Statement by

H. E. Eduardo Guardia
Minister of Finance
Brazil

On behalf of Brazil, Colombia, Dominican Republic, Ecuador, Haiti, Panama, Philippines, Suriname, and Trinidad and Tobago
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We believe that a bigger and better World Bank Group is essential for achieving the twin goals of ending extreme poverty by 2030 and fostering prosperity of the bottom 40% of the world income distribution. The priorities discussed today are also central in this task by emphasizing the deep connection between increasing productivity and promoting inclusion, especially through human capital investment and adoption of new technologies.

Disruptive technologies must be embraced, not feared. The first industrial revolution – perhaps the most disruptive time in history – gave rise to an era of unprecedented standards of living around the world. Looking ahead, there is a long way to go to reduce poverty and inequality, although remarkable progress over the past decades has been achieved; from 1990 to 2010 the global poverty rate was cut by half. We expect more progress going forward if societies maintain the impetus to innovate and the commitment to lower poverty.

Still, disruptive technologies present tremendous challenges and can disorganize whole segments of societies, making the transition to a better world painful to many people. Failing to recognize the need to mitigate these negative aspects from new technologies will not only create unnecessary suffering in the short run, but also undermine the very existence of an environment conducive to innovation. We commend the Bank’s commitment to striking the right balance between incentives to innovation and social protection systems.

The proposed build-boost-broker approach is appropriately very ambitious. It explores the comparative advantages of the World Bank Group for this agenda in the different levels which demand actions. Many disruptive technologies have already enabled innovative solutions to critical development challenges, leapfrogging obsolete technologies, reducing costs, and boosting socio-environmental sustainability.

We must make sure that whenever new technologies overcome older ones, it happens because they are intrinsically more efficient, and not because they are exploring unfair advantages. We have witnessed digital companies scaling up their activities at unprecedented levels, whilst connectivity of small and medium enterprises to new consumer markets has boomed and has opened new opportunities. However, the rise of tech giants also presents challenges to competition policy and may reflect unforeseen tax benefits. A level-playing field is fundamental for a healthy competitive economy, including the need for effective resource mobilization frameworks that provide enough fiscal space to finance social safety nets and public investments.
Human capital investment is correctly identified as a policy that positively addresses innovation and inequality. On the innovation side, the role of human capital for expanding the technological frontier and productivity is well known. On the other hand, human capital investment also helps to mitigate the negative effects of such creative destruction. New technologies are biased towards the high-skilled, and in developing countries, where the most vulnerable population lives, this effect may be even more pronounced. A healthier and more educated workforce will more adequately adapt to the newly demanded skills.

The Human Capital Project calls attention to the link between health, education and productivity growth, and aims to help countries set priorities and engage with the society. While it is yet unknown what exact activities will comprise the future of work, we are sure that they will demand flexibility and an environment conducive to lifelong learning.

This holistic approach to human capital was long overdue. For too long it was assumed that years of schooling was equivalent to human capital development. But, in reality, human capital involves many aspects and its formation depends on households, governments and non-state actors - and all of these players should act in a coordinated way.

Fintech has the potential of promoting competition and inclusion; and for that we need to find the right equilibrium to allow efficiency gains without adding systemic risks. Fintech may offer opportunities for consumers, including many that have remained out of reach of conventional financial service providers. On the other hand, a robust yet flexible regulatory backstop must be developed, where innovation can flourish, and markets can be contested without undue risks for consumers, investors, and financial stability. Finding such equilibrium is not easy, even more so considering that fintech might remain in constant transformation.

Fintech also employs technologies that cross national borders. Thus, we must strive for effective international coordination. We welcome innovative global solutions, such as cross-border payments and remittances systems. However, we must ensure that the infrastructure behind these solutions is robust, while adequately safeguarding against cyber-risks and information protection. Compliance with anti-money laundering framework should be assured.

We have seen an increase in average public financing needs around the world, despite a wide range of country specificities and economic outlooks. Countries should rely on their economic policy toolboxes to address these issues. Brazil, for one, has been monitoring recent developments and taking the necessary steps to deal with tightening financial conditions. Brazil has anchored fiscal consolidation on a spending cap and a primary balance target. We also reaffirm our commitment to a rules-based, multilateral, and open trade system.