Statement by

H. E. Nelson Henrique Barbosa Filho
Minister of Finance

Brazil

On behalf of Brazil, Colombia, Dominican Republic, Ecuador, Haiti, Panama, Philippines, Suriname, and Trinidad and Tobago
Statement by

H.E. Nelson Henrique Barbosa Filho
Minister of Finance

Brazil

on behalf of Brazil, Colombia, Dominican Republic, Ecuador, Haiti, Panama, Philippines, Suriname and Trinidad and Tobago

93rd Meeting of the Development Committee

April 16, 2016
Washington, D.C.

After a landmark year for development, with the Third Conference on Financing for Development, the International Conference on Sustainable Development and the COP21, we gather in 2016 at the Spring Meetings to outline the path for a brighter future.

Challenging Outlook

In the near term, however, the outlook is gloomy. The global economy has strived in a protracted down cycle of weak demand, slow and jobless growth, rising levels of corporate debt, amounting fiscal pressures in developing countries and continuing risks over the banking and financial sector in developed economies. Increasing inequality, social instability, crime and violence, pandemics and humanitarian crises further destabilize the recovery. Challenges to the development agenda also account for the long-term trends on demography, urbanization and climate change.

With this backdrop of unlikely sustained recovery, unless there is strong commitment from the international development community to mobilize and leverage resources, help design effective interventions, bridge partnerships between private and public and co-operate globally, meeting the SDGs may prove difficult.

Displacement

Most recently, the forced displacement of millions of people, due to the proliferation of regional conflicts, has posed an additional challenge to meet the 2030 development targets. The refugee and migration crisis discloses social and economic tensions in both origin and destination regions. Low-income countries originate about 50% of the refugees and host around 30% of displaced populations. The African continent is particularly challenged by this issue. Internally Displaced Peoples in many developing countries also pose significant challenges. These populations tend to be marginalized and more prone to revert to poverty. Women and children are disproportionately affected, risking trapping generations in underdevelopment.

There is a need to act swiftly and in a structured manner to tackle the push factors of conflict and the impacts of displacement. Prevent, prepare and respond to the crisis, through a development approach, shall enlighten the prospects for growth and shared prosperity.
Positioning of the Bank Going Forward

Given the World Bank Group comparative advantages, the WBG can lead the efforts for successful implementation of the SDGs. The twin goals are perfectly aligned to the 2030 Agenda; and the global knowledge, experience, reach and convening power allow for augmented development impact.

Yet, in order for the Bank to be a platform for promoting and accelerating strong inclusive and sustainable growth, setting priorities is necessary.

The Bank should act in more catalytic and effective areas, where it can mobilize and leverage resources and maximize results and impacts. The WBG should play a bigger role on infrastructure and private sector development, utilizing de-risking instruments and crowding in the private financial sector. Capacity building and institutional building are pre-requisites for enabling the environment for efficient, productive and buoyant entrepreneurship. Large positive spillovers can also be attained from assistance to project preparation. Good planning can spur faster and cheaper implementation, and yield higher returns to investments, especially when mainstreaming climate change and disaster risk management concerns.

Additionally, while acknowledging the different challenges faced by the spectrum of clients, the Bank should apply the repository of knowledge and a revised toolkit of instruments to design practical customized services and financing. LICs face the most severe development needs and bare the greatest risk of fragility and conflict, being the priority for concessional resources allocation. MICs are home to 73 percent of the world’s poor and still face key development challenges and vulnerabilities that require both financial and technical support. Small states face particular risks and constraints in mobilizing resources at scale. HICs, that have huge responsibilities associated to Global Public Goods, still struggle in areas as climate change and could benefit from advisory and policy recommendations from the Bank. The approach to each client should draw from global experience, local reality and financial capacity to bear the costs of services provided.

Delivery, on its turn, should be efficient and agile. Timing is crucial for clients to achieve valuable development products within the political cycle. Provided the assessment on risk, there should be more flexibility and fewer transaction costs for design and implementation of projects. More reliance on country systems is key in this endeavor. We note that the safeguards framework under review must move towards this direction.

Closer collaboration and coordination with the United Nations agencies, other IFIs, and development partners, exploring complementarities and creating synergies, is essential to the Bank to be more effective.

Additionally, we must be steadfast in our development objective of financial inclusion and access to finance. Loss of correspondent banking relationships stemming from the de-risking behavior of global banks is an impediment in the achievement of this objective and we must deepen our efforts to forestall the potential of financial exclusion of many member states.

Financial capacity

Responding to these expectations depends heavily on the financial capacity of the institution. The Bank needs to be appropriately resourced for the size and scale of the challenge.

We welcome efforts to optimize the use of the balance sheets of the Group, as well as the savings resulting from the expenditure review and efficiency on budget allocation. The temporarily increased margins for lending, however, are now fading out. IBRD’s lending capacity for MICs in the medium term would likely decline, which is not consistent with the strong demand from clients.
Moreover, there is need for more concessional resources for LICs. The opportunity to leverage IDA resources should be pursued with a view to mobilizing additional funds for the poorest countries, particularly the ones in fragile situations, while avoiding the risk of substitution of donor grants by loans as well as complex and conflicting balance-sheet and governance implications.

In order for the WBG to play its leveraging role and significantly increase mobilization of resources, especially from the private sector, the size of the lever (in terms of resources) is critical. This is particularly true if the Bank aims to remain relevant and play a leadership role in the new architecture for development.

**Governance**

The call from the G20 and the SDGs for well capitalized MDBs is not detached from a concern on governance. We must recall the Istanbul Principles and SDG Target 10.6, which aim at enhancing representation and voice for developing countries in global IFIs in order to deliver more effective, credible, accountable and legitimate institutions.

Indeed, the decision on a possible capital increase, stemming from the Forward Look exercise, should lead to a more equitable Bank, not reversing the results from the 2010 reform.

We should keep our commitments: adopt by the 2016 Annual Meetings, a dynamic formula reflective of countries’ evolving economic weight and the WBG development mission, and ensure a meaningful shareholding realignment, which can allow a politically acceptable compromise by 2017.