Statement by

H. E. Paulo Guedes
Minister of Finance

Brazil

On behalf of Brazil, Colombia, Dominican Republic, Ecuador, Haiti, Panama, Philippines, Suriname, and Trinidad and Tobago
Statement by

H.E. Paulo Guedes

Minister of Finance

Brazil

on behalf of Brazil, Colombia, Dominican Republic, Ecuador, Haiti, Panama, Philippines, Suriname, and Trinidad and Tobago

104th Meeting of the Development Committee

October 15, 2021

Washington, DC

The World Bank was created in 1944, with a noble and clear objective: to rebuild national economies after the devastation caused by World War II. Now, the World Bank faces a similar and equally urgent challenge: to rebuild national economies after the devastation caused by the coronavirus pandemic. The economic effects of the pandemic and lockdown measures were many: destruction of human capital, fiscal indebtedness of countries to support their most needy citizens, extinction of countless small businesses, shortages and supply-chain disruptions, and so on. The social effects are even more dreadful: an incalculable loss of human lives, which are deeply mourned by all of us.

With the purpose of reducing the dramatic impacts of the Covid-19 shock, the World Bank should actively promote economic reforms that aim at a fast, robust, sustainable, inclusive and resilient recovery. In this sense, we hail the enabling framework for Green, Resilient and Inclusive Development (GRID) presented in the 2021 Spring Meetings. Our constituency firmly believes that World Bank Group leadership on climate change adaptation and mitigation is vital to lighten the financial burden of transitioning to GRID in developing countries. Our nations have been continually striving to ensure that we adequately address the necessity of conciliating economic growth with the imperative of preserving the environment for the benefit of all.

After a year of the greatest economic impact of the pandemic, the Brazilian GDP grew by 1.8% in each of the last four quarters, confirming the forecasts of annual growth of 5.3% for 2021. This rate of growth exceeds the average growth rate of OECD countries, of the Eurozone as well as of Latin American countries in the same period. In this period, Brazil’s GDP growth rate was higher than those of some key advanced economies. Economic recovery in Brazil promoted through investments led by the private sector, financed through corporate issuances in the bond and equity markets, by the expansion of credit available to companies and by the reduction of the public sector demand for total credit. The pro-market reforms and fiscal consolidation measures have laid the foundations for the country's sustainable growth in the long term. Public spending controls, structural reforms and new legal frameworks unleashed a massive crowding in phenomenon which makes the economy more efficient and stimulates private investment to seek the best opportunities, with positive effects on the labor market.

Nonetheless, developing countries will not achieve this delicate balance without the international community's support. Therefore, we need to get many promises off the ground, such as the provision of US$100 billion per year to support developing countries in mitigating and adapting to climate change. In this context, we welcome the proposed post-pandemic approach for scaling up the WBG support for a resilient and inclusive recovery.

At this time, one of the most urgent tasks is to provide access to vaccines to all countries without any discrimination, as “no country is safe until all countries are safe”. This principle applies equally to our
economies. No country will experience a complete and permanent economic and social recovery until all do. To ensure that, we need to use all the resources and tools available in the World Bank.

Despite the global financial adversities due to the Covid-19, Brazil provided emergency financial aid to approximately 68 million citizens. In total, the government invested more than $100 billion to combat Covid's impact on citizens' lives, with $53 billion in income transfer benefits that reached the 150 million most vulnerable, who were also processed in a record period through our digital services.

The Covid-19 pandemic taught us a salutary lesson: societies need to invest in prevention, preparedness for, and response to crises. In this current sanitary crisis, we were able to lessen the catastrophic human and economic losses by adopting a fiscal package of 7.2% of GDP, that provided emergency aid to many millions of people, and thousands of micro and medium businesses, as well as appropriate monetary and financial measures. Expenditures went from approximately 26% of GDP and are now back to 19% thanks to our success in avoiding temporary expenditures for the war against the pandemic could become permanent expenditure commitments. And this could be only afforded by a series of pro-market reforms and the maintenance of fiscal responsibility stance pursued in the last 30 months, with the primary deficit returning from 10.5% in 2020 to 1.5% of GDP this year.

In the transition to a post-Covid-19 world, digitalization in government means offering quality public services to users, with less expense of time and money on the part of the citizen. In addition to fiscal measures taken to face the effects of the pandemic, and others to reduce red tape and improve the business climate, the Brazilian Government has made available to federal public agencies several tools and solutions to promote the transformation of public services provision. Platforms of digital services with a focus on citizens and companies, seeking to simplify and provide for quality services, were provided. This effort was rewarded with the recognition that Brazil is the 7th most mature country in digital government in the world by the Gov Tech Maturity Index 2020.

In addition, Brazil has been implementing a series of environmental measures to protect its biodiversity, combat illegal deforestation and promote economic practices that preserve the environment. In order to deliver a sustainable growth, Brazil raised its ambition and is committed to reaching net zero emissions by 2050 and eliminate illegal deforestation by 2030. The development of a new green growth program aims to simultaneously achieve environmental conservation, social inclusion and economic growth, as well as resource efficiency by enabling market-based solutions.

At this point, it is also paramount to foster the design of policies, which include innovative and context-tailored financial instruments, in order to align investments to the broader range of sustainability goals. In this sense, the World Bank should play a leading role in assisting countries with green and social bond operations and the development of financial tools for a safe, equitable and affordable transition towards the achievement of sustainable economic objectives in its member countries. We can do a lot in this regard with full multilateral coordination and respect of national circumstances and needs.

Another aspect that it is worth emphasizing is the economic integration and trade to promote a sustainable, resilient and inclusive recovery, as well as the already known benefits of opening markets up to domestic and foreign competition. Benefits of trade includes faster increase in productivity - the key driver for growth – and promotes higher social and environmental standards and practices. New forms of protectionism in advanced economies hinder cooperation and opportunities in emerging markets and developing countries, pushing people to poverty and illegal activities.

Tackling endemic corruption is also an essential component in the quest for a sustainable and resilient economic recovery. Corruption has a damaging effect on the quality and availability of a range of services provided by governments and institutions, as it engenders poverty and inequality. For this reason, Brazil appreciates the World Bank Group initiatives to promote good governance, transparency and corruption prevention, including in the Bank's financed projects. In Brazil, for example, the World Bank helped develop an Artificial Intelligence System that allows identifying potential fraud in public
procurement processes and Brazil has also requested to join the WTO agreement on government procurement (GPA). In order to lead this agenda by example, the World Bank must continue to abide by the highest standards of transparency, ethics and governance.

The global community faces many challenges and we remain confident that the World Bank Group will continue to play its role in supporting our countries’ efforts to a sustained recovery from the Covid-19 pandemic, including through comprehensive and innovative approaches that scale-up financing and knowledge for a fair transition to a sustainable, resilient and inclusive recovery in all our countries.