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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An unprecedented turbulence in financial and housing markets in developed countries is unfolding before our eyes sending shockwaves throughout the world. This financial tsunami adds to the suffering of many of the world's poorest people as a result of historically high food and fuel prices. Suffering from hunger and disease is going to affect millions of more people.

Increased awareness on the potential devastating impacts of global warming compels us to renew efforts to strengthen international cooperation. Countries, like Haiti and the Dominican Republic, are already suffering from increased climate variability, in the form of more frequent hurricanes and intense flooding.

We are overwhelmed by emergencies, but promoting economic growth and eradicating poverty remains our priority.

Recent economic developments, and their effect on long term growth and overcoming poverty: the role of the World Bank and the IMF in protecting the vulnerable

Developing countries have sustained robust growth rates in recent years. Economic resilience was a hard-won achievement for countries who suffered from the aftermath of the Asian Crisis. Developing countries have provided many successful examples of how to promote high growth rates and how to lift people out of poverty without compromising sound economic management.

We have no illusions. Developing countries will be affected by the global slowdown. The developing world needs a countercyclical shock or else many countries, particularly those with smaller domestic markets and those more dependent on exports to some developed countries, could suffer serious consequences.

This is a time when the World Bank has to act more quickly and flexibly than ever to ensure that resources flow at adequate and predictable levels to countries most in need. In addition, the Bank should engage with vulnerable countries to provide analytical support. Current conditions call for less, not more conditionalities.

We need to fix the business model of the World Bank, making it more responsive to local conditions, country systems and evolving circumstances. Also, we need to shake our own bureaucracies. We cannot wait three years to get a loan or a credit.

We supported the call for a New Deal for Global Food Policy and we welcome the expedited financing provided through the Global Food Crisis Response Program. We should consider additional measures, such as: (i) extending the post-conflict classification, and the additional funding this brings, to some countries, and (ii) reconsidering (at least in some cases) the IDA rule that reduces new IDA allocations for countries, once they qualify for the multilateral debt relief initiative. Contingent financing instruments should be put into place to provide fragile countries with quick access to liquidity in case of future emergencies.

We cannot neglect the challenges faced by some middle-income countries that are net-food importing countries. For example, the Philippines, the world's top importer of rice, is maintaining a school feeding program.

In most developing countries, the strengthening of social safety nets is a key policy response to food and fuel prices, as well as to the current financial crisis. Brazil is already sharing with other countries its successful experience with a conditional cash transfer program, the Bolsa Família. Now more than ever, the World Bank should support policies that seek to extend the benefits of economic growth to the poorest and most vulnerable.

At a time when recession looms in developed countries, fast-growing large developing countries can help bring back the world economy to a sustained path for growth. The World Bank should support policies that maximize the ability of these developing countries to become pillars of growth and investment for the benefit other developing countries.

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

The current crisis should not overshadow the importance of keeping the momentum on the negotiations under the United Nations Framework Convention on Climate Change and the Kyoto Protocol. The poorest countries and communities, that have contributed little to global warming, will disproportionately bear the negative effects of climate change.

The commitments by developed countries to mobilize new, additional and predictable financial resources are a central pillar of the climate change regime. Unfortunately, the resources have not materialized in times of bonanza and we fear that the financial crisis will make prospects even worse.

The World Bank Group has tried to do its part by mobilizing resources from donors. We welcome the establishment of the climate investment funds. They are a transitional mechanism that will help us accelerate the learning curve even before we agree on a stronger financial architecture for the climate regime.

Adaptation remains essential for developing countries. The tragic flooding of the city of Gonaïves in Haiti is an example of what can happen to many cities in developing countries. The Bank's prospects of playing a significant role in adaptation will be judged by its ability to design instruments that can effectively be used in concrete situations like the floods and hurricanes in the Caribbean.

Market-based mechanisms – such as carbon finance - can play an important role in reducing the costs of mitigation, while providing developmental benefits. We support their further expansion and interconnectedness. However, these efforts should not take place to the detriment of the integrity of the climate regime.

Energy access remains of paramount importance for pursuing economic growth and poverty eradication in developing countries. The World Bank should seize win-win opportunities for mitigation by expanding its lending to renewable energy. The Strategic Framework acknowledges the potential role of biofuels and we expect the World Bank Group to support the outcomes from the World Conference on Biofuels, held in São Paulo next month.

Technology development and transfer is a major pillar of the climate equation. The Bank Group has still to define its role in this important area in the next months. Our expectations are high.

While implementing this framework we should also bear in mind the Bank's main limitation being that while climate change requires actions by all countries to promote a low-carbon growth, the World Bank only operates in developing countries and countries with economies in transition. We cannot monitor the low-carbon growth of only one part of the equation.

We will remain engaged and supportive of the Bank Group's role in climate change now and beyond the Copenhagen meeting in 2009.

Enhancing Voice and Participation of Developing Countries and Countries with Economies in Transition in the World Bank Group

Reforming global governance is an essential component of any effective solution to address the most pressing global challenges. Without adequate voice of developing countries, no solution can be held together.

We strongly welcome the creation, (which is long overdue), of an additional Chair for Sub-Saharan Africa. This decision not only redresses the sub-representation of a region that is central to the Bank's development mandate, but also is a matter of improving the efficiency of the Executive Board that cannot function properly when some of its main clients are not allowed to sit at the table.

We welcome the efforts to increase basic votes and help restore the voting power of developing countries and transition countries in IBRD and IDA, while mitigating the dilution in voting power of larger developing and transition countries through the use of unallocated shares.

In order to arrive at a comprehensive package, decisions should encompass a wide range of voice reform measures, including a major shareholding review moving towards parity between DTC and developed countries. We favor the adoption of Bank-specific criteria for quota realignment in the World Bank. These criteria need to be quite different and – from a development perspective more ambitious - than those that apply to the IMF, given their separate and distinct mandates.

The reform should fully embrace the PPP methodology (which the World Bank itself helped design) to assess the relative weight of countries in the global economy. It should also recognize the role of those countries that have been consistently engaging in a development dialogue with the Bank and that have contributed to its business as IBRD borrowers.

The selection of the President of the Bank should be a competitive, transparent and merit-based selection process, irrespective of any geographical preference.

As we engage in this exercise we must recognize that an equitable voting power between developed and developing countries benefits not only developing countries, but the international system as a whole.

The contribution of developing countries to south-south trade, investment and development cooperation (including IDA contributions) should be encouraged and supported by the World Bank. However, countries have different roles and ODA should by no means become a precondition for enhancing the voting power of DTCs.

The World Bank is a late reformer. It is beginning this process at a time when the IMF undertook the first phase of its own reform. The WTO is no longer the same and the G-8 is expanding its outreach.

The current crisis changes the parameters for discussing reforms in global governance. It makes them even more imperative.

We place our expectations in President Zoellick's leadership in ensuring that we honor our commitment to finalize a comprehensive package and to move even further into revitalizing the multilateral system.