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)

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Statement by

Mr. Guido Mantega
Minister of Finance
Brazil

On behalf of Brazil, Colombia, Dominican Republic, Ecuador, Haiti, Panama, Philippines, Suriname and Trinidad and Tobago

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We express our appreciation to Minister Agustín Carstens for chairing this meeting and congratulate President Robert Zoellick for the progress achieved so far in putting the World Bank at the service of “an inclusive and sustainable globalization”.

We expect the six strategic directions proposed by the president to translate into specific action plans and policies. In this context, we welcome the discussion of the first two strategic directions, while stressing that they are inextricably related to the other four.

Overcoming poverty in the poorest countries, particularly in Africa

We are glad that progress in fulfilling the MDGs has been achieved in many developing countries. Some countries have already reached their targets and others are well on track.

MDGs were not meant to replace the commitments undertaken by countries in several UN conferences, including the Conference on Finance for Development, in Monterrey. The MDGs offer measurable benchmarks that help us to mobilize, guide, and co-ordinate the national and international efforts necessary to honor those commitments.

Many of the poorest countries are lagging behind those benchmarks. Domestic factors explain only partly the lack of progress. External factors have also contributed. Many developed countries have fallen short of honoring their commitments in support of low-income countries and Africa. Despite the success of IDA15 replenishment, the broader picture of development cooperation is not encouraging and reveals a persistent downward trend in ODA in the last three years.

Our discussion takes place at the midpoint in reaching the MDGs. Some might be tempted to establish less ambitious MDGs or customized goals for the countries that are not meeting the targets. We would prefer that the international community redouble its efforts in mobilizing resources for supporting of economic growth and poverty reduction in the poorest countries.

The Bank’s priority concern with the poorest countries should lead to more engagement with middle-income countries, where 70% of the poor live. Middle-income countries can help low-income countries through trade, regional integration, and South-South cooperation. The Bank should establish partnerships with interested middle-income countries in support of low-income countries, including in areas such as agriculture research, dissemination of knowledge, and best practices.

We welcome the call for a “New Deal for a Global Food Policy” to address the “forgotten” Millennium Development Goal of overcoming malnutrition and poverty. We support the proposed increased investment in agriculture to help create a “Green Revolution” for Sub-Saharan Africa and other low income countries, like Haiti. Centers of excellence of agricultural research in developing countries should be actively encouraged to perform an important role in this respect.

The development equation has many variables. The priority to agriculture should be balanced with appropriate attention to infrastructure and access to energy, which are also critical for eradicating hunger and poverty. Health, education, and human development are also vital.

We join the appeal for a rapid emergency response sufficient to bridge the food supply gap. At the same time, we agree that it is imperative to move beyond traditional food assistance and to focus on agricultural development. Purchasing food from local farmers in developing countries helps sustaining livelihoods of a whole community. But many small farmers are pushed out of business due to the distortions created by agriculture subsidies.

We strongly endorse the president's assessment that the world's agricultural trading system is stuck in the past and that we need to reach a global trade deal now. The financial crisis has increased the urgency of concluding an ambitious and pro-development agreement on the Doha Round that leads to the elimination of agricultural subsidies and tariffs in developed countries. We encourage the Bank to continue to play its advocacy role and to use its resources to enhance developing countries' ability to benefit from trade competitiveness.

We take note of the president's proposal to launch an Extractive Industries Transparency Initiative++. We underscore that any initiative in this area should fully recognize the sovereign right of countries over their natural resources and the importance that initiatives related to governance and anti-corruption be discussed in a multilateral and consensus-based framework.

Fragile situations and post-conflict states require prolonged and enhanced assistance from the World Bank. Such efforts should be undertaken in a manner that does not dry up resources that are also needed in other developing countries. Countries that emerge from difficult situations successfully should not be penalized by rapid reduction in resource allocations, particularly in IDA.

We caution against relying on labels, like "fragile states" when referring to fragile situations, which can have a counterproductive effect and suggest that a country is permanently fragile or has a structural tendency to disaggregate.

The modalities for engagement in fragile or post-conflict situations should be more flexible and adjusted to the countries' evolving realities. Even where risks are high, the Bank must be able to finance quick impact projects that can help promote or sustain a turnaround in any particular country.

Coordination with other bodies, especially the UN, is fundamental. The recently established UN Peace Building Commission can act as a partner of the World Bank in the implementation of political and security objectives under an integrated approach that combines these goals with long-ranging development concerns.

Recent market developments, including higher commodity prices

The current financial crisis has not yet had a significant impact on developing countries. But this could change precisely when developing countries are reaping the economic and social benefits of their painstaking achievements in eliminating sources of instability in their own economies. This time the threat to stability derives from vulnerabilities in the most advanced economy.

The Bank should be prepared to provide financial support when needed. New contingency products such as the two Deferred Drawdown Options, as well as market-related products, like the risk insurance facilities and local currency bond markets, should be made available to all interested countries.

Consideration should be given to further extension in maturities and reduced pricing as a means to counter the tightening of credit.

Bank's support should help countries expand their domestic market base through its traditional lending as well as innovative products to compensate for a less favorable environment for international trade. The financial and non-financial costs as well as the time of doing business with the Bank must be reduced and the use of country systems pursued with greater determination.

The current financial outlook should lead to greater policy coordination. At the same time, given the new status of emerging economies as the driving force of growth, such coordination requires an institutional framework, including in the World Bank, where developing and developed countries are represented on an equal footing.

Voice and representation

Enhancing the voice and representation of developing countries in the Bank's decision making framework is key to strengthening the legitimacy and efficacy of the Bank as a multilateral institution. Although the agreed package of reforms in the Fund is positive, it can not be the basis for reform at the World Bank. Criteria for World Bank Group reform should reflect the Bank's distinct development mandate and the notion of partnership for development.

We support a reform package that includes: (i) increasing the overall voting power of developing and transition countries (DTCs) to at least 50% while ensuring equitable distribution of the additional votes; (ii) strengthening representation of African countries at the Board on an urgent basis, including through the creation of additional Chairs; and (iii) increasing representation over time of the nationals of DTCs in management positions while ensuring regional balance.

We would also like to pursue discussions on the selection process for the heads of the Bretton Woods Institutions in order to ensure a transparent and competitive selection process that enables merit-based participation of candidates from developing countries. This discussion should not affect, in any way, our full endorsement to the current heads of the World Bank and the IMF.

Climate change

Climate change is a central issue in sustainable development. Although it has been induced primarily by developed countries historic and current high per capita green-house gas emissions, developing countries are bearing its impact disproportionately. Developing countries should not be expected to contribute to climate change mitigation at the expense of their own development.

The compact to avoid global warming requires enhanced actions by developed countries to reduce their emissions and abide by more strict emission reduction targets. For developing countries, any appropriate mitigation action should be supported by technology transfer and additional financial resources. To that effect, a mere reallocation or realignment of existing financial resources to accommodate climate actions in developing countries is not acceptable.

The World Bank Group should remain focused on its core mission of growth and poverty reduction. The Bank's proposed strategy for climate change provides a first basis for discussion and consultation among all countries. The World Bank is a development bank. Environmental concerns should be an integral part of the Bank's operations, but the Bank should avoid the temptation of becoming a climate change bank. We caution against an early measurement of carbon footprints in the context of IFC's role.

We welcome the Bank's role in expanding market development and financial intermediation in the climate change area, including through carbon finance. However, this should not affect integrity of the current climate change regime, nor preempt the UNFCCC's negotiations outcome. The Bank must ensure that Trust Funds and other financial arrangements that are being established, adequately take into account recipient country's interests. Such instruments should be aligned with Board approved policies and be held accountable to the Board.

Forests are victims, and not culprits, of global warming. If no action is taken to mitigate global warming, the Amazon will lose thirty percent of its forest coverage turning into a savannah. According to IPCC, only seventeen percent of global CO_2 emissions in 2004 arouse from the forest sector.

Biofuels produced from sugar cane have proven to be a promising technology in many developing countries. They should be supported as a strategic source of clean energy that can generate environmental, social, and economic benefits. The current research strongly corroborates the case against highly protected and subsidized markets for biofuels in developed countries. We expect the Bank to tap the opportunities created by this new energy source.