Statement by

Luis Videgaray
Secretary Finance and Public Credit

Mexico

On behalf of Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Kingdom of Spain, and República Bolivariana de Venezuela
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In 2013, global growth was modest and lower than originally anticipated. Prospects in 2014 and the medium term are for a steady--albeit fragile--recovery. The economic activity in the United States has gradually improved and the Federal Reserve has initiated the normalization process of its monetary policy, by slowing down its rate of asset purchases. Indeed, the fact that the tapering itself is taking place is good news--as it reflects the fact that one of the largest economies in the world is recovering. Most--if not all--countries in our constituency will experience direct positive spillovers from such growth. With this said, we must be wary of a premature acceleration of the tapering process. If such acceleration were to take place without a clear improvement in economic activity, this could generate greater financial market volatility and a higher level of risk for the global economy.

However, key uncertainties remain; these may contribute to weaker-than-expected global activity and greater volatility in international financial markets, impinging adversely on Emerging and Developing Economies (EMDEs). Under the current global conditions, EMDEs have suffered a deceleration in economic activity, both due to the weaker external demand and the presence of domestic macroeconomic vulnerabilities in some countries, often related to the lack of structural reforms. As a result of the aforementioned normalization of monetary policy in the US, EMDEs have also been exposed in some cases to capital outflows--particularly in economies where macroeconomic imbalances are relatively larger. In general, these capital outflows have increased interest rates, fostering rising costs of credit, triggering currency depreciations, reserves shortages and a rise in inflation rates. Nonetheless, the adverse impact of these events has been significantly reduced in those EMDEs that are perceived as having strong macroeconomic frameworks and well-defined paths for structural reforms.

Against this backdrop, EMDEs must work promptly to rebuild their resilience--strengthening their macroeconomic fundamentals, as well as their external and fiscal buffers against adverse shocks. In parallel, it is also crucial for EMDEs to implement ambitious structural reform agendas, designed to encourage investment, increase production capacity and educational levels--thus raising productivity and boosting growth. Such reform agendas would help improve investors' confidence, resulting in higher investment and global growth in the medium term.

Several developing countries in our constituency are already implementing structural reforms that are critical for job creation, increased productivity and long-term sustained growth. As an example, Mexico has been successful in maintaining a stable macroeconomic environment and has implemented a comprehensive reform agenda seeking to enhance competition and strengthen and modernize its labor market, and financial and energy sectors, among other key sectors of the economy. The reform agenda will relocate resources from low- to high-productivity jobs and firms, increase efficiency across
industries, promote greater formality in the labor markets, and foster competition-friendly domestic business environments alongside macroeconomic stability.

The World Bank Group, as the leading multilateral development agency, should engage directly to help its member countries address the challenges posed by growth in this post-crisis economy, in coordination with other multilateral agencies such as the International Monetary Fund, the United Nations Development Program, and regional key-players such as the Inter-American Development Bank, the African Development Bank, the Asian Development Bank, and the European Bank for Reconstruction and Development. The aim should be to support EMDEs as they define the main tasks at hand to foster economic growth, increase productivity and eliminate extreme poverty by 2030.

The World Bank Group should strengthen its strategy focused on EMDEs, with the objective to help member countries identify and tackle the challenges that the current economic environment presents by analyzing which structural reforms are needed most. Support should also be provided as EMDEs implement measures geared towards raising productivity and investment--in physical and human capital--to foster environmentally affordable prosperity and to improve the institutional frameworks of EMDEs.

In this context, the adoption of a new World Bank Group strategy anchored by its twin objectives of eradicating extreme poverty by 2030 and fostering shared prosperity amongst the poorest 40% of its citizens and within the context of a sustainable development will prove vital in reigniting economic growth. The 17th replenishment of the International Development Association (IDA) will be the main instrument for pursuing the World Bank Group goals in the world’s poorest countries – home to roughly one billion people living on less than US$1.25 per day (about 80 percent of the world’s poor). Deliberate action will be required to sustain economic growth and make it more inclusive across and within IDA-countries, as well as to address an evolving range of development challenges, including fragility, gender equality, climate change and disaster risks.

In the face of complex challenges and constrained aid budgets, these ambitious goals also demand making the best use of scarce resources and enhancing collaboration with development partners, including the IFC in close partnership with the private sector. Furthermore, the World Bank Group should also strengthen its interaction with middle-income countries in the pursuit of the twin goals.

The effectiveness of the new strategy will rest in the capacity of the World Bank Group to deliver best practices across all regions of the world, including by promoting cross-cutting solutions, as opposed to the individual project approach used in the past. The prioritization of the Bank’s interventions in transformational projects that will bring benefits to a larger universe of stakeholders--including through regional operations--will also be important. The emphasis of the new strategy in promoting knowledge sharing and joint strategies among IBRD, IFC and MIGA will be instrumental in turning the Bank group into a results oriented institution.

The Senior Management of the Bank must make sure that the strategy agreed in last year’s annual meetings is embraced by the institution and new instruments such as the Systematic Country Diagnostics and the Country Partnership Frameworks are promptly implemented and form the basis on which the World Bank Group will direct its dialogue and interaction with its member clients.

Finally, we would like to stress that multilateral coordination is our best asset to face global economic difficulties and to achieve our goals of fostering shared and sustainable prosperity, in order to eliminate extreme poverty by the year 2030. We have no time to waste. The moment to implement the necessary policies--strengthening macroeconomic frameworks and engaging into ambitious structural reforms--to reignite global economic growth is now.

Progress Report on Mainstreaming Disaster Risk Management in World Bank Group operations
We are pleased to see that the 2012 Sendai Report has set the stage for increased awareness of the need to integrate disaster and climate risk management into development priorities. In this regard, we congratulate the World Bank Group for accepting the challenge and becoming the leader in the promotion of awareness and the provision of technical and financial support to developing countries.

The increased demand for disaster risk management related activities and the funding by the World Bank Group during the period FY2010-FY2012, from US$2 billion to US$3.8 billion, is impressive. Moreover, the fact that in the last two years, the proportion of operations supporting ex-ante disaster risk management activities has significantly increased, in relation relative to post-disaster reconstruction, is evidence that developing countries have understood and assimilated the tremendous benefits of investing in prevention, even though the results of these actions may not be immediately evident.

Our Constituency strongly supports and endorses the proposed way forward for the World Bank Group to continue consolidating its position as the partner in disaster risk management. In particular, we look forward to the creation in 2015 of the new climate change agreement, an area in which countries of our constituency have been leaders among developing countries and are willing to lend their support to the successful development and implementation of this agreement. We also support the post-2015 Framework for Disaster Risk Reduction that will bring disaster and climate resilience to the forefront of the development agenda and the new Country Partnership Frameworks, IDA-17, and the robust demand from client countries that will provide opportunities to further integrate disaster and climate risk management into World Bank Group operations.