Statement by
H.E. Jose Antonio Meade Kuribreña
Minister of Finance and Public Credit
Mexico

On behalf of Costa Rica, El Salvador, Guatemala, Honduras,
Mexico, Nicaragua, Kingdom of Spain, and República
Bolivariana de Venezuela
The countries represented in this chair want to send our sincere condolences to the victims of the natural disasters that took place around the world recently, to their families and to those who have seen their property and homes destroyed. Even when some of these phenomena are still unpredictable, their devastation can be mitigated with proper financial instruments. In this regard, we consider that the World Bank plays a key role to encourage governments in taking steps to reduce the negative financial effects of disasters in a way that protects both people and assets.

We commend the Bank for its effective response to these events. We encourage the whole World Bank Group (WBG) to work closely with affected countries to improve their prevention mechanisms as well as to implement timely emergency relief, recovery, and reconstruction programs. We believe that the WBG should maximize its support to recently affected Caribbean countries through existing and new innovative solutions. The experience draw from the current situation and a successful response will later benefit other countries and regions that face similar challenges like Central America.

The global economic outlook is gradually improving. However, challenges and risks remain ahead. Sustainable progress in development will require policies to accelerate inclusive and sustainable economic growth, reduce inequality, address financial vulnerabilities and other challenges such as job creation, climate change, technology changes, to increase investment, improve healthcare education and learning, among others. In this sense, we recognize the progress made so far in the right direction by the World Bank Group and encourage it to continue working towards addressing these development challenges.

Forward Look: Implementation Update

We welcome the progress made towards a better and stronger WBG outlined in the Forward Look update. There are substantial milestones that set the foundations to reach the twin goals, meet the 2030 Sustainable Development Goals (SDGs) and catalyze private investment. Nevertheless, it is crucial to continue the efforts due to complex global challenges that could jeopardize any progress made so far and force us to cut back on our expectations such as slow economic growth, inequality, conflict, climate change, protectionism, among others. Furthermore, in a context in which countries face budgetary constraints increasingly, it is crucial to strike the right balance of objectives and streamline our priorities in order to improve effectiveness.

We recognize that IDA’s financial capacity has been significantly strengthened, in line with the increasing challenges facing low-income countries. Thanks to an innovative approach, the IDA is proposing a radical transformation by leveraging donor contributions and internal resources in the financial markets. This is a
significant step towards a stronger WBG, key to achieving the twin goals and the 2030 Sustainable Development Goals (SDGs). We also recognize that the Multilateral Investment Guarantee Agency’s (MIGA’s) financial position has been strengthened through raising its reinsurance and overall guarantee limits.

However, we believe the International Bank for Reconstruction and Development (IBRD) needs to strengthen its capital position to deliver the vision and goals set by shareholders in the Forward Look. A complex financial situation is slowing down the progress for the WBG to serve all its client members. Lending to middle-income countries has already gone down 24 percent from fiscal year 2016 (FY16).

We expect the WBG to step up and maintain its relevance for all its members. It is fundamental that the WBG stays engaged with all client segments while prioritizing financial sustainability to protect its long-term relevance. If the Bank is to fulfill its development mandate, the priority should be to target poor and vulnerable populations, regardless of where they live. It is therefore necessary to strengthen the WBG’s efforts and actions targeted to preserving and creating jobs, as well as social programs and safety nets that help create better living conditions for the world’s poor. Reducing global poverty is central to the Bank’s mission and it is fundamental to stay engaged in client countries to be able to deliver on this goal.

A stronger WBG engagement with all Middle-Income Countries (MICs) will also benefit the work of the Group in other client segments by transference of development knowledge and experience, but especially by providing financial sustainability to the IBRD and the IFC.

Maximizing Finance for Development

We welcome the implementation of the cascade approach developed by the WBG to maximize financing for development by leveraging the private sector and optimizing the use of scarce public resources. We agree that the only way to achieve increasing rates of growth and development is by crowding in private capital and using public funds in projects not attractive to the markets.

We commend Management for the progress made towards operationalizing the approach outlined in the update. It is a step in the right direction towards helping countries to achieve their aspirations with respect to expanding financing for development in pursuit of the SDGs. We encourage the WBG to work on further mechanisms to leverage the resources of other development partners, especially other multilateral development Banks. Coordination is a necessary condition to meet the aspirations of this new approach and to avoid duplicities amongst WBG partners.

Shareholding Review Progress

We welcome the joint effort made by management and the Board of Executive Directors to produce a progress report on the discussions on rebalancing shareholding. An agreement on the options set out in the document, based on transparency, simplicity, equity and responsibility, will represent the cornerstone to initiate discussions on potential Selective and General Capital Increases. We look forward to having a package of measures to strengthen the capacity of the IBRD and the International Finance Corporation (IFC), for decision at the 2018 Spring Meetings.

Regarding the allocation rules mentioned in the document, the decision should be made considering the most efficient combination of options to avoid distortions. We consider that an allocation in line with the Dynamic Formula will represent the smoothest transition to address over and under representation. However, further adjustments, like limits on dilution, should be contemplated to avoid large shifts in voting power in short periods of time.
We agree with the main thesis of the latest World Development Report: Without learning, education fails to deliver fully on its promise as a driver of poverty elimination and shared prosperity. Technological change represents a great opportunity to improve and facilitate the learning experience. However, technological advancements like automatization also poses challenges to employment and therefore to education, that requires to be adaptable to the future needs of labor markets.

Global action is needed to tackle future employment challenges to increase opportunities for all. In this regard, the WBG has a crucial role to play. Starting with the collection of evidence on what works to promote learning and flexible education models. But especially, for transferring and implementing this knowledge to client countries through timely projects. We encourage the WBG to strengthen its efforts to re-engineer current education systems towards more adaptable, flexible and adequate systems to meet the employment challenges of the future.