Statement By
Mr. Guido Mantega
Minister of Finance of Brazil
On Behalf of Brazil, Colombia, Dominican Republic, Ecuador, Haiti, Panama, Philippines, Suriname, and Trinidad and Tobago
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Despite some signs of economic recovery, the world continues to need coordinated actions to deal with three challenges: poverty and exclusion, economic imbalances and instability, and climate change. The current fuel, food, and financial crises gave us an even greater sense of urgency. Indeed joblessness and higher food and fuel prices have driven millions to poverty and have become even more serious threats to the well-being of the poorest as well as to social and economic cohesion.

The choice we all made since 2008, in addressing those issues, was twofold: first we requested that our multilateral institutions responded accordingly, both with countercyclical actions and with means to avoid having those with the least instruments remain unsheltered from the crisis. This required that these institutions expanded the use of their balance-sheets, while we negotiated the replenishment of their capital basis and of their concessional resources. Second, we deliberated that their governance be reformed. This reform was deemed necessary to reflect the new world economic and political realities; but also to enhance the legitimacy of our institutions and thus our capacity of coordinated collective action.

The World Bank Group (WBG) responded accordingly to our call with a sharp increase of its lending, which turned its net transfers from negative into positive. This was done by increasing WBG’s responsiveness and flexibility, towards a more client-driven perspective – as expected from a true multilateral development institution. Nevertheless, going forward the prospects are very different. It is projected that the IBRD will return to its pre-crisis lending levels, despite the continued demand for resources for critical investments in infrastructure and human development; to expand social safety nets for those faced by joblessness; to expand production and overcome food insecurity and malnutrition.

Despite its now limited capital base, tight budgets and increasing demands for additional “themes”, the Bank continues to struggle to improve and become more attractive to all its client countries. For reasons already mentioned, the ongoing modernization agenda needs to have as a guiding objective the transformation of the Bank into a more flexible and adaptable institution, capable of responding to the different needs and developmental circumstances of the client countries. In this sense, what we need now is even more flexibility in the policies and instruments of the Bank, and further measures to reduce the costs associated to lending.

In this context, we need to be selective in defining how we address our main goals. For instance, lessons learned from recent crises indicate that focusing exclusively on economic growth does not promote development or the elimination of poverty. Strategies and policies to be implemented by the WBG should focus on the promotion of inclusive growth. In view of this, the social impacts of its interventions must bear a pivotal position in the WBG’s business. In addition, with less than five years to achieve the deadline to reach the MDGs, efforts should be concentrated on fragile states that are lagging behind in the process. If we are serious about making real strides in this area, business as usual is not an option. The Bank and the international community need to make good on their actions, and the developed countries must meet their commitments on ODA transfers. Furthermore at
the same time, it is important to start thinking about after 2015. There should be a shift from quantity to quality. The WBG, particularly through its knowledge asset, has an important role to play.

The World Development Report makes a very valid point when it links development to security. Peace, security, and stable political institutions are essential conditions to an environment that provides a sound basis for continued and lasting development to flourish. However, the WBG must be cautious not to overstep its mandate. In addition, its focus should obviously be on fragile and conflict-affected states, but it should not neglect many middle-income countries where violence represents a big challenge to development. The Bank must also respond rapidly when member countries are hit by economic crises or natural disasters. That is why we very much welcome the special allocation for Haiti in IDA 16 and the establishment of a dedicated Crisis Response Window in IDA.

Two major challenges faced by the poor, particularly in low-income countries, are food security and food price volatility. The long-term solution for such problems is to invest in production and productivity in agriculture, particularly in staple crops. Small-holders agriculture projects should receive special attention from the WBG, because of their positive impacts on local economies and their job-intensive nature. Likewise, international support for a hedging mechanism against the negative impacts of high fuel and food prices on the poorest and most vulnerable should be sought. As regards current price volatility, this has many and interconnected causes and we should not fall into logical traps – such as advocating price controls – which may have adverse consequences for production in the future. The WBG should learn the lessons from the past, and must be aware of its actions, in order not to promote policies that could have a negative effect on the economies of developing countries, most of which are heavily dependent on agriculture exports.

We reiterate our call for more funds for climate change adaptation vis-a-vis mitigation, debt for nature swaps, and disaster risk financing. It is important to note that the current proposals to deal with climate change related problems should be carried out under the UNFCCC framework and the resources allocated should be additional to regular allocations and on a concessional basis. Transfer of technologies is also important aspect of this debate. Furthermore, our legitimate concerns and commitment with sustainability should not result in burdens to those countries that have limited endowments and resources to tackle the issue of access to energy. Providing energy access to the poorest is essential to development. This goal must be pursued bearing in mind energy options that might suit best local circumstances. No energy option should be discarded upfront, but the WBG should focus on projects that aim at fostering sustainable development in all of its pillars: social, economic, and environmental.

Adapting to the new realities of the world requires also changes in culture and mindset about multilateral development cooperation. For instance, it does not suffice to recognize the multi-polarity of global growth: we must acknowledge that no small group of countries can provide the solutions for the daunting problems that we face as an international community. Replicating experiences that have proven successful in developing countries can definitely be more efficient than trying to impose models from the advanced world. In this sense, we insist that the WBG should have a coordinated line of action to foster South-South cooperation as an overarching principle throughout its policies and guidelines.

We are on the right track with respect to changes in operations and culture, but not so much in governance issues. Despite recent reforms of voice and participation, we unfortunately still have a long way to go: the world has significantly evolved since the creation of the Bretton Woods institutions, and the time has come for these institutions to reflect this change. We note the need to continue to advance towards a fairer and more equitable voice and representation structure, and urge
the immediate commencement of work on a Bank specific formula that will bring about, at
minimum, parity in voting power between developed and developing countries by our next periodic
shareholding review.

An important signal of our commitment to governance should come with the selection of the
president and senior management of our multilateral institutions. In this regard, we take note of the
report on the selection of the president process but regret that no concrete actions were proposed to
ensure a real change towards an open, merit-based, and transparent process, with development being
one of its guiding principles. We also think that, despite the progress made in the recent past, the
WBG has a long way to reflect in its decision-making structure the new realities and needs of the
international community. To do that, we not only need to increase the diversity of its management as
regards nationalities, but particularly diversity of approaches of its senior management and staff in
thinking and supporting social and economic development.

Finally, we reiterate our belief that a reformed World Bank, a World Bank working as a financial
cooperative, politically open, and ready to respond to demands from developing countries would be
able to play an essential role in contributing to solve problems that ask for collective global action.