Statement by

H. E. Paulo Guedes
Minister of Finance

Brazil

On behalf of Brazil, Colombia, Dominican Republic, Ecuador, Haiti, Panama, Philippines, Suriname, and Trinidad and Tobago
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100th Meeting of the Development Committee

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On the 100th occasion that the Development Committee meets, it befalls upon us to assess our progress and look at the way ahead. In 1974, the Committee was created amidst major changes in the world economy and an effective transformation of the Bretton Woods system. Since then, we have regularly addressed the main challenges of development according to the best knowledge available, providing leadership and guidance that contributed to the outstanding progress experienced in the development framework over the last decades, dealing with important issues such as infrastructure, trade, human capital and jobs and economic transformation.

When Paul Samuelson was challenged to present an idea from the social sciences that was both true and non-trivial, he presented the benefits from trade. Comparative advantage is indeed a difficult idea. Not only would these benefits be made clear only in the 19th century, but even after their elegant demonstration by Ricardo, it has always been hard to convince large portions of the public of such advantages. This World Development Report sheds new light on the issue by pointing out that restrictions to trade are even more costly in an interconnected world of global value chains.

Such a message is of extreme relevance for our countries to promote freer trade and has a particularly important meaning for us. Many of our constituent countries have yet to seize the vast opportunities from free trade which will allow them to better integrate into the Global Value Chains. It is in the spirit of catching up that Mercosur countries signed a historical agreement with the European Union which will involve almost 800 million people. We will not stop at that. Our countries plan on striking many more deals which will greatly reduce barriers, tariff or non-tariff, to trade and promote inclusive growth.

Brazil has prioritized those agreements which have been shown to bring the greatest economic benefits; a strategy that is in line with the findings of the World Bank’s Semiannual Report of the LAC Region. Besides the EU-Mercosur agreement already concluded, Brazil has been in negotiations with many other countries. We expect these agreements to have a positive effect on income distribution.

The first update of the Human Capital Project confirms the soundness of the initiative. More than 60 countries are part of the project and taking concrete steps to improve the accumulation of human capital in their societies. Importantly, the project has drawn attention to the essential elements of human capital formation. These are not mere years of schooling nor money spent, but efficient spending, quality social services, and adequate infrastructure.

While financial resources are not a sufficient condition for human capital formation, these are necessary. In countries that lack fiscal space, there is a need for a reduction in spending in other areas so that human
capital – in all its components – can be prioritized. In that vein, Brazil has launched a bold structural reform agenda, in which a widely negotiated pension reform designed to save in ten years the equivalent of almost 15% of the Brazilian GDP in 2018 is in the final process of approval. We are working for even more reforms that will allow our government to concentrate on essential services for the prosperity of the Brazilian population, including a broad tax reform.

The Philippines has recently passed a landmark legislation providing for Universal Health Care (UHC) for all Filipinos and efforts are underway to enhance domestic resource mobilization toward UHC’s sustainable financing.

The message for “Jobs and Economic Transformation” is clear: jobless growth is never a sustainable path for prosperity, and we need to take action that takes us beyond job creation. The objective must be the creation of a vibrant private sector which will allow quality jobs with high productivity. In our countries, we have learned the hard way that the role of government is not of player but of enabler. In fact, our countries are investing great efforts to improve the business environment. The Doing Business Index serves as a valuable anchor for us to assess our progress.

Brazil is striving to achieve significant progress regarding the quality of its business environment and expects to have remarkable improvements by the end of 2021. In this regard, structural reforms such as in the fiscal incentives system are critical in achieving stable policy environment conducive for businesses to grow and expand. Brazil has favored deregulation—e.g. the Law for Economic Freedom, a broad privatization program and deleveraging the public banks.

Beyond a good business environment, productive jobs depend on adequate infrastructure. An over-reliance in investments by the government has kept the infrastructure investment at levels far below the necessary in some of our countries. We are mobilizing private markets and engaging with other development partners so that infrastructure investments may increase backed by private resources, an effort that will make available some of the best investment opportunities in the world in areas such as roads, ports, airports, water and sanitation, power generation, transmission and distribution, and oil & gas.

In all our actions, a concern for the environment is preeminent. We are committed to the Paris Agreement. More than 30% of Brazil’s territory is protected by conservation units, an area that would occupy most of Western Europe. Even private properties are subject to strict requirements. Our Forest Code provides that 80% of private land in the Amazon region must be preserved, and only the remaining 20% may be used for economic activity. A swift response by the government to the recent forest fires resulted in a steep decline. The World Bank is an important partner in projects with environmental aspects in the Brazilian states of Acre and Mato Grosso. Many of the countries in our constituency are part of the Leticia Pact, a strategic coalition to strengthen the coordinated action for the assessment of forests and biodiversity, as well as to fight deforestation and forest degradation in the Amazon.

Additionally, various countries, including some in the Amazon region, have faced major challenges from a record inflow of migrants from Venezuela. This migratory phenomenon has —albeit in different degrees — fiscal, socio-economic and institutional spillovers in the host countries. Our constituency values the financial and technical support provided by the World Bank Group and expects it to enhance the level of awareness and solidarity of the international community with respect to this situation.

In all these issues, it is important to bear in mind that resources are scarce, so conducting the best cost-benefit analysis that our theories and data permit is crucial. Every project approval implies at least an implicit cost-benefit analysis (CBA); the decision-maker evaluated that the results either were or were not worth the total costs involved. CBA is about making these assumptions explicit, allowing them to be checked and improved upon by anyone. As a truly global institution, the Bank is in a unique position to be
a leader in conducting and further enhancing CBA techniques, and supporting capacity building efforts in countries to mainstream CBA in the policy making process.

Finally, our countries are firm supporters of the International Development Association (IDA). Haiti, one of our constituent countries, has been going through important challenges. Being the only FCS country in IDA in the region, Haiti looks forward to robust development projects and partnerships, including grants to support those who need the most, and lending terms that would not worsen debt vulnerabilities. A successful and consensual reform of the voting rights framework should allow for a more effective and better-resourced IDA.