Statement by

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On behalf of Argentina, Bolivia, Chile, Paraguay, Peru and Uruguay
The joint work of several Multilateral Development Banks (MDBs) and the International Monetary Fund (IMF) is an important contribution to the efforts being made by the international community to define the Sustainable Development Goals (SDGs) and ensure their effective implementation. In this regard, we welcome the discussion paper "From Billions to Trillions: Transforming Development Finance Post-2015 Financing for Development: Multilateral Development Finance".

The combined national and international efforts have helped to achieve the goal of halving the proportion of the global population living in extreme poverty. In spite of this significant achievement, an estimated 1.200 million people worldwide still live below the extreme poverty line, while more than 840 million people are malnourished. The sheer success in meeting this Millennium Development Goal (MDG) should alert us to the need for more concerted efforts and resources in per capita terms if we are to succeed in helping the remaining population move out of poverty in the next years, particularly when taking into account the impact of climate change.

Achieving this and other MDGs in the last 15 years was certainly possible owing to several factors, tied to the global economic growth, and the public policies implemented. In this regard, the MDBs have played an important role through non-concessional aid, concessional lending, and technical assistance.

We agree on the important role that the MDBs should play in mobilizing private resources towards activities with the greatest impact on development and poverty eradication, as well as defining the "right" policies, together with the IMF, to optimize the mobilization of domestic resources.

However, we would like to highlight some issues involving the document under discussion today.

First, we regret that the document does not contemplate the possibility of significant increases in MDBs’ aid and loan volumes, possibly through capital increases. We are aware of the lack of consensus on this point among member countries; however, considering that this document reflects the stance of Management from the institutions that co-authored the document, we deem this omission inadequate. In fact, we believe that the document should serve as a means to foster an open discussion among Board members and Governors of each institution about mechanisms to expand their action in the developing world.

We, member countries of the World Bank Group (WBG), hold high expectations for our partnership with the WBG in the coming years. However, for these expectations to materialize, we need a financially
strong institution, able to enhance its lending capacity and technical assistance (TA), while incorporating best international practices into its financing instruments and TA services.

In a context of increasing demand for development aid, greater availability of bilateral official development assistance, and an expanding pool of private funding sources, the MDBs risk seeing their relevance further eroded and their impact on development eventually diminished unless they strengthen their financial capacity through capital injection, in order to be better positioned to address new global challenges as well as their clients’ development needs.

Secondly, although we acknowledge the relevant role that the MDBs and the IMF play in providing policy advice to governments to promote growth and social development and improve the economic environment, we are concerned about the emphasis the document places on this point as this could lead to new conditionalities attached to multilateral cooperation. We believe that no new conditionality should be introduced around the idea of sustainable development.

In this regard, we strongly reassert that the MDBs’ support to their member countries must be guided by two principles: demand-driven and country-specific. We stress that any activity of multilateral organizations in member countries should take into account the distinctiveness of each country and region in terms of its economic, financial and social characteristics, rather than stick to a one-size-fits-all approach.

Third, and related to the aforementioned, we believe that the reference to "getting policies right" as a prerequisite for accelerating investment, both foreign and domestic, should be taken with caution. If we analyze the performance of a number of economies in the last 20 years, we notice that policies traditionally regarded as pro-growth have generated considerable distortions and led to severe crises like the one in 2008, with negative consequences in terms of income and wealth concentration. By contrast, other policies, deemed inconsistent by mainstream economists, were eventually associated with sustained economic growth and major social achievements in several countries. On this point, in addition to calling upon a cautious approach when defining "paradigms" and "right policies", we want to reiterate the emphasis on the two key principles that should guide the MDBs’ support to member countries: demand-driven and country-specific.

Fourth, in terms of attracting private investment in developing countries, we believe that multilateral organizations have an important role to play as "facilitators" of domestic and foreign private investment through their private sector arms (e.g., IFC, MIGA), as well as providers of technical support to governments for the design and implementation of innovative instruments (PPPs, for example). These institutions are vital in catalyzing private sector investments in sectors that remain underdeveloped due to the presence of bottlenecks and other market failures. However, we are concerned that this private financing approach may result in a reduction of the role of public finance in development. It is unlikely that the actions of private actors can significantly contribute to development goals without the participation and support of national governments and international financial institutions. The recent experience in terms of poverty reduction in Latin America –and probably in other regions as well – highlights the relevance of public policies to achieve this goal.

Finally, we consider that knowledge transfers among middle-income countries (MICs) and from MICs to low-income countries can be a valuable tool to increase development assistance efficiency. Latin America has an important role to play and is willing to actively participate in the process of developing innovative approaches to financing for development, share experiences, and partake in South-South cooperation initiatives.