Statement by

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Argentina

on behalf of Argentina, Bolivia, Chile, Paraguay, Peru and Uruguay
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The challenge of an inclusive and sustainable globalization, perhaps the biggest challenge our generation is facing, requires that the World Bank continue being the leading actor in the multilateral system. For this to happen, the World Bank has to continue providing substantial financial assistance and render clear-sighted technical assistance in support of its clients’ development plans. We need a more modern, legitimate and credible Bank with enough resources, as well as more updated in terms of its structure and products.

We are pleased to see that some steps are being taken in this direction at this meeting. However, much more work and effort is ahead of us.

During the crisis, several countries claimed that the World Bank Group should use all its capacity in support of developing countries. After witnessing the Bank’s response to the crisis, both in terms of the level of lending as well as the technical assistance rendered, it is fair to acknowledge that it has been responding adequately.

For several reasons, even before the crisis, the Bank’s levels of lending were below the needs of the developing countries.

To this we have to add the fact that the crisis wiped out part of the progress made in terms of growth and poverty reduction. The impact of this crisis on GDP, employment, fiscal sustainability, poverty levels will be felt for many years to come and will demand substantial assistance.

Moreover, the Bank is called upon to play a critical role in response to new challenges, global issues such as climate change, assistance for epidemics, natural disasters, and so on. The Bank also has to be prepared to respond to new economic crises. All this in a context of significant changes in the global financial markets.

Against this backdrop, it is clear to us that the international financial organizations will have to play a vital role as providers of international liquidity. And in order to do this, they have to be equipped with the necessary resources.

This leads us to think that the demand for loans from multilateral development banks will be extremely high, even higher than during the past decade. Consequently, it is essential that the Bank be provided with the necessary resources to respond to this demand. Thus, we continue thinking that a larger general capital increase was needed, both in IBRD and IFC.

In Istanbul we stated that crises, regardless of their severity, are never permanent. And that the immediate necessary response to a crisis should not let us lose sight of the Bank’s strategic directions.
We are pleased to be discussing today the role of the Bank in the medium and long term. We agree with the priority areas identified by Management in the document on post-crisis directions. We believe it captures the changes in the international system and points out how far we are in terms of achieving the Millennium Development Goals, the difficulties brought about by the crisis (unemployment, lack of global market liquidity, fiscal pressures, more poverty), and the new challenges where the Bank can play a vital role (global issues such as the speed of contagion of crises, epidemics, etc.)

When discussing the role of the Bank, it is important to underline the type of relation the Bank will have with its clients, the kind of assistance they will be provided and in which sectors. In any organization the role of its clients is key, and the same applies to the World Bank. In this sense, it is crucial to send clear signals to middle-income countries about the Bank’s vision with regard to their main challenges and the assistance it plans to provide them with.

In a context where resources are becoming increasingly more limited, we note that selectivity and complementarity are brought up more and more often. I believe these terms are to be employed prudently. At the sector level, we should avoid repeating past mistakes such as the decrease in the Bank’s capacities in key sectors such as agriculture and infrastructure.

At the country level, it is important to strengthen the concept of ownership of reforms. Obvious as it may seem, it is always worth bearing in mind that countries are the owners of their development policies and reforms; therefore, selectivity has to be guided first and foremost by the clients’ preferences.

Coordination with other organizations is always welcomed. A strict division of labor among organizations, however, may not end up being beneficial. We should preserve a certain level of competence among them, which is always healthy.

On the modernization of the Bank, we are pleased to see the progress made with regard to a great number of reforms, in terms of the Bank’s structure, operations and products. In the case of the reform on investment instruments, for example, it is vital to minimize the length of time between the start of the loan negotiation and its approval, and the time in which resources are available for disbursement and execution.

As it usually happens, many of the reforms when taken individually involve marginal changes, but as a whole they have the potential to make a real difference in the way the Bank does its business. Of course, much will depend on a successful implementation of the reforms.

On voice and representation, we believe that the underrepresentation of developing countries affects the credibility and legitimacy of the organizations, and that it has to be rectified. Developing countries, the Bank’s clients, those on which the Bank’s strategies and operations are implemented, hold minority voting power in decision-making.

We have decided to support this second phase of the reform on the understanding that we will continue working toward parity. We have to continue working on coming up with a Bank that is perceived by all its shareholders as their bank.

We are perfectly aware that more participation implies more commitment, which we are willing to meet in a responsible manner. In fact, we are already doing so. More and more developing countries are becoming IDA donors. Through participating in the selective capital increases in IBRD and IFC and the general capital increase in IBRD, and by releasing national currency paid-in capital and repaying loans
that generate net income that allow transfers to IDA, developing countries bear the great bulk of enhancing the Group’s financial capacity, in spite of holding minority voting power.

With additional resources, the Bank will be bigger. With the appropriate reforms, it will also be of higher quality. The challenge is that the Bank be much more than the sum of its parts. It has to be more dynamic and with more capacity to respond, lending more and faster, with less conditionalities. It also has to be a reliable source of ideas and knowledge. We want to continue counting on the assistance of a Bank with these traits.