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INTENSIFYING ACTION AGAINST HIV/AIDS

In some regions of the world HIV/AIDS has become a developmental issue going much beyond a health care problem. The international community has a responsibility in helping those countries to implement programs in this area. Obviously, the centrality of the HIV/AIDS problem for the development agenda varies according to local circumstances of individual countries. In some regions, the spread of HIV/AIDS has reached very large proportions of the adult working population, raising serious questions about the prospects for development in these countries. In some of these countries life expectancy has declined by 17 years due to the disease, eroding the progress of decades. There are countries where 15% of civil servants or 30% all of teachers are infected, or where HIV-infected patients occupy 50-80% of hospital beds, crowding out other patients. Per capita income has dropped as a consequence of the disease in some regions. Countries with a high HIV adult prevalence are expected to have their prevention and basic care rising from 2 to 6 percent of GDP by 2010. With these massive numbers the negative development impact of HIV/AIDS is clear. In all these cases, making HIV/AIDS a “standard of the core development and aid agenda” seems entirely appropriate.

The international community, in particular United Nations agencies and the World Bank, has a strong role to play by providing technical and financial support. There is also an important role for the Bank in financing research for AIDS vaccine and in promoting other international public goods in this area. Past experiences such as eradication of river blindness in Africa set out a good precedent in this respect.

All countries should take up their responsibilities and design their own anti-HIV/AIDS programs requiring, as necessary, the help of the World Bank and other international institutions. It is important, however, that the international community does not transform advocacy, persuasion and readiness to assist into new layers of conditionality, as ownership and genuine commitment are the main drivers for development effectiveness.

While HIV/AIDS affects just 0.01% of the Brazilian population, Brazil was among the first countries to adopt a national program to address HIV/AIDS spread. Since 1993 the Brazilian government has stepped up its efforts with the help of two loans from the World Bank totaling US$ 325 million to implement a comprehensive program, including prevention, diagnosis, treatment, institutional development, epidemiological surveillance, evaluation and research. Total investments in the context of Bank supported programs added up to US$ 650 million. The Federal Government is working with the close involvement of sub-national governments and civil society in a number of these activities.

These efforts yielded very positive results. New cases have stabilized as from 1994 and the number of HIV/AIDS related deaths has been declining since 1995. The Brazilian program has been considered one of the most successful worldwide by the Joint United Nations Program on HIV/AIDS. Recently, Brazil has started a process of bilateral cooperation with some countries in Africa, namely South Africa, Namibia, Kenya and Zimbabwe.
TRADE AND DEVELOPMENT

International trade constitutes a core issue in the development process and should be regarded as an integral part of the global efforts to reduce poverty. Over the last decade a number of developing countries liberalized their trade regime in an effort to stabilize and make their economies more competitive. Trade openness has brought benefits to many developing countries.

As the President of the Bank, James Wolfensohn, said in Seattle and again in Bangkok “it makes no sense to exhort poor countries to compete and pay their way in the world while we simultaneously deny them the means to do so, by restricting their market access in areas such as agriculture where they have a comparative advantage. But this is precisely the effect of the current structure of developed country agricultural protection, including export and producer subsidies as well as import tariffs”

The question of high levels of subsidies to agriculture is particularly damaging to developing countries, as they not only create barriers to market access and distort prices in world markets when these products are exported below the cost of production. Farmers of developing countries cannot compete with the treasuries of wealthy nations.

In the area of agriculture alone, as the World Bank document points out, trade liberalization could yield over US$ 40 billion to developing countries, a level near that of net flows official development assistance (ODA). ODA could be almost doubled by mere agriculture liberalization, entailing benefits both to developing countries and to consumers in developed countries. In fact the net gain to developed countries is expected to be even larger than those US$ 40 billion. Protectionism contributes to maintain poverty in developing countries and raises the cost of living in developed countries.

While average tariff protection of developed countries is relatively low at about 4%, this hides the fact that tariff protection is substantially skewed against developing countries’ exports. The World Bank document brings some astonishing figures such as tariffs of 826% in the European Union for meat products, 781% for processed food products in Japan, 147% on fruit and processed food products in the US and 123% on footwear in Japan. The Uruguay Round commitment to remove textile quotas during the period 1995-2005 has been implemented in only 12% of the restricted products so far.

Also, renewed domestic protectionist pressures in other sectors seem to be gaining ground in many countries. In this respect, excessive recourse to anti-dumping measures is a serious concern.

A new round of trade negotiations in the World Trade Organization, which pays particular attention to the interests and needs of developing countries is urgent.
The World Bank has an important role to play in the agenda of trade and development. It should provide investment and adjustment loans designed to improve trade performance of borrowing countries, such as trade-related infrastructure and private sector development. The Bank must also support capacity building in trade policy institutions, including the training negotiators in those countries with little experience in this area.

Last fall the Development Committee Communiqué called for the Bank to undertake research on barriers to exports of developing countries. The document informs us that there is activity under way in this area. It would be important to have periodical progress reports on this issue by the Committee.

Finally, in the trade area, we would like to support the development by the Bank of a framework for market based commodity risk management provided it is tailored to each particular country and addresses specific products in line with that country’s development priorities. The objective here should be to have a scheme that focuses on improving capacity and developing liquid and deep markets in borrowing countries.

**SMALL STATES**

Small States are a particularly vulnerable and deserve special attention by the international community. We support the recommendations contained in the Report “Small States: Meeting Challenges in the Global Economy” and urge the Bank to mainstream those findings in activities related to those countries, including in sector, thematic and policy work.

**THE HIPC INITIATIVE**

Let me first express our concern with the fact that financial resources to implement the Enhanced HIPC Initiative continue to be missing, despite some important new pledges made since the Annual Meeting of 1999. As many of us said on that occasion, launching such an ambitious program without securing finance first could raise expectations which were difficult to meet. Using IDA’s flexibility through a pay-as-you-go mechanism may be suitable for a few initial cases but such procedure cannot go unchecked for very long, especially when we are told that by the end of this year some 20 new countries could qualify for debt relief.

We continue to stress the need to preserve the financial capacity of the regional institutions. In particular, we are concerned with those in Latin America and the Caribbean, such as IDB, CABI, CAF and FONPLATA. The HIPC Trust Fund should have the flexibility and resources to cover costs of these institutions when necessary. It would be counter-productive to have they contribute to HIPC today at the expense of their future lending capacity.

There is an urgent need for the establishment a fair burden sharing criteria for small developing countries that are creditors to HIPCs as the critical case of Trinidad and Tobago in our constituency clearly shows. This country has already provided debt relief worth some U.S.$350million, approximately 6% of its GDP, to Guyana.
**IBRD’s Financial Capacity**

The improvement in the global environment has rendered the question of the Bank’s financial capacity less urgent at present than it appeared last fall. While these risks are somewhat moderate and the Bank’s financial situation has not materially changed since the last review in September 1999, IBRD’s risk bearing capacity and its ability to respond to possible future shocks could become a constraint.

The World Bank must be prepared to respond to member countries’ development needs, whether in response to adverse shocks in the international economy or in support of countries’ preventive efforts to avoid crises. The role played by the World Bank and IMF during international financial crisis of the 1990’s contributed to avoid a bigger negative effect that would make more people suffer.

The Bank needs to continue looking at long-term options to address its financial capacity. In doing so, we must adhere to the rule of a balanced approach in terms of burden sharing and recall that price increases for loans have already been adopted and should not be an option at this time.

Rather than considering how to “increase usability of paid-in capital”, an option that places the burden exclusively on borrowers for a second time, serious consideration should be given to reduce pressures on the Bank’s net income. Beyond the current allocations to IDA, HIPC, capacity building and very selected post-conflict countries, all remainder net income should go to reserves in order to build up usable capital over the medium term.