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on the
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Statement by

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on behalf of Argentina, Bolivia, Chile,
Paraguay, Peru and Uruguay

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on behalf of the Southern Cone Countries of Latin America

**Recent Developments
The Role of the World Bank and the IMF in Protecting the Poor**

The challenge of sustaining developing countries' growth is exacerbated by the current crisis. The global economy is now facing its most difficult situation in years, whose consequences are yet to be determined.

Developing countries are better prepared to face this crisis than in the past. Improved macroeconomic fundamentals and a more balanced growth pattern, as well as a sound institutional and policy environment, explain this phenomenon. However, though emerging markets remain on the sidelines of the turmoil, some of them are already coming up against tightening credit conditions. Moreover, a more severe slowdown of the world economy may probably have adverse effects on many developing countries. Indeed, growth prospects for some low and middle-income countries have deteriorated amid the turmoil in global financial markets.

In responding to the current financial and commodity markets turmoil, governments and international organizations must share a clear understanding of the causes and nature of the current crisis as well as an accurate assessment of its impact on developing economies.

As a development institution whose mission is poverty alleviation, the World Bank must intensify its support to the efforts of low and middle-income countries to improve the resilience of their economies in order to prevent major setbacks that may erode the progress achieved in recent years in terms of poverty reduction. In this vein, the Bank should play a key role in helping countries weather the consequences of this crisis and address the social and structural sources of vulnerabilities.

It is key to ensure persistent robust growth in developing countries. Therefore, the Bank should reinforce its focus on growth and be alert to the factors that may adversely impact on growth sustainability, especially in light of the risks of higher international rates, slowdown in global growth, large volatility in commodity prices and financial contagion.

As to international food prices, their sharp increase in the past years poses significant challenges and presents opportunities for both importing and exporting countries. Structural forces may keep food prices high in comparison to the past decade for years to come, mainly because of high income growth in the developing world, high energy prices, biofuel policies, relatively slow investment for productivity growth, climate change and financial speculation. At the same time, prices are expected to remain volatile.

Given the effects of high prices on malnutrition and schooling, additional donor resources are urgently needed for food supply programs to meet emergency calls. In addition, through more financing and advisory services, the World Bank has an important task to perform: that is, backing emergency measures and helping countries increase agriculture production and the competitiveness of this sector. Specific productivity-related policies are mostly needed to deal in the medium term with the causes of high food prices.

In my view, the Global Food Crisis Response Program is a belated but well-designed and adequate instrument to deal with this problem. I note with satisfaction that projects approved and in the pipeline account for 850 million dollars. I encourage Management to keep responding expeditiously to the immediate needs associated with high food prices and supporting the expansion and diversification of agricultural production.

More broadly, in order to perform these critical tasks, the Bank needs to be more flexible, effective and responsive to its clients' needs by offering them the best possible lending terms and high quality advisory services, partnering with them, supporting their development policies, and recognizing that there is no single template for development. Admittedly, many steps in this direction have been taken recently, like the streamlining of lending procedures, last year's belated decision to reduce prices, new local currency instruments or the Deferred Drawdown instrument. But they are just a starting point.

In times of crisis, quality is as important as promptness and quantity. The Bank has a healthy capital base position that allows it to significantly increase lending to middle-income countries if needed, providing considerable room for maneuver. In this sense, it should be able to respond to the different circumstances faced by its borrowers, especially in a potential scenario of increased demand due to rising policy challenges and tightening global financing conditions.

In sum, the Bank should bolster its capabilities to deliver a rapid response by providing immediate countercyclical financial support to affected countries and be prepared to help developing countries address the social development agenda emerging from the crisis.

Voice and Participation of Developing and Transition Countries

On the issue of Voice and Participation for developing and transition countries in the World Bank Group, I fully agree with Management that "The Bank's credibility and legitimacy could suffer without tangible and timely progress on the Voice and Participation agenda". This expression implies a tacit recognition that the current governance structure of the World Bank Group, characterized by a clear underrepresentation of developing countries, is not the best arrangement to accomplish the Bank's mission of development and poverty reduction.

Therefore, I am convinced that an essential part of the final outcome of the reform should be to rectify the existing imbalance by increasing in a meaningful way the voting power of developing countries, individually and collectively. It goes without saying that only a reform targeted towards the aforementioned outcome (even if it were to be achieved in the medium term) would allow us to speak of a tangible progress and would thus add to the credibility and legitimacy of this institution.

The proposals on voice submitted to us betoken some progress in certain dimensions of the voice reform like effective representation at the Board and responsiveness to developing and transition countries' views on development. Yet, in one of the most important aspects of this reform –that is, shareholding and voting power–, the document attests to only a modest step toward rectifying the existing imbalance, leaving to a second stage the issue of further realignment of shares. This shortcoming could be avoided by setting a substantial increase in the collective and individual voting power of developing and transition countries as the desired goal, to be achieved in accordance with a clear timetable and aimed at attaining an equitable representation between developed and developing countries, without dilution of voting power of any individual developing and transition country as a core objective of the second phase. Moreover, one of the main guiding principles of the reform should be that the increase in voting power for some underrepresented developing countries should not come at the expense of other developing countries. A reform based on a reallocation among developing countries has no sense at all.

Regarding the criteria for further allocation of shares, I believe the reform at the Bank should not be linked to the reform at the Fund and that the IMF's quota formula should not be the main element to determine Bank shareholding, especially since there is no legal obligation to follow the Fund.

There is a need to explore other criteria more relevant to the WBG mandate and role that consider, for example, the weight of nations in the world economy (like a formula using PPP) or the importance of some developing and transition countries as Bank's borrowers.

The contributions of IBRD's borrowers to the Bank's mission are well known and deserve to be considered when analyzing the relevant criteria for shareholding realignment. IBRD's borrowers are home to the great majority of the world's poor, make important contributions to the Bank's financial health, and help build the Bank's global knowledge capital by generating rich and practical lessons on what does and what does work in development.

As to the concrete options of the proposed package, I broadly agree with most of its elements. I support the approach taken to raise IDA part II voting power by encouraging all part II countries to take up their already allocated IDA subscriptions in order to eliminate the discrepancy between the volume of IDA allocated votes and the actual distribution of voting rights. We believe there must be more chairs representing developing countries at the Board. Thus, I strongly support the proposal to add an additional Executive Director to represent Sub-Saharan Africa at the Board. I also concur with the importance assigned to the critical issue of Board effectiveness and internal governance. There is a need to further strengthen the Board's effectiveness and its capacity to exercise all the power delegated by the Governors, particularly when it comes to deciding on policy and strategic issues and controlling the Bank's operation and organization. I also see merit on the proposed process for selection of the Bank's President and the advanced measures towards deepening responsiveness to developing and transition countries' views on development. As to IFC, the fact that the voting power of developing and transition countries currently stands at only 31.8 percent speaks volumes about the need for a voice reform in that entity. As with IBRD, a substantial reform including an increase in basic votes is certainly needed. Finally, regarding the proposed doubling of basic votes, I view this measure only as part of a comprehensive package of realignment of voting power and shareholding aimed at achieving equitable participation of all developing and transition countries.

On the way forward, I fully support the notion that this should not be a one-time reform but rather an ongoing process. Despite my concerns that progress with regard to IBRD shareholding is modest and not far away from the status quo, I can accept a phased approach, provided that the remarks I made before are duly incorporated, especially with regard to substantive increase in the voting power of developing and transition countries, equitable participation, no dilution and the principle that any increase in the voting power of developing and transition countries should not come at the expense of other developing and transition countries. The only way to advance in phases is by having clarity with regard to the end product.

Development and Climate Change A strategic Framework for The World Bank

I welcome the adoption of the long-awaited Strategic Framework on Development and Climate Change for The World Bank Group. This framework embodies the World Bank Group's response to development challenges under climate constraints. In my view, its integrated approach has the potential to add coherence and effectiveness to the WBG's work in support of developing countries.

The WBG's contribution to sustainable development will highly depend on an effective implementation of this framework, which should be: (i) focused on the Bank's core mandate of development and poverty

alleviation; (ii) demand driven and based on a constructive and permanent dialogue with clients, (iii) tailor-made to meet the particular needs and priorities of different countries and (iv) in support of national development programs.

Climate change has the potential to revert the hard-won development gains of last decade and poses risks to the achievement of the Millennium Development Goals. The framework rightly points out that “one of the main features of climate change is a major asymmetry in the distribution of the causes and impacts across countries. Industrialized countries have contributed most to the existing stock of emissions in absolute terms and on a per capita basis, while many of the developing countries are likely to bear the brunt of the impacts”. The challenge of climate change requires global responses and cooperation among all countries that acknowledge their common and differentiated responsibilities. In my view, due to the unfair distribution of causes and impacts, special attention should be given to the issue of adaptation by providing technical and financial support and, in particular, by financing stand-alone adaptation projects. It is also critical that any mitigation response be designed and implemented in a way that does not hamper or hold up development. Accelerating or sustaining high economic growth remains critical for developing countries. Development and poverty alleviation efforts are constrained by the added costs and risks of climate change. It is up to developed countries to demonstrate leadership by providing adequate assistance to the developing world in order to offset such additional costs.

In this vein, it is worth noting that in recent years, financial assistance for development and climate actions has fallen well short of the huge existing needs. We are now meeting at a time of great uncertainty with regard to the world’s financial and economic prospects, which may pose an additional risk to resource mobilization to address climate change issues. In this context, it is critical to receive reassurances that financial resources –which must not come at the expense of neglecting other development needs– will be additional, predictable and readily available to carry out climate actions.

In sum, I am confident that with a sound implementation, this framework will help developing countries access additional financial resources, technology, technical assistance and knowledge to employ them in the context of their national policies and programs. Undoubtedly, thanks to its global reach and knowledge base, the WBG is well positioned to contribute to the climate agenda. Notwithstanding, it is worth reiterating that the United Nations Framework Convention on Climate Change continues to be the central multilateral framework for cooperative action to address climate change.