Statement by

H. E. Henrique Meirelles
Minister of Finance

Brazil

On behalf of Brazil, Colombia, Dominican Republic, Ecuador, Haiti, Panama, Philippines, Suriname, and Trinidad and Tobago
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95th Meeting of the Development Committee
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Adapting the WBG to new realities

Having undergone significant transformation within the last decades, the world economy bears little similarity to the environment under which the World Bank was established more than seventy years ago. The level of integration and interconnectedness among national economies has brought about new challenges, which are global in nature and therefore demand global solutions. Issues such as migration, refugees, trade, climate change, and illicit financial flows cannot be addressed under the traditional assumption of isolated national economies. Our actions should be systemically integrated and internationally coordinated, especially in a period where the consensus around multilateralism has been called into question.

The World Bank Group, comprised of 189 countries and a multilateral institution par excellence, is well positioned to respond to these global challenges. However, the quality of the response depends on the WBG adapting to new realities.

Ensuring a “stronger” WBG

A “stronger” Bank requires, first of all, an appropriate risk management strategy, preserving both the soundness of the equity capital position and the triple-A status of our institution. In the current scenario where the IBRD and the IFC are confronted with a possible shrinkage of their lending activity, we should be cautious against abrupt shifts in their portfolios that could contribute to an increase in the riskiness of their balance sheet. As highlighted by the documents prepared for this 95th Meeting of the Development Committee, further increases in the share of lower-middle income countries within the IBRD portfolio could result in a significant reduction in IBRD’s overall lending capacity. It seems more appropriate to preserve the share of less risky countries and operations. As a matter of fact, upper-middle income countries bring financial soundness to the IBRD and IFC balance sheets.

Additionally, the WBG will become “stronger” if it enhances its legitimacy. The ongoing shareholding review should not lose sight of the principle of increasing the voting power of developing economies. This principle was agreed by the DC in our meeting in Istanbul in 2009 and reiterated by the UN Assembly in
2015, at the establishment of the SDGs. We should consider limits to dilution for individual shareholders as a means to reach consensus.

**Strengthening the WBG for all**

The WBG should assist all client countries, regardless of their income level. In particular, middle income countries (MICs) are not to be left behind. MICs account for a third of the global economy and host 70% of the world’s poor; thus, their critical role in the implementation of the agenda set by the United Nations’ Sustainable Development Goals and the WBG Twin Goals cannot be overemphasized.

Apart from bringing financial soundness to the IBRD and IFC balance sheet, MICs are providers of successful experiences in tailoring social policies and thus represent a useful “starting point” for ambitious initiatives in more fragile places. Also, MICs hold strong political and economic ties to low income countries (LICs)—for instance, half of LICs exports are directed to MICs—and therefore their stability and prosperity are intrinsically linked to each other.

**Addressing fragility and vulnerability**

We welcome the increased priority accorded by the WBG to fragility, conflict, and violence. The number of extreme poor individuals living in Fragile and Conflict-affected Situations (FCS), currently representing 20 percent of the world’s total, is projected to double by 2030. We therefore commend IDA-18 for having committed to double the financial support for countries currently facing fragility and reserve resources for those at risk of plunging into poverty. Similarly, we welcome the special consideration to countries in fragile situations—in particular the poorest—called for under the IDA-18 IFC-MIGA Private Sector Window (PSW). We look forward to a robust implementation, including an efficient use of all the windows/facilities potentially open to FCS fighting to move out of fragility, such as the turnaround regime (TAR).

Finally, we are appreciative of the greater attention dedicated by the WBG to small states, illustrated by the establishment, last year, of a Small States Advisory Group and a Small States Secretariat. Many of these countries confront alarming vulnerabilities, not only due to climate change but also due to economic factors, such as the loss of correspondent banking relationships, which could impair the Caribbean in particular. While we acknowledge the positive initiative of the Bank in granting a more than three-fold increase in base allocations to those that are eligible for IDA funding, as well as the possibility to access the Catastrophe Deferred Drawdown Option (Cat DDO) and the PSW, we advocate a supplementary effort to address their peculiar vulnerabilities, especially those of middle and high income small states.