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Statement by
Mr. Luis Alberto Moreno,
President of the Inter-American Development Bank and Chairman of the Board of Executive Directors of the Inter-American Investment Corporation,
at the inaugural session of the Annual Meeting of the Boards of Governors

What a pleasure it is to be here with all of you this afternoon in Panama, this "homeland so small, laid out upon an isthmus" in the words of the great poet Ricardo Miró.

To open my remarks, I would like first to thank our host, President Ricardo Martinelli, for the wonderful hospitality he has extended.

Once again we have felt the warmth of the Panamanian people, welcomed by an open smile and the firm grasp of a true friend's hand.

I would also like to acknowledge and thank Uruguay's Minister of Economy, Fernando Lorenzo, for all his work as Chairman of the Boards of Governors, and to recognize Minister Frank De Lima, as he takes on that responsibility.

This meeting is taking place in an international context that remains complex, where the pace of growth in the developed world is still slow.

This environment had a dampening effect on growth in Latin America and the Caribbean. Even so, we continue to move forward.

The latest projections indicate that in 2013, the region's gross domestic product will grow 3.6 percent, better than the global average.

Fortunately, slower economic growth has not undermined the gains made, particularly on the social front.

- Poverty rates continued to fall, dipping below 29 percent.
- Income distribution continued to improve, and the middle class has grown by more than 50 percent so far in the twenty-first century.
- Today, the average Latin American lives better, is healthier, better educated, and earns more than ever.

This is easy to see in many places throughout our region, but especially in Panama.

In recent years—particularly the last two—Panama's performance has been outstanding.

I refer not only to its economic growth, which is enviable, but to an unemployment rate of 4 percent, inflation trending downward, and exceptional investment levels.

Those of us lucky enough to come to Panama frequently can attest to the deep transformation taking place here, both in terms of infrastructure, and in coverage and quality of health and education.

This effort is a fitting accompaniment to the final stage of the Canal expansion, a crucial project, not only to ensure the welfare of this and future generations of Panamanians, but also for the efficient operation of the global economy.

As this grand endeavor nears completion, we should pause to reflect on whether we are ready as a region to seize the opportunities available to us.

My response is that, unfortunately, we are not.

No one doubts that over the past decade and in the current one, we have experienced an evident improvement in quality of life.

However, such achievements seem insufficient in the face of the challenges before us to grow stronger as prosperous and just societies.

That can become a reality, only if the region is successful in implementing structural reforms to accelerate growth and lock in social gains.

When I speak of reforms, I am not referring to cookie-cutter solutions for every country. Our economies face different obstacles to growth. Therefore, the changes should respond to the realities of each country, with a pragmatic vision.

The need to act is even more urgent when we consider that the international environment is less favorable than it was between 2003 and 2008.

In this regard, some might say there is no rush, since there is less pressure this year. But boom times do not last forever, as demonstrated by countless examples in our history, and they are only fruitful when properly exploited.

For example, we do not know how long the capital inflows will last. They have provided us with abundant, cheap money, but depend to a large extent on decisions made by central banks in the United States and Europe.

Although it still seems remote, more costly and selective access to global savings should be included in any calculation for the future.

Nor have we been able to properly measure the impact on the global energy basket of the exploitation of hydrocarbons using unconventional techniques like hydraulic fracturing, or “fracking,” which have revolutionized the North American market and may come to dampen the comparative advantage currently held by oil exporters.

Another factor I should mention is that, even though certain industrialized nations are facing serious problems, I have no doubt that, sooner or later, they will overcome them. When that happens, competition will be heavier, so we must be prepared.

Therefore, it is essential to take prompt, decisive action on the region’s pending agenda, in which education is the top priority.

Expanding coverage is not enough. We must ensure quality so today’s students can aspire to a well-paid job tomorrow, because investment in education is the most humane of investments.

We have done a great deal in the struggle against poverty. As we know, the region was a pioneer in the use of conditional cash transfers as a tool to fight indigence.

Now it is a matter of building bridges to the job market, something only achieved with good levels of vocational training.

Along with the work on that front, we also need to develop a policy that drives the growth of formal enterprises. This entails breaking down administrative barriers and lowering the costs that encourage informality.

No less important is renewal of the institutions tasked with executing social policy in a region that is still young, but whose population’s average age is on the rise.

So we need health services that are effective alongside structures that can provide a decent pension to someone who has worked their entire life.

In both cases the challenge is having systems that are sustainable now and into the coming decades.

If we want to compete successfully in the world’s markets, in addition to reforms strengthening the social fabric, we must make major strides in infrastructure.

There are encouraging cases, like that of Panama, but Latin America and the Caribbean still lag far behind other parts of the world that have done much more in terms of roads, ports, airports, and logistics.

Public-private partnerships, with a growing number of supporters, are part of the solution, but not the only part.

If we learned anything after the privatizations of the 1990s, it is that State investment in this sector must increase, especially when in addition to the projects, we have the impact of global warming and the weather events to which we are so vulnerable.

The issue of innovation warrants its own discussion. We know that, while the world is connecting at high speeds and low costs, in our region the opposite is occurring, which means we must redouble our efforts to close the technology gap.

There is no question that investing more in social capital and infrastructure, ensuring the sustainability of our social security systems, improving justice, and fighting crime are crucial initiatives if we are to continue competing in the global economy.

Raising the money needed for our governments to do more and better will require a greater tax effort.

It is therefore essential that we modernize tax collection systems and fairly distribute the burden across segments of society.

On a planet that will be home to nine billion people by the middle of the century, resource demands will continue to rise. In the knowledge that we have vast reserves of minerals, energy inputs, land, and water, we can look boldly to the future but need to unleash that potential. We must also ensure that we will have a diversified production base.

Along with the reforms that I have mentioned, there is work to do on other fronts. The first is greater integration among our countries. This was a longstanding dream of Venezuelan President Hugo Chávez. His premature departure should inspire us to work harder to break down the remaining barriers, as another approach to fighting poverty.

Comparisons are odious, as the saying goes, but we must make them. And when we do, we find that intraregional trade accounts for just 19 percent of total trade, well below the figure in Europe, parts of Asia, or North America, where it surpasses 50 percent.

When we export and import more from one another, we all win. We will only be able to realize the dream of linking different countries of the region together in the same value chain if we find ways to make such collaboration work.

Progress on this front is key for integration to prosper on other levels.

As we all know, one of the major shifts in recent years is the emergence of the multilatinas, companies with a thriving presence not only in many of our countries but also in other latitudes.

But the challenge now is to achieve similar results with medium-sized enterprises.

I am talking about companies that do everything from developing mobile telephone apps, to making high-end apparel, to purveying exotic fruits and vegetables of unrivaled quality.

The issues I have mentioned are fundamentally intertwined with another. In recent years, we have seen the so-called country risk decline in a good number of our economies, giving us access to inexpensive funds.

However, we have not improved much in global competitiveness indexes. This lack of progress has to do with country cost.

To be successful in a world that needs the goods and services we have to offer, we must be competitive. And the way to do it is by improving our productivity.

Poor infrastructure, scarce competition, difficult access to financing, and informality are deadweights. If we take effective action on these fronts, we could increase the growth rate of our economies by more than two percentage points per year.

That is what I mean when I talk about focusing on reducing country cost.

Tackling the work that remains for Latin America and the Caribbean to continue moving forward is a challenge that requires not only the willingness and ability to change of the public sector, but also the drive and commitment of the private sector.

At the IDB Group, we are convinced that the private sector is essential to achieving inclusive and sustainable economic development.

The private sector should take a lead role in creating decent and productive jobs and making investments that drive innovation to meet the needs of the entire population.

As the region’s development bank, it is our job to help maximize that impact.

A key step in that direction will be to devise and implement a vision for working with the private sector that capitalizes on our comparative advantages and enables us to be responsive to a region on the move.

Accordingly, we at the Bank, the Inter-American Investment Corporation, and the Multilateral Investment Fund will continue working to identify new opportunities to forge and deepen strategic partnerships with donor governments, philanthropic organizations, development agencies, and private companies.

With this in mind, we welcome the news that through the China Fund, we will increase cofinancing for public and private interventions in the region by US$2 billion.

We are also pleased that talks have begun with the authorities of Singapore on joining the IDB family. Looking at the success of that country, which is small in size but big when it comes to results, there are lessons we can learn, and opportunities to tap.

As for our commitment to the region, we can only lean in, as demonstrated by the US$11 billion in lending and over US$500 million in grants, including US$245 million for Haiti, that we channeled to the region in 2012.

The IDB remains a relevant partner for development in Latin America and the Caribbean, but we want to do more and do it better.

We will continue to advance resolutely with implementation of the internal reform agenda under the Ninth General Capital Increase.

I am truly proud of the Bank's achievements in recent years. With the joint effort and commitment of all, in a very short time we have made great strides in strengthening the IDB's lending capacity and making our interventions more effective and efficient.

Given their scope and complexity, the implementation of these reforms has entailed a major effort and commitment by the Board of Executive Directors and Management that deserves special mention.

The conviction that success is possible arises from real cases such as that of Panama. This nation, a true melting pot of races, home to both the ancient wisdom of the Kuna people and the inspiring modernity of its capital, unites much more than two oceans. It embodies the convergence of the drive of the private sector and the public policies that fuel its economic vigor.

In light of the palpable enthusiasm here, I reiterate my confidence that for Latin America and the Caribbean, the best is yet to come. A great deal of work lies ahead, to be sure, as we continue to build this homeland for us all. For that, it couldn't hurt to have divine assistance through the intercession of our vicar in Rome, Pope Francis.

So, I declare myself an optimist, confident in the future of our peoples. If we do what we are called upon to do, we will see the progress of past years continue, and this region of 600 million people will be more prosperous and just, advancing at an ever-increasing tempo. A tempo that I hope embodies in its melody, Mr. President, the enticing rhythm of a tamborito.