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



**EIGHTY-FOURTH MEETING**  
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**Statement by**

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**Secretary of Finance and Public Credit**  
**United Mexican States**

**On behalf of Costa Rica, El Salvador, Guatemala, Honduras,  
Mexico, Nicaragua, Kingdom of Spain, and República  
Bolivariana de Venezuela**



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**José Antonio Meade-Kuribreña**  
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**Comments on**  
**the LXXXIV Development Committee Agenda**

**Implications of *World Development Report 2012: Gender Equality and Development for the World Bank Group and World Development Report Overview (DC2011-0011/12)***

The LXXXIV Development Committee meeting takes place in a very adverse international environment. Urgent actions are needed for stabilization; however they should not crowd out decisions over important issues, especially those with long-term growth and development potential which can make a decisive contribution to stabilization today.

In such a context, long term investment decisions may seem difficult to make in times of economic turmoil, but once made they increase the certainty and add to stabilization because of the expectations they raise. It is therefore wise to invest today in capital which brings the most growth and development returns in the future. And, certainly, **the most valuable capital we have is human capital. We therefore propose to view and implement the recommendations of the *World Development Report 2012 (WDR12)* with this in mind.**

**Gender equality is a crucial component of human capital**, and while progress has been made throughout the years, it is still far from being fully realized. Some stylized facts to support this argument are that women not only make up more than 50 % of the global population—which, according to the latest estimate by the UN is close to 7 billion (bn)— but also account for more than 40 % of global labor force and constitute more than half of students enrolled in universities pursuing professional or post-graduate degrees worldwide, as the WDR12 states. These facts make a clear case to think about the opportunity cost of misallocating or under-employing their talent and skills.

But aside from the opportunity costs, gender equality matters: it matters in its own right, for development outcomes and for policy-making, as the team lead by Revenga who prepared this report correctly assert. Nevertheless, while gender equality has historically been a classic topic in development economics and a recurrent subject in social science, it has commonly been labeled as “soft” social science or “politically-correct” policy-making. However, the rigor of the analytical framework and empirical evidence of the report makes us departure from that view by placing the subject as mainstream economics in social science literature and smart policy-making in development.

The WDR12 comes moreover timely because the international community has only three more years to reach the Millennium Development Goals (MDGs) 2015 deadline, and gender is not only explicit in MDGs 3 (“Promote gender equality and empower women”) and 5 (“Improve maternal health”), but it also impacts the achievement of all the others. On top of that, gender is one of the “special themes” of the IDA XVI replenishment round.

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<sup>1</sup> On behalf of the Constituency comprising also the Republics of Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, the Kingdom of Spain and the Bolivarian Republic of Venezuela.

From these perspectives, **we endorse the strategic directions proposed in the papers before us**, but we would like to elaborate on what we think would be the most effective ways to address longer-term constraints on gender inequality in the current economic environment, and how the World Bank Group (WBG) could contribute to that.

Let us begin with the analytical/methodological framework. The WDR12 vision of gender equality in development as a process of expanding freedoms equally for men and women makes sense.<sup>2</sup> Moreover, we agree that there exists a two-way mutual relationship between both, *ie* how income growth contributes to gender equality, and how gender equality contributes to growth. This framework lets the report to focus on **human endowments** (*eg* education, health), **economic opportunities** (*ie* access to jobs, incomes and assets) and, especially —because it is innovative in this literature— the **agency approach** (*ie* the ability to make choices) and **voice** (*ie* gender and equality matter both in their own right and as human rights).

We think there are many stylized facts and empirical evidence to support this approach; and the report makes extensive use of quantitative data and field research performed among a varied sample of developing and industrial countries. Moreover, apart from the references to background papers, country case studies and synthesis of current research, we would like to highlight the consultation process to gather all this information across the globe: staff actually travelled to many developing countries and, in the case of some countries of our Constituency such as Mexico, for example, the team did not only interview development ministries, but also the Ministry of Finance and Public Credit (SHCP). This proactive approach is consistent with the need to place gender equality not only as smart economics but also as relevant policy-making, and contributes to mainstreaming the subject broadly into economic planning and budgetary decisions. **We are of the opinion that this approach is an example that should be followed by the forthcoming WDRs. For development processes to be successful, Finance Ministries need to be fully involved**, and the WBG can contribute to that with these reports.

Going forward, we would like to suggest that staff analyzes the subject from a micro-foundations of growth perspective, where **gender equality becomes one of the key factors of a production function, explore then its contribution to economic growth**, and consider the endogeneity elements of the relationship after (*ie* that growth also explains equality). This could be explored, for example, in the forthcoming regional reports. In our view, this approach could complement the framework already developed and **strengthen the case that gender equality is a key component of economic growth**.

Going to specific areas of the report and the accompanying implementation paper that are important for the countries of our Constituency, we would like to emphasize the importance of gender equality in agriculture and in programs supported by the Bank in the context of the food crisis that is not over yet. Women are estimated to make up most of the world's agricultural workforce, but this is often overlooked in policy design, which can result in misguided policies, foregone agricultural output and income, and potentially exacerbated levels of poverty, malnutrition and hunger. Furthermore, women tend to focus on crops for household consumption and to sell any excess while men cultivate crops primarily for sale, leading to a disproportionate portion of agricultural income going to men. This may result in a suboptimal situation for the household: Bank studies show that when women control the income, households spend a significant degree more of their income on food consumption —and on children's health and schooling— which benefits the household greatly in the long run. From this perspective, perhaps the most urgent step is to strengthen property rights, asset ownership and access to credit services, technology and marketing channels for women working in agriculture. Incentivizing qualified female candidates to compete for senior positions in public and private agriculture organizations could also be a way to ensure that female

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<sup>2</sup> Sen, *Development as Freedom*, Oxford, Oxford University Press, 1999.

agricultural workers receive the policy and project support they need to raise households' food security, incomes and welfare.

Likewise, the impact of gender equality in education has tremendous growth and development returns. To begin with, 40% of the global labor force is female, and more than half of university enrollment worldwide is women. Not only the opportunity costs of misallocating and/or under-employing their talent and skills are evident, as stated before: the more integrated and competitive the world becomes, the higher these costs will be.

But the impact of gender equality on education, development and growth is even larger from an overlapping generations' point of view. According to World Bank staff, **educating girls today enhances equity for all tomorrow.**<sup>3</sup> We would like to encourage the Bank to deepen research on this in the forthcoming regional reports where this kind of research is feasible to perform, especially in Latin America and the Caribbean (LAC).

Another area from the report that is worth stressing from the point of view of the countries of our Constituency is the acknowledgement that many poverty-reduction Conditional Cash Transfer programs (CCTs) in developing countries have been constructed upon the finding that payments or benefits given to the female head of household have proven to be the most successful ones. These programs, which have been pioneered by Latin America in general and Mexico in particular, have a strong gender component based on the concrete observation that payments received by women are more likely to be spent on improving the welfare of children in particular and the household in general, and this has been shown by theoretical and empirical evidence with the *Progresa/Oportunidades* program, which next year celebrates its 15<sup>th</sup> anniversary.

However, **the most important features of gender-based CCT programs are their contribution to formation of human capital and consequent inter-generational poverty impact.** *Oportunidades*, for example, provides the female household head cash payments in exchange for regular school attendance, health clinic visits, and nutritional support. This model **encourages ownership and co-responsibility**, as the receipt of aid is dependent on family compliance (including the male domestic partner) with program requirements, such as ensuring children attend school and family members receive preventative health care. *Oportunidades* is credited with significantly decreasing extreme poverty and improving health and educational attainment in all rural and urban regions of Mexico where it has been deployed, according to international and independent evaluators. Today, *Oportunidades* has become one of the largest programs in the federal budget —US\$5.3 bn in the 2012 *Federal Budgetary Law* proposal. The gender-based *Oportunidades* design has thus become a model for programs tailored to other countries and regions — part I and II alike— like *Bolsa Família* in Brazil, *Familias en Acción* in Colombia, Programa de Asignación Familiar (PRAF) in Honduras, *Red de Protección Social* (RPS) in Nicaragua, *Bono Solidario* in Ecuador, *Food for Education* in Bangladesh and *Opportunity NYC* in the United States of America, among others.

Going to the policy recommendations of the WDR12 and the operationalization paper, we are pleased to read that they rightly focus on the two sides of the coin of a globalized world. **First, the political economy.** Despite the global importance of the subject and the awareness of its economic impact, reforms that materialize gender equality are not easy to do. Changing economic or political incentives to mainstream gender equality might be possible, and a lot has been advanced in this area, but changing intangible social barriers due to cultural or religious rigidities to upstream the issue is certainly more

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<sup>3</sup> See “Memos from the Developing World: The Human Opportunity Index”, *Huffington Post*, [http://www.huffingtonpost.com/marcelo-giugale/memos-from-the-developing\\_1\\_b\\_822189.html](http://www.huffingtonpost.com/marcelo-giugale/memos-from-the-developing_1_b_822189.html).

difficult and different from country to country. **This is why we are of the opinion that the political economy of gender-equality reforms should be based more upon principles rather than prescriptions, drawing from multi-country experiences across time.**

**Second, being pragmatic pays.** Rather than looking for what or who is to blame, we should focus on what has worked and what has not if we want to tackle sticky gender disparities. From this perspective, the discussion of the role that informal institutions play in the WDR12 is very useful. In any case, Bank support for gender equality, to be effective, will need to be client-driven and adapted to the country context in which it is working.

**Third, the role of collective action.** At the country-level, we agree with the WDR12 recommendations that there is strength in numbers and that, on the one hand opening spaces for women can provide a powerful signaling effect (as has been shown by the case of India), but on the other it is better to win allies rather than critics (*eg* making men allies of women, fostering inclusive markets, attracting and retaining diverse talent, *etc*). Such a decisive and balanced approach must also be taken at the international level. This is why we endorse the five pillars of the WDR12 implementation paper agenda—reducing gender gaps in health and education, promoting access to economic opportunities among women, closing gender gaps in voice and agency, and preventing the intergenerational reproduction of gender inequality—and we encourage the WBG to work with other development partners to put them into practice through applied research, lending and technical assistance. In this line, we are pleased to read that over the last five years US\$65 billion (37% of the lending portfolio) have been allocated to gender-based operations by the International Bank for Reconstruction and Development (IBRD) on the one hand, and on the other the International Finance Corporation (IFC) has invested more than US\$118 million in commercial banks that have supported more than 2,200 women-owned Small and Medium-sized Enterprises (SMEs). But we encourage them to do more.

The WBG **should make the case for gender equality in a pragmatic way.** The institution may have the data to prove that not only investing in women, but more generally in gender equality can bring significant growth and development returns and is a win-win proposition. We should therefore move towards finding innovative ways and messages to bridge gaps, avoid polarizations, foster consensus, increase ownership and make everyone aware that this is a huge development issue, just like climate change—so huge, ironically, that it can easily be ignored. And while a lot of progress has been made—it is interesting to read in the WDR12 that over the last 50 years developing and emerging countries have made progress more rapidly in the subject than industrialized ones over the last 150—gender inequalities remain unacceptably large worldwide.

With this in mind, we would like to close by stressing that **gender equality is not only a human rights issue, but in order to be pragmatic what we need to push forward is the more compelling case that investing in gender equality is a key element of sustained economic growth.** Ignoring this has massive quantifiable opportunity costs.

### **Recent Corporate and Global Development Issues (DC2011-0014)**

Institutions should always be striving at improving the way they work and, on the bottom line, achieving results. **The countries of our Constituency believe that the most effective way to be following this improvement is to have a concise and simple way to be measuring the progress on the accomplishment of its objectives and goals.** This is why we consider the *Balance Scorecard* of fundamental importance for the WBG and we are pleased to see the progress in this project.

This tool will facilitate the strategic dialogue with the Executive Board on IBRD's overall corporate performance as a development organization, and it will also be useful and relevant for the Bank's

managerial team both as an evaluation mechanism and as a way to detect problems and determine how to enhance effectiveness in operations.

We also acknowledge the development of a comprehensible definition of its framework and indicators. We are now able to see clearer links with MDGs monitoring/achievement, the *IDA XVI Results Framework* and the *Post-crisis Directions* strategy. **We encourage including data for IFC and MIGA in the near future where possible and relevant.** In the same vein, we support management's intention to include other aspects of the Bank's non-lending core businesses such as institutional development or knowledge products.

We are also pleased by the rigorous approach staff has taken to develop the indicators and support their intention to make the exercise as outcome-based as possible. While we acknowledge that the *Corporate Scorecard* is a "work in progress", we are of the opinion that the Bank should start to use it immediately and fine-tune it with "learning-by doing" approach. Not only will management be able to take better educated decisions with it, but also shareholders —through the Executive Board— will have more timely and transparent information tools to address inquiries by taxpayers and legislative bodies.

In summary, we believe that the *Corporate Scorecard* and the *Results Report* constitute important steps in the ongoing dialogue between management and shareholders on performance and accountability of the institution with respect to its own *Post-crisis Directions* strategy.