Statement by

Mr. Guido Mantega
Minister of Finance

Brazil

On behalf of Brazil, Colombia, Dominican Republic, Ecuador, Haiti, Panama, Philippines, Suriname, and Trinidad and Tobago
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One year since the World Bank Group (WBG) established its twin goals of eliminating extreme poverty and promoting shared prosperity, it is a good occasion to make an initial assessment of the achievements so far and the remaining challenges. According to our Global Monitoring Report (GMR 2014), the Millennium Development Goal of halving extreme poverty was achieved in 2010, five years ahead of schedule. However, much remains to be done: as estimated by the GMR in 2011 over a billion people remained in extreme poverty. Furthermore, experience suggests that reducing the number of poor people is increasingly difficult as poverty falls. The WBG should continue to concentrate its efforts in tackling this ineffable situation.

As far as shared prosperity is concerned, the indicators are less encouraging. The bottom 40 percent are still far from the upper 60 percent in terms of access to goods and services, especially health, education, and pension system. Many indicators — infant mortality rate, access to improved sanitation facilities, secondary education — reveal a deep disparity between rich and poor in a large number of countries. The challenge is daunting, and central for all of us, as even in advanced economies income inequality has reached levels unprecedented in the post-war period, and some analysis indicate may be one of the roots of this protracted great depression. Indeed, many analysts argue that a large part of the dynamism of developed countries in the last decades has been explained by a flourishing middle class, whose purchasing power could buttress economic activity and move the engine of the economic system. The WBG should thus continue to analyze the effects on the world economy of an increasing unequal income distribution in advanced economies.

Ending extreme poverty and promoting shared prosperity are interconnected goals, and growth is an integral part of any strategy to address these fundamental issues. We are thus very much concerned about the perspectives of the world economy and its effects on the well-being of the poor. The rate of global economic growth in 2013 — 3.2 percent — was the lowest rate recorded since 2010. The WBG forecasts a moderate recovery in 2014 and 2015, but it warns that risks remain in the downside: very low inflation could have impacts on private and public debt in advanced economies; the normalization of the Federal Reserve monetary policy could lead to financial stress in emerging economies; not to mention geopolitical risks and the Ebola scourge. Thus, in order to achieve the twin goals, it is important that the WBG, in coordination with the IMF, continue to monitor and analyze the perspectives of the world economy.
Even in a lackluster global economy, governments and civil society should search for the design and implementation of appropriate social policies, as a vital component in our poverty reduction strategy. Among the countries in our Constituency, Brazil, Colombia, Ecuador and the Philippines have experienced faster growth of the income/consumption of the bottom 40 percent of the population than the income/consumption of the total population between 2002 and 2012. The case of Brazil is illustrative of this potentiality. According to the Report “The State of Food and Nutrition Security in Brazil”, released in August 2014 by the Food and Agriculture Organization (FAO) of the United Nations, since 2011 more than 22.1 million Brazilians have been lifted out of extreme poverty as a result of the additional policies that compose the Brazil Without Extreme Poverty Plan. The FAO Report also concluded that the set of policies implemented in Brazil contributed to decreasing inequality. The real value of the minimum wage increased 70% from 2003 to 2013. Income of the lowest population quintile increased at three times the rate of the richest quintile from 2001 to 2012 – 6.2% compared to 2.0%, respectively.

The elimination of extreme poverty and the promotion of shared prosperity are goals that can be achieved by a mixture of economic growth, adequate social policies and international support. The WBG is well-positioned to be a depository of good practices and successful experiences of social policies. South-South cooperation, which has been developing very rapidly during the last years, is a realm of interest for all emerging and developing countries, and we hold the view that the WBG has an important role to play in fostering it.

The change process led by President Jim Kim is a good example of how a multilateral institution should always adapt itself to a changing environment. The new country engagement model, for example, has the potential to bring excellent development results, insofar as client countries remain at the driver’s seat of this engagement. And the new structure of the institution, based on Global Practices and Cross-Cutting Solutions Areas, can also be beneficial, as long as they are able to achieve the ultimate goals of increase knowledge sharing within the organization, deploy expertise, talent, and proposals at a faster pace, and break existing silos. The key to success will be in the implementation of all the changes and their management going forward.

The WBG should also respond to the ongoing transformation of the world economy, by which many emergent countries represent an increasing share of the global output and are progressively relevant as development partners. For that reason, we attach great importance to the WBG shareholder’s reform of voice and participation. We should expedite the beginning of negotiations, if we are to conclude a new reform by the end of 2015, as we have agreed in 2010.