Statement by

Ms. Viviana Caro Hinojosa
Minister of Development Planning
Plurinational State of Bolivia

On behalf of Argentina, Bolivia, Chile, Paraguay, Peru and Uruguay
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The remarkable transformation of a number of developing countries into dynamic economies over the last years continues to have a significant impact on regional and global development. Today, developing economies remain the main engine of global growth and a pulling force for advanced economies as they are compensating for the weak domestic demand and sluggish growth in high-income countries.

From geopolitics to the economy, the rise of the south –both in speed and scale– is changing the development landscape. Notwithstanding the historical opportunity this transformation has created to accelerate development and contribute to shared prosperity, the world economy continues to struggle and remains fragile, exposed to further financial and economic distress.

The current development and economic model creates and increases inequality, which threatens our ability to pursue fair and sustainable development and our efforts to eradicate extreme poverty, while undermining social cohesion and distorting the democratic process. Policies based on market forces alone have deepened social marginalization, harmed the environment, and exacerbated poverty.

In spite of the disheartening outlook in the developed world, the prospects for the developing economies continue to show encouraging signs. Latin America’s notable growth performance hinges not only on favorable commodity prices but mainly on appropriate countercyclical policies implemented to monitor macroeconomic variables, allowing for the necessary public spending to off-set weak aggregate demand during the economic downturn. Our economies were better prepared to withstand the impact of the crisis thanks to lessons each country learned throughout its own path to development.

As a result of the policies implemented, and for the first time in its history, Latin America enjoyed growth and macroeconomic stability, and saw significant reduction in poverty levels, improvements in income distribution, and a growing middle-class during the past decade. Moreover, the region has actively engaged in the construction and implementation of long-term investment strategies aimed at serving sustainably higher production levels.

Latin American countries have undergone significant political and economic changes in recent years. Public transfers and investments have played a major redistributive role in the development agenda of most Latin American countries. This, coupled with a stronger role of the state in the economies has helped protect the poor and most vulnerable segments of the society.

Democracy in the region was further strengthened through greater equality of opportunities and rights by extending public participation and decision-making to traditionally marginalized sectors of society while guaranteeing the effective exercise of economic, social and cultural rights and moving towards greater
equality in access to education, health, employment, housing, basic services, environmental quality and social security.

Despite recent achievements, inequality continues to hinder Latin American countries’ efforts to achieve more inclusive societies and long-term economic growth. Internal and external challenges still persist: lack of sustained domestic investments in adequate infrastructure to boost integration, poor access to new technologies, an insufficient high-skilled labor force, low productivity, weak institutional capacity, and geographical limitations such as those experienced by land-locked countries. While developing countries did not cause nor benefit from the current state of the global economy, we are concerned that the already poor and vulnerable population living in many low- and middle-income countries will end up taking the brunt.

Given this backdrop, we could not be more in favor of strengthening efforts to achieve the WBG’s mission: a world free of poverty. We do believe that by seizing this historical moment, we can eradicate extreme poverty within a generation and build much more inclusive societies. We also recognize that sustained, inclusive and equitable economic growth is key to eradicate poverty and hunger. Notwithstanding the relevance of increases in per capita income as an indicator of poverty reduction, other components should be factored in, such as access to basic services, water, sanitation, energy, education, health, safe, sufficient and nutritious food, as well as inclusion and participation of all segments of the society in the economic, social and political spheres; particularly women, indigenous peoples.

We believe that shared prosperity translates directly in a reduction in inequality; recent experiences in the Latin American region have shown that active intervention of the state is key in this process. We cannot just underscore the importance of sustained high economic growth without underlying the central role of the government in improving wealth redistribution. The redistributive role of the State to tackle inequalities and growing gaps between rich and poor is very important to enhance social inclusion and expand equality of opportunities for the whole population. Constructive and pragmatic engagement between the Bank and its client countries is paramount to consolidate the gains achieved and ensure that the vulnerable population does not fall back into poverty.

The formulation of a new unified WBG strategy should be guided by the principle of country ownership and, therefore, determining a country’s development priorities falls within each country’s remit. The Bank should support countries by offering solutions to the specific problems governments realize they cannot solve by themselves and where they recognize a WBG’s comparative advantage. Supporting client countries to effectively respond to their specific challenges requires a deep understanding of the particularities and peculiarities of each country in order to come up with a correct diagnosis of the underlying challenges and problems, as well as a close and continuous work with the government as a relevant partner for development.

The concept of dynamic selectivity should not turn into new criteria to exclude a client country from the Bank’s assistance or from accessing a new financial option, particularly if the country needs the Bank’s support to continue strengthening its efforts to eradicate poverty and improve social inclusion. We call upon the Bank to maintain a solid engagement and relationship with all its client countries—based on mutual understanding, respect, and fluid dialogue. In this regard, we express our deep concern about the delay in discussing a new Country Partnership Strategy with Argentina, which would support the country’s goals of poverty reduction and social inclusion.

Yet, by recognizing the diversity of its client members, the Bank should explore and use its convening power to develop new capacities for delivering new solutions and services; for middle-income countries
this needs to be translated into access to larger markets and technology transfer from advanced economies.

Environmental sustainability should not be translated into new conditionalities for access to finance. Market-based solutions to environmental problems and the green economy approach do not address the crucial fundamental changes to production and consumption patterns of the development model. It would be unfair to expect that the poor and most vulnerable be left to bear the costs of climate change, especially when the developing economies –where most of these people live – have been relentlessly building on their hard-won development achievements.

Although laudable, the WBG agenda seems highly ambitious considering that the financial capacity of the institution is at its lowest level ever. The Bank’s financial commitment to our region is dropping and accounts for less than one third (1/3) of the commitment of any of our regional development banks.

A more inclusive Bank should have the resources to advance its core mission of eradicating poverty in the world, and a governance structure that provides legitimacy and fosters trust and confidence. A rapidly changing world requires an extraordinary global institution that stands ready to effectively deliver context-specific solutions to its client countries and flexible enough to adapt its financial and technical support to ever-changing challenges.

The relevance of the WBG will hinges on its capacity to remain a trustworthy development partner able to meet the increasing demands of its client countries by providing them with practical evidence-based solutions to tough development challenges, integrated financial options, and knowledge based on practical experience. The Bank can play an important role in strengthening South-South cooperation as a practical modality for development partnership since it enjoys an unparalleled advantage in this regard by virtue of its global membership and strong mandate for development.

A fairer and less unequal world requires space for a multiplicity of voices. We should reaffirm the importance of broadening and strengthening the participation of developing countries in the decision-making process of the WBG and actively support a comprehensive reform of the Bretton Woods institutions that better reflect current realities to preserve their relevance and legitimacy.

Finally, we look forward to a unified WBG strategy that helps maximize the Bank’s development impact through complementarities among its institutions and the deepening of coordinated and high-impact efforts across the WBG, by serving poor and vulnerable people everywhere in a sustainable manner and supporting countries to achieve sustainable economic growth, eradicate poverty, reduce inequality, enhance peace and security, and promote a more equitable world.