DEVELOPMENT COMMITTEE
(Joint Ministerial Committee
of the
Boards of Governors of the Bank and the Fund
on the
Transfer of Real Resources to Developing Countries)

ONE HUNDREDTH MEETING
WASHINGTON, DC – OCTOBER 19, 2019

Statement by
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On behalf of Argentina, Bolivia, Chile, Paraguay,
Peru and Uruguay
1. Global economic growth keeps disappointing, and the outlook remains worrisome. Risks remain tilted to the downside and some have already materialized. Trade tensions have resurfaced, and uncertainties continue - with negative impacts on global business confidence and investment. Geopolitical strains and policy uncertainty also weigh on growth.

2. Against this backdrop, international policy cooperation and concrete actions towards a predictable trade policy are key. Trade and investment remain extremely important as they continue to be the main engines of growth: since the global financial crisis, growth in global trade volumes has been sluggish and the expansion of Global Value Chains (GVCs) has slowed down. This has limited the potential social and economic benefits from GVCs.

3. GVCs offer developing countries the opportunity to integrate into the global economy and diversify their exports, which are key to increase access to financing and know-how, enhance productivity growth and employment creation, and contribute to poverty reduction and increased living standards: a one percent increase in GVC participation is estimated to boost per capita income growth by more than one percent\(^1\).

4. As home to 5 of the world’s 7 billion people and 73 percent of the world’s poor, emerging markets and developing countries are not indifferent to the current developments and need to continue enhancing their resilience to external shocks and building their buffers.

5. In the case of the Latin American and the Caribbean region (LAC), with 82 million people living under extreme poverty and 39% of Latin Americans living on US$4-US$10 per day, the WBG is an indisputable key and long-term partner to support our countries toward achieving the twin goals of Ending Poverty and Boosting Shared Prosperity. Growth alone is not enough to continue building on recent social gains and tackling the region’s persistent inequality. To do so, the region needs to invest in people, particularly the poor.

6. Under the “2x3 approach”, the World Bank Group (WBG) showed its strong commitment toward accelerating inclusive and sustainable economic growth by helping all client segments invest more effectively in people and fostering resilience to global shocks and threats and also by focusing on global public goods like gender and climate change.

7. In this line, the Bank’s engagement with client countries cannot be seen as a zero-sum game. In particular, the partnership between the LAC region and the WBG has been beneficial to both parties: the

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region has learned alongside the Bank, and the Bank -in turn- has been able to share and transfer the knowledge gained to other regions. Several innovative solutions in the Bank’s toolkit (such as cash transfer programs in Argentina, Brazil and Mexico and CAT-DDOs) were developed and tested first in the LAC region, which has proved to be a fruitful laboratory for learning and replicating sound policies in other regions. Engaging with all WBG clients, particularly those in the Upper Middle-Income spectrum, will provide valuable opportunities to apply new solutions, test innovative instruments, and share knowledge, regionally and globally. The region also contributes to the Bank’s financial sustainability and a to balance portfolio risk, with a track record of effective large loan portfolio management and compliance with the corresponding financial obligations. In turn, the WBG has helped LAC countries mobilize private financing through multiple tailor-made instruments.

8. Unfortunately, there’s still an unfinished poverty and inclusion agenda in LAC region, despite strong progress in shared prosperity, vulnerability remains high and the rise of the middle class has stagnated. Progress in Human Capital is needed to enhance the Region’s long-term growth. In this sense, the Human Capital Project is very welcome, as it serves at highlighting the significant impact of health and education investment on economic growth and bringing this to the attention of policy makers so that to increase demand for interventions that support human capital formation. We welcome the significant progress in terms of the number of countries participating in this initiative, the attention drawn by the Human Capital Index for investing more effectively in people, and the countries’ response —with support from the WBG— to take concrete steps to incorporate human capital development into government strategies.

9. Technological change, economic integration, and economic migration have implications for human capital: technological advancements have an impact on jobs and economic transformations. Regions such as LAC still struggle to create job opportunities for a rapidly growing labor force, both in terms of quality and quantity, and to tackle the challenges posed by productivity gaps and a significant informal sector that attracts vulnerable groups. In fact, LAC experienced the lowest increase in shares of wage employment between the 2000s and 2010s; therefore, we expect to see the WBG’s engagement with the region redoubled under the Jobs and Economic Transformation (JET) Agenda.

10. In this context, fostering regional integration to bring neighboring countries into GVCs is also an important topic that merits in-depth analysis. In this regard, we support the WBG’s array of tools to support countries’ JET agendas, ranging from analytics to policy advice and programs. We agree that greater coordination to improve delivery effectiveness and better impact measurement are needed within the WBG, across sectors and within and across countries. We see the Country Private Sector Diagnostics (CPSD) as a tool with great potential for an integrated approach to implement targeted policies and leverage private investment with higher quality of jobs.

11. In this line, IDA19 offers opportunity to show how we are being held accountable. The IDA19 JET policy commitments show the level of ambition, including that all Systematic Country Diagnostics (SCDs) and country programs will include a JET lens.

12. Finally, we would like to wish a successful IDA19 Replenishment and, with regards to the IDA Voting Rights Review, we would like to highlight the process undertaken by all stakeholders to achieve this momentum. The current framework has been established 50 years ago and seems that the timing of this review is appropriated, considering that IDA has been evolving in the last years transitioning to a hybrid financing model. The new framework will be more transparent, and we certainly look forward to an enhanced one taking into consideration that IDA is a global co-operative and that all voices are important to ensure an inclusive and equitable process.