



DEVELOPMENT COMMITTEE
(Joint Ministerial Committee
of the
Boards of Governors of the Bank and the Fund
on the
Transfer of Real Resources to Developing Countries)

NINETY-NINTH MEETING
WASHINGTON, D.C. – APRIL 13, 2019

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Statement by

H.E. Danilo Astori
Minister of Economy and Finance

Uruguay

**On behalf of Argentina, Bolivia, Chile, Paraguay,
Peru and Uruguay**

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1. The current global outlook is gloomier than a year ago and uncertainty remains, with downside risks to global growth stemming from faster-than-anticipated slowdowns in high-income economies, ongoing trade tensions, recent episodes of financial market stress, and an increase in debt vulnerabilities in several emerging markets and developing economies.
2. Economies in the Latin America and Caribbean (LAC) region are not immune to these global risks and, like all other economies, we need to be prepared for a potential worsening global situation by reinforcing our macroeconomic frameworks. At the same time, the region has been recently affected by new macro imbalances, governance issues, more frequent and severe natural disasters, and unprecedented intra-regional migration, which are challenging the sustainability of the economic and social progress achieved in the recent past.
3. In this context, we support all calls for immediate, decisive, and comprehensive policies aimed at increasing resilience to environmental and economic shocks and boosting long-term growth prospects. Similarly, we expect a stronger role of the World Bank Group (WBG) as a global leader at the helm of coordinating actions to minimize short-term global risks and maximize impact of its delivery on the medium- and long-term development agenda, including the twin goals and global issues such as climate change, the future of work, the rapid aging of the population, and gender equality.
4. One year ago, the WBG's shareholders endorsed a Capital Package of US\$ 7.5 billion paid-in capital for IBRD and an ambitious set of internal reforms and policy measures. It is now an excellent time to evaluate the progress made so far toward implementing these reforms and measures and delivering on the shareholders' commitment to the twin goals and the three priorities of sustainable and inclusive growth, human capital, and resilience, under the four Forward Look pillars: serving all clients, leading on global issues, creating markets, and improving the business model. It is encouraging to learn from the related DC paper that implementation of the Forward Look and the Capital Package policy commitment is on track to meet the targets set for FY19-30. We look forward to the prompt adoption of the IFC Resolution for a US\$ 5.5 billion paid-in capital increase so that to enable the institution to keep expanding its work with the private sector in client countries.
5. We take this opportunity to share some concerns specific to the LAC region, in the context of the Capital Package implementation. Our approach to the Capital Increase Package negotiations was

driven by the cooperative nature of the WBG. In the same spirit, we supported the process, even though some resulting agreed measures negatively impacted the region. Also, and in line with our approach, we strongly supported that more resources be channeled to client countries at the low to middle range of the income spectrum, below the Graduation Discussion Income (GDI) level, and that their share of IBRD's commitments be increased. At the same time, and jointly with other shareholders, we fully endorsed the notion that with the Capital Increase more resources will become available to all client countries in absolute terms.

6. Our message is that the LAC region wants and needs more WBG presence, with financial resources, private sector mobilization, and knowledge and analytics. Neither the capital markets nor other development agencies bring to the region the quality of engagement and knowledge that the WBG provides and which are crucial to address the region's pending structural challenges and consolidate the progress made in the past. At the same time, the region has much to offer to the WBG and the development community. We firmly believe that a stronger presence in the region is a win-win proposition, and that our expectations of a more robust presence in the future are well aligned with the agreements of the Capital Package.
7. The LAC region is one of the most heterogeneous -in terms of income level- of the world, with many of its economies still below the GDI level and with high poverty rates and unresolved development challenges similar to those in other regions. At the same time, several LAC countries have made remarkable economic and social progress over the last decades and are now above the GDI level. Nevertheless, they still must grapple with high-income inequality, pockets of poverty and vulnerability, and weak governance and institutions, among other development challenges, and remain vulnerable to external shocks. Moreover, according to recent evidence, the economic and social gains attained in recent decades may be fading away. We highly value the World Bank's engagement in the region, and we welcome its new strategic approach focused on addressing the region's heterogeneity and structural and short-term challenges. However, we note that the nominal volume of annual financing to the region has sharply decreased by 62.5% since 2010. Because of this worrisome trend, and consistent with the Capital Package commitments, particularly the commitment to serve all clients, we firmly request that this lending trend be reversed.
8. We are glad to see progress in the implementation of the WBG's Maximizing Finance for Development and Cascade approaches, and we expect the implementation pace to gather speed in the coming years. We believe the LAC region is a natural candidate to champion these approaches, and we encourage a more extensive pipeline of projects where they are systematically applied.
9. We welcome the World Bank Group's approach to disruptive technologies, and we endorse the Build-Boost-Broker value proposition and the associated corporate priorities -country diagnostics, agile regulations, connectivity, GovTech, and capabilities -, which will help our countries set a comprehensive agenda to wisely exploit opportunities and manage risks and adapt to the rapid pace of technological change. Without a proactive agenda, we might miss out on a unique opportunity to employ these technologies to accelerate progress toward the WBG twin goals and the SDGs, while ensuring that the associated risks (e.g., growing inequality, job loss, social exclusion and the loss of societal trust/erosion of social cohesion) are appropriately addressed. This proactive agenda should include engaging with middle- and low-income countries in the development of new technologies, rather than having them play only the role of end-users. We hope the World Bank Group can promptly put together an action plan with clear outcomes to assist client countries with maximizing the potential benefits of technology while mitigating the risks.

10. We supported the Bank's Human Capital Project since its inception, and we look forward to the next implementation steps beyond the ongoing work on the Human Capital Index. Several countries in the region endorsed this initiative and voluntarily became early adopters. While it is imperative to capitalize on the momentum gained during the 2018 Annual Meetings by showing concrete progress in its implementation, we warn against making human capital the sole priority. To maximize the benefits of investing in human capital, other relevant areas deserve equal attention and funding (i.e., physical capital, infrastructure, research and development, and institutional capital, among others). A focus on education should also be accompanied by carefully-crafted initiatives in the areas of health and nutrition as a cornerstone of development.

11. Finally, we thank Ms. Kristalina Georgieva for her leadership and effective management of WBG affairs during her tenure as Interim President. We also congratulate Mr. David Malpass on his selection as President of the World Bank Group, and we look forward to working closely with him. We are confident of his leadership to continue and deepen the role of the World Bank Group as a strategic and active partner in support of our countries' efforts to achieve sustainable growth and development, prioritizing the reduction of poverty and inequality. We expect all the support from Mr. Malpass and Senior Management for a successful implementation of the agreements linked to the recent capital increase.