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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)



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Statement by

**Juan Alberto Fuentes Knight  
Minister of Public Finance  
Guatemala**

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



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**The effect of recent economic developments on long term growth and overcoming poverty: the role of the World Bank and International Monetary Fund in protecting the vulnerable**

1. It was only six months ago during our Spring Meetings that we focused our attention on the hard-hitting increase of the food and energy prices, its impact on poverty, and the responses and support expected from the World Bank Group (WBG) and the International Monetary Fund (IMF). We were aware that after having observed a long period of economic growth in most regions, future prospects were tainted by the incipient problems derived from the subprime markets, higher inflation and slower growth of high income countries. Even when the developing world had shown greater resilience, the downturn in the world's economy was bound to affect it.

2. Both the WB and IMF have pointed to the impact the “twin oil-food shock” is having on the macroeconomic stability of many countries, deteriorating their terms of trade, and imposing complications due to mounting inflation and its second-round effects in wages and other prices. The policy responses to the twin shock – including tax reductions and relief, subsidies, social transfer programs – bare significant fiscal implications, exacerbated at times by the expected monetary responses to control inflation. To this effect we believe that actions taken so far by the World Bank (i.e. expanding the access to additional budget-support operations and implementing a rapid financing facility for the most vulnerable countries), should be complemented with a more bold analytical response on behalf of the IFIs, explicitly stating the pros and cons of these measures under country specific scenarios. As long term development allies, the IFIs are in a privileged position to analyze and fully appreciate the consequences of not acting with the appropriate set of policy responses, or with the celerity warranted.

3. In the case of highly fiscal vulnerable states, aid dependent countries and those facing debt sustainability issues, we consider that further support to short term responses aimed at increasing fiscal space (i.e. additional financing and aid), should be prioritized by IFIs and the donor community as a whole. Not attending these needs would mean jeopardizing advances in poverty reduction, and those derived from debt relief.

4. Now, as the financial turmoil has acquired unforeseen dimensions, our concerns are that the ripple effects will hit the developing world even harder, endangering the progress towards the attainment of the Millennium Development Goals (MDGs). If under a more benign context the World Bank's role has been considered key in partnering with countries to reduce poverty and promote growth, in a situation as we face today its role is even more relevant. Unfortunately under a stress scenario, hard earned accomplishments can be overturned from one moment to the next. Rather than waiting to rebuild, countries must react as soon as possible to avert major backtracking, and the Bank should stand ready to offer the necessary support in these efforts.

5. We are starting to observe that the present crisis will mean an economic slowdown of a serious nature, affecting the developing world's growth, reflected in lower levels of exports, investment and overall productive capacity. As the spill over effects of the financial turbulence continue to unravel, countries could be faced with serious liquidity constraints as access to market-based sources could abate. To this effect we call for the Bank to provide the required financial resources and technical assistance to its clients, including middle income countries. We believe the World Bank's leadership along with its solid financial and technical capacity allows it to be prepared for the actions to be demanded.

6. Good coordination and synergy at any one point in time between the institutions that compose the WBG is important to heighten development results; during this difficult period we believe it to be imperative. We would therefore emphasize that when alluding to Bank's responses, we are compelling to the Group's collective action, with each of its institutions playing their different but supportive role in the mission towards poverty reduction, and leveraging on each other to maximize the expected outcomes.

7. Whenever financial sector disruptions are present the risk of having overenthusiastic regulatory and policy responses arises. Such responses could have negative effects on issues which have brought significant benefits to developing countries, such as financial innovation or the progress observed on trade. Considering the WBG expertise and accumulated knowledge, it should be in a position to provide relevant analytical support, and when appropriate, advocate for reasonable policy corrections that take into account the needs of the developing world.

### **Enhancing Voice and Participation of Developing and Transition Countries in the World Bank Group: Options for Reform**

8. We are confident that today's discussion on Voice and Participation will be an opportunity to show the world that the international community is ready to stand together in the time of crisis, and is committed to move forward in strengthening the Bank's legitimacy, credibility and accountability through a reform of its governance structure. We acknowledge the complexities derived in accomplishing the objectives of increasing the organization's responsiveness and capacity to respond to its shareholders and clients, while keeping in mind the distinct nature of the Bank's development mandate. Nonetheless, supporting these reforms will fend the Bank's legitimacy so it can successfully assist and guide some of the collective actions needed to be taken in the future.

9. After an extensive and consultative process among shareholders, Executive Directors and DC Deputies, we believe that the document presented today assertively proposes a basic reform package on which to move forward. Based on the goals and guiding principles of the Voice reform, as well as an objective yet pragmatic analysis of the available options, the proposal presents an acceptable set of complementary measures regarding voting power and shareholding; strengthening of Board representation and effectiveness; and enhancing Voice and Representation in the work of the WBG.

10. As with all negotiations among international partners reaching a consensus means leaving behind many legitimate individual viewpoints. Notwithstanding, we believe that the

shareholder's commitment to the Bank's mission will prevail in the decisions to be taken, and that an endorsement of the proposed package will mean a positive outcome for the Bank and most important, for the countries it seeks to serve.

11. We welcome the fact that the proposed package recognizes the need to continue making progress in the overall adjustment of voting rights and shareholdings; that the relative weight in the global economy remains the bedrock of IBRD shareholding; and that other important factors such as a member's commitment to the WBG mandate will also be reflected in the review. Ignoring such aspects would be undermining the fairness that had been sought in earlier experiences in adjusting voting power of several member countries.

12. Although we would have preferred to see each and every element in the package show simultaneous progress in its implementation, we are satisfied that the proposed package sets a clear path and timeline to assure that all of its components will be fully analyzed and actions will be taken, not only to further realign IBRD shareholding for all members, but to continue discussing the options to strengthen Board effectiveness and internal governance. We look forward to hearing of the progress achieved by the next Spring Meetings.

13. On basic voting rights, we consider doubling their amount and securing their weight regardless of future changes to be a satisfactory compromise to increase DCT voice. We agree with the proposed exceptional allocation of IBRD shares for subscription to mitigate the decline of DTC member whose voting power would otherwise decrease. Any remaining unallocated shares could be made available for subscription by members representing special cases.

14. In order to fully reap the benefits of the reform actions, we concur with the call for Part II countries to make every effort to take up their unsubscribed IDA subscriptions, and with this show for the developing countries' pledge to multilateralism, its benefits and obligations. We also note that an additional chair on the Board for Sub-Saharan Africa, accompanied by continued efforts to increase staff diversity and field presence, will be important elements to achieve the desired objectives.

15. Finally we welcome the inclusion of addressing the process for selection of the Bank's President. Reforming the selection of the heads of the Bretton Woods Institutions will be a clear and unmistakable signal of the shareholder's commitment to enhancing the institutions' governance structures.

### **Development and Climate Change: A Strategic Framework for the World Bank Group**

16. Addressing climate change is without a doubt one of the major challenges faced today as it poses a threat to the world's long term prosperity. Given the magnitude and scope of the task before us we would like to start by welcoming the Bank's engagement in the fight against climate change. Amid ongoing international negotiations a decision could have been taken to postpone or delay any involvement until further political advances and consensus were reached for long term cooperative action. Notwithstanding, the World Bank Group has taken the bold decision to address the issue, clearly delineating it within the realm of its core mission for supporting growth and poverty reduction. We congratulate the institution for taking advantage

not only of its comparative advantage as a financial agent, but of its convening power and technical expertise to support countries as they play their part in confronting this overwhelming task.

17. Guided by the principle of common but differentiated responsibilities and respective capabilities as set forth by the United Nations Framework Convention on Climate Change (UNFCCC), we believe the Strategic Framework for the World Bank Group to be a solid foundation for the Bank's engagement as it seeks to expand its knowledge and understanding of the links between climate change and development. The Framework sets out the scope, seriousness and complexity of the matter at hand, but also identifies areas where opportunities could and should be sought through immediate, medium and long term actions. To this we would add our satisfaction with the outreach and participation process that underpins the design of this work and which is a key aspect to building further support for the Bank's future work.

18. The document before us brings forward several issues which we consider worth highlighting. First, the recognition that climate change demands unprecedented global cooperation and that equity and fairness in achieving such arrangements is crucial. Second, that climate change imposes an added cost to development efforts and that mobilizing additional resources to fund them is a fundamental premise for moving forward. Third, that in scaling up the World Bank's operational response to climate change, sight should not be lost of its core mission for growth and overcoming poverty, and its commitment to partnering with developing countries, continuously reinforcing the need for country based and country led approaches.

19. On the strategy itself, we believe it to be broad enough to adjust itself to future international negotiation outcomes without constraining Bank's participation in the short run. Considering the magnitude and urgency of reacting, we welcome the WBG's ongoing efforts supporting climate change adaptation and mitigation, as well as access to energy for the poor. We fully support the Group's multisectoral and programmatic approach to this matter and believe the strategy will provide a solid foundation for future sector strategies.

20. We concur with the views that close coordination and collaboration with the different participants (governments and relevant international organizations) involved in the fight against climate change is crucial, and that each will play a part based on their comparative advantage and a clear division of labor. Notwithstanding, we would like to stress our belief that the WBG has an important advocacy role to play on behalf of the poorest and most vulnerable countries, considering they will be the ones to suffer most the adverse consequences of climate change, and consequently carry the higher burden of its adaptation.

21. In supporting countries adapt to the negative consequences of climate change, the WBG's efforts should gear towards the poorest; nevertheless the most vulnerable - regardless of their size or income level-, should also occupy top priority in the Bank's agenda. This is particularly relevant as many of our client countries are at risk of reversal in the progress achieved in terms of economic growth and development due to the shocks resulting from natural disasters.

22. This is particularly the case of vulnerable middle income countries like those in Central America. It is worth noting that two of the five countries in the region rank among the top five

natural disaster hot-spot countries with more than 30% GDP in areas at risk due to two or more hazards, three upon the top ten and four amongst the first twenty. Extending this argument to include the Caribbean states only reinforces the argument. We therefore welcome the institution's commitment to continue working in close collaboration with small, highly vulnerable, middle income countries in the Latin America region, and in providing financial and technical support, but at the same time encourage the Bank to identify, promote, assist, and overall be more vigilant to sub regional efforts that are currently underway or that could be undertaken. The Bank's successful involvement and accumulated knowledge of individual countries allows it to approach the challenges posed by climate change from this sub regional perspective. We believe the Bank should not shy away from these efforts because of the added complexity they could bring to operations.

23. We concur that the six areas for action contained in the framework open valuable opportunities to further develop tools for addressing both adaptation and mitigation. Within these areas there are specific elements which we believe should be underlined. One of them, the importance of recognizing the critical role that the responsible management of forests plays in improving living conditions of rural populations and in mitigating climate change effects. We welcome the Framework's support to forestry in all of its dimensions (afforestation, reforestation, restoration of degraded forest and sustainable use of bioenergy), but particularly on recognizing the benefits provided by ecosystems and biodiversity; and the need to be more explicit on actions to be taken in increasing resilience in agriculture. We would also like to emphasize the key role that Carbon Markets, and particularly the Clean Development Mechanism, should play as an efficient tool to promote mitigation through long term investments in developing countries. We welcome the World Bank's leadership in this challenging field and the initiatives under development such as the Carbon Partnership Facility.

24. The approval of the Climate Investment Funds and its recent successful pledging of resources are notable experiences whose future interventions will likely provide valuable lessons and results. The institution's efforts are also recognized in its support to identifying and introducing emerging technologies, including new renewable technologies, and Carbon Capture and Storage for oil and coal applications in interested client countries.

25. As already mentioned, mitigating and adapting to climate change will undoubtedly increase the costs of development, bearing its effects on both public and private sector interventions. We believe the Bank is in a privileged position not only to support its public and private clients, but encourage and boost their close collaboration. We exhort IFC and MIGA to take a more proactive stance towards promoting private sector funding and resource mobilization to face up to the challenge imposed by climate change. We welcome the actions taken thus far, but do caution against imposing an undue burden on the design of forthcoming operations.

26. Finally, we encourage the WBG to step up its policy research, knowledge and capacity building agenda, and most important to further analyze the implications that the required actions bear on fiscal and expenditure policies, trade and competitiveness, social safety nets, and governance.