, Evo proved to me that there is no match for arguably the best soccer-playing president in the world today. And I say arguably because after the match, I said that I was just in a game



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with the best soccer-playing president in the world. Later, some other presidents came up to me and disagreed, saying they were the best players.

*Buenos días a todos.*

- *Señor Secretario General de la OEA José Miguel Insulza*
- *Distinguidos embajadores*
- *Representantes del mundo académico y el sector privado*
- *Amigas y amigos todos*

*Es un gran placer para mí estar aquí con ustedes, aceptando la amable invitación de José Miguel, para hablar sobre una región a la que le tengo especial cariño.*

*No, no voy a hablar de fútbol, aunque estamos a unas siete semanas del inicio de la Copa do Mundo en Brasil. En realidad creo que en el fútbol a los latinoamericanos les va a ir seguramente muy bien.*

*Por eso les hablaré hoy de otra competencia, también mundial, pero que tiene que ver con la eliminación de la pobreza y la búsqueda de una prosperidad que llegue a todos los ciudadanos de nuestro continente.*

*He compartido con ustedes la imagen del partido de fútbol con Evo, porque creo que encierra un simbolismo muy especial. Es quizás, una muestra evidente de que entre el Banco Mundial y la región, se ha abierto una era de cooperación. Y eso,*



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*como dijera Evo, sin condicionamientos. Y para el beneficio de todos aquellos, que en el pasado fueron excluidos de las oportunidades creadas por el crecimiento económico de la última década.*

Over the past decade, Latin America and the Caribbean have made tremendous progress in reducing poverty and in boosting shared prosperity. Poverty has fallen by half to 12.3 percent. The middle class -- currently 34 percent of the population -- is growing. Meanwhile, inequality in Latin America -- historically the world's highest -- has fallen, even as it rises in practically every other part of the globe.

For the first time, the number of people in the middle class surpasses those living in poverty.

In fact, on the very same trip to Bolivia, when I was trying to keep up with President Evo on the soccer field, some of the villagers who were watching us were snapping pictures on their smart phones. This was one of the most remote parts of Bolivia, and even there, people have access to technologies that connect them to the wider world.

That lesson for me was powerful. Though excluded from economic progress and largely invisible to the rich world, the poor are very aware of



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how the rich live. And, with that knowledge, they're demanding more opportunity for themselves, especially for their children.

While Latin America and the Caribbean have improved a lot in recent years, we could lose momentum unless we maintain – and deepen -- our focus on inclusive economic growth.

Over the last two years, growth in Latin America and other developing countries has slowed as a result of rapidly changing global circumstances, including declining commodity prices and the expected tightening of global financial conditions. At the same time, those reductions in inequality have stagnated. In fact, inequality is rising in several large emerging market economies across the world.

At the same time, many in Latin America's burgeoning middle class feel that the state needs to do more to provide quality services and good governance. These impassioned citizens have told their story loudly in the streets and on social media.

Ironically, governments in the region are, in part, victims of their own success. They've achieved a great deal in terms of fostering growth and reducing inequality. Yet, precisely because of this success, citizens are now asking for more than ever before, and pressuring governments to respond.



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Continuing strong progress on growth and inequality requires efforts on many fronts.

To boost growth, Latin America needs to increase productivity, spur innovation, and adapt its productive structure to changing circumstances. This must become a national priority for all countries, independent of their political cycles and ideologies.

The social gains of the last decade hang in the balance.

I'm encouraged by leaders such as Michele Bachelet in Chile, who in spite of the economic and human impact of the recent earthquake, is moving forward with an ambitious reform agenda to boost shared prosperity among all Chileans.

Improving logistics and infrastructure, education, and the contractual environment are critical to advancing development in the region. The World Bank's latest flagship report for Latin America, which was dedicated to entrepreneurship, stressed the need to enhance competition in a region where many industries remain sheltered.

In my first visit to Haiti as World Bank Group President, I had a meeting with private sector representatives. As many of you may know, I have been involved in Haiti for more than a quarter century. In that meeting, I asked



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them if they really wanted to work with us to generate opportunities for everyone, instead of clinging to a system of crony capitalism that only benefitted the elites. After a couple of moments of silence, they said: “*We will work with you.*” I took them at their word. Since then, we’ve been working with the Haitian Government and the private sector to introduce best practices in public-private partnerships and to create opportunities for the Haitian people who have been waiting so long for them.

Haiti, in fact, can find positive examples throughout Latin America of creating more economic opportunities for all. It’s good news, for instance, that countries in the region have strengthened trade ties with Asia, and are trying to diversify their export markets to that region. For most of the countries that make up the Pacific Alliance, exports already represent at least one-fourth of their gross domestic product.

For these countries, there’s no turning back.

In my visit last year to Peru, I had the chance to see firsthand the progress being made in the city of Carabayllo, where I worked for more than 15 years to help fight an epidemic of multi-drug-resistant tuberculosis. I met many of my former patients who now lead healthy, productive lives. We learned from our experience in Carabayllo that the fight against drug-resistant TB wasn’t only a medical problem.



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It was also a fight for social justice and economic opportunity.

The story of what has happened in Carabayllo is also happening throughout Latin America, as more and more leaders in the region want to ensure that social progress remains a priority. Fiscal policy can be used to sustain and deepen the region's significant social gains – and over the last decade, Latin America has increasingly used this strategy.

Between 2000 and 2011, **social spending** as a share of GDP rose from nearly 12 percent to 14.5 percent, and public spending on education increased from 3.9 percent to 5 percent. Health spending rose from 3 percent to nearly 4 percent, according to a study of 18 countries.

Similarly, the number of countries in the region with conditional cash transfer programs expanded to 18, while non-contributory pension systems blossomed throughout the region, giving millions of people the opportunity to save for the future and retire with dignity. To finance spending on conditional cash transfers, the region increased tax collection from 16 to 20 percent of GDP between 2000 and 2010. And importantly, these revenue gains came primarily from more efficient tax collection and a broadening of the tax base, rather than hiking taxes on businesses and crimping their ability to expand and create jobs.



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Still, these fiscal policies have had a mixed impact on inequality. Cash transfers and direct taxes, such as income tax, tend to reduce inequality. But the region's continued reliance on indirect taxation, such as value added taxes, has undermined some of its gains in equity.

The good news is that there's still room to use fiscal policy to promote a more equitable society.

We've seen the equality of access to basic goods and services has improved in recent years. Yet serious concerns remain in many countries regarding their quality, particularly in education, health, housing, and other infrastructure.

Of course, there's a great deal of diversity across the region in this area. As with poverty reduction, most of the progress in expanding access to basic services since 2000 has been in the Southern Cone and the Andean regions, while many Central American countries managed only small improvements. Several Caribbean nations have problems of indebtedness that could hinder their ability to provide quality services to all citizens.

Jose Miguel, and friends -

Latin America and the Caribbean have made remarkable economic and social progress in the first decade of the 21st century, but much work



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remains to ensure that the economic and social progress of the last decade continues and expands.

Economic and social gains support one another. Providing disadvantaged children access to a quality education raises their productive capacity and enhances social inclusion through higher employability. This, in turn, leads to higher growth, which provides people with still more resources to improve their quality of life.

As President Dilma says, social inclusion brings more social inclusion. The era when opportunities depended on your social background, your race, your gender, or your country of birth, is clearly coming to an end in Latin America.

In partnership with the inter-American family of institutions, we'll continue supporting the region's efforts to accelerate economic and social progress in the years ahead.

I look forward to working with each of you in this important process.

Thank you very much.

Muchisimas gracias.



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Now, I'd like to open it up for a conversation.