



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)

NINETY-FIFTH MEETING
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Statement by
H.E. Alfredo Thorne Vetter
Minister of Finance
Peru
On behalf of Argentina, Bolivia, Chile, Paraguay,
Peru and Uruguay

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95th Meeting of the Development Committee

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1. The current international context of stronger economic activity worldwide is a positive outcome; nevertheless, it is characterized by higher policy uncertainty, growing protectionist sentiment, and expectations of weak growth potential in the medium term. This takes place amid increasingly complex global challenges – slow and uneven economic growth, rising inequality within countries, aging populations, forced displacement and humanitarian challenges resulting from protracted fragility and conflict-related crises, increased intensity and frequency of climate change-related natural disasters, regional famines and pandemics, among others.

2. The firm commitment of The World Bank Group (WBG) to reach its twin goals, eradicating extreme poverty by 2030 and boosting shared prosperity in a sustainable manner, becomes even more relevant, and it is certainly shared by and a reference for our countries. We welcome the three ways in which the WBG plans to achieve the twin goals: first, by working to accelerate inclusive and sustainable economic growth; second, by helping countries invest more effectively in people; and third, by fostering resilience to global shocks and threats.

3. We concur with the need for a better and stronger WBG to help reach the twin goals and meet the SDGs. This, in turn, will require having a WBG fully engaged with all client segments and a balanced portfolio growth that includes IDA, low- and middle-income countries (LICs and MICs), while protecting the WBG's triple-A rating.

4. We salute and endorse the strong and enthusiastic support for IDA and Fragility, Conflict and Violence (FCV) countries and, at the same time, we expect similar levels of financial support and sound technical advice to those provided in past decades to MICs, as we believe that the benefits of this approach will accrue to all clients. MICs are home to over 70 percent of the world's poor and 60 percent of the extreme poor and, at the same time, account for 75 percent of global GDP growth. With the rapid expansion of their middle class over the last decade, they also provide attractive markets for the exports of both advanced economies and LICs. The private sector in MICs is increasingly a driver of investment in IDA countries, accounting for a growing share of global foreign direct investment (FDI) flows. In an increasingly integrated global economy, realizing the 2030 development agenda will require concerted action across all country income levels. The WBG's engagement with all client segments broadens the opportunities to generate global public goods, allows for a richer south-south cooperation, and maximizes the possibilities for innovative development solutions.

5. The innovative Cascade approach (IFC's 3.0 strategy) brings new opportunities to mobilize public and private resources to speed up the global development process. We believe this approach will help steer

the WBG's work in the right direction through a more coordinated framework across all its institutions, allowing for complementarities between policy and institution-building reforms with private sector investments and leverage. We look forward to concrete steps toward fully operationalizing and mainstreaming the Cascade approach, and we are pleased to see that LAC is one of the pilot regions. We believe the Cascade approach has huge potential to succeed in our region: our economies exhibit mature markets, where commercial financing is readily available, along with riskier and less efficient markets, where reforms to strengthen their institutions and optimize efficiency are at different stages of implementation. Such reforms should be focused on addressing market failures, providing de-risking mechanisms and catalyzing resources to sectors where public investments are most needed. In this sense, success will be achieved by maintaining solid partnerships with IBRD and IFC and by expanding MIGA's role through different guarantee products.

6. The ongoing implementation of an improved business model and an "Agile Bank" are positive news that we support. A simpler, better and faster WBG will translate into more positive and timely development outcomes in all the WBG's client countries. We look forward to working with a WBG that is well positioned to offer services with greater speed and more flexibility. Similarly, we support the new World Bank Environmental and Social Framework (ESF) and all initiatives that are conducive to provide adequate compensation and the best protection to affected people and the environment, while bringing about long-lasting and sustainable development impact. Providing social and environmental protection and compensation mechanisms is, in our view, fully compatible with an "Agile Bank".

7. Positive steps have been taken with a view to put forward alternative scenarios for potential Selective and General Capital increases at the 2017 Annual Meetings. As we congratulate the WBG and its donors on the historic robust IDA18 Replenishment, we expect a similar outcome for IBRD so as to financially enable the institution to meet the demands of all its clients. In this sense, we follow with interest the ongoing discussions on rebalancing shareholding, building on the agreement on the Dynamic Formula. We appreciate the efforts to jointly analyze different elements of a potential Selective Capital Increase – size, allocation rules, and other adjustments – that will allow for a balanced outcome that addresses underrepresentation of individual countries while including allocation of shares in line with the dynamic formula, forbearance and limits on dilution of overrepresented countries.

8. For more than two decades, the Latin America and the Caribbean region (LAC) has made sustained economic and social progress, and it has contributed to the international community with global public goods and innovative solutions for development in areas as diverse as social protection, health, public-private partnerships, labor markets, pension reforms, and emergency response to natural disasters. However, the global economic slowdown of recent years has hit the region considerably and has explained modest growth rates and a slower pace of social improvements, although with significant variation across countries.

9. The LAC region faces old and new development challenges. Dependence on commodity exports, foreign investment flows and remittances has made several of our economies vulnerable once again to low commodity prices and a protracted global slowdown. Increasing but manageable fiscal imbalances and current account deficits are requiring appropriate policy responses to preserve macroeconomic stability, which has characterized our region over the last recent decades and is necessary to keep the path of sustained progress toward poverty reduction. LAC is still the most unequal region in the world, accounting for eight out of the ten most unequal countries in the planet. Progress toward reducing inequality has remained stagnant for several years now, and the growth of the middle class has come to a halt in several countries in the region. More progress toward greater social inclusion and social mobility, especially among indigenous households, is still urgent to consolidate social cohesion and political stability. Gender inequality is still present, demanding more concrete actions to tackle it. Vulnerability to natural disasters is

still high and more frequent, prompting to redouble efforts in mitigation and adaptation measures to climate change.

10. Our governments are actively working on short and long-term policies to restore sustainable economic growth, and we want to keep working with the WBG as a key partner in support of our efforts toward jointly achieving poverty elimination and shared prosperity by 2030, in our region and globally. The nature of our partnership with the WBG is one of mutual benefits. LAC is increasingly relevant in the international context, and our sustainable and inclusive growth will continue to greatly contribute to global positive outcomes. Despite the recent surge in protectionist sentiment across the world, we keep strengthening our trade linkages with the world and supporting multilateral trade systems as we have borne witness to the benefits that trade openness has brought to our region in recent decades: higher productivity, greater competition, lower prices, and improved living standards. However, we recognize that trade-related adjustments are critical to ensure that the gains are shared more widely across the population. As a result of our approach to trade, our importance as global buyer and seller is growing steadily. We are by large a net food exporter, and we play a key role in achieving global food security. LAC still enjoys a demographic dividend that allows us to greatly contribute to the global labor supply and to share part of this dividend with countries with more aging populations. Our large natural resource endowments are much needed worldwide to face climate change challenges, and our early climate actions are making a difference in achieving sustainable growth.

We call upon the WBG to keep working with us and supporting our efforts in several critical areas to set the stage for a quick economic recovery through effectively addressing transitory fiscal and external imbalances and fostering private market efficiencies and massive job creation and opportunities for all. We also look forward to continuing jointly working on deepening structural economic and institutional reforms, maximizing the development benefits of the Cascade approach, and fostering regional integration. Our region is in the process of closing the gap in the supply of basic infrastructure services by optimizing public investments and leveraging private capital. Universal water and sanitation will be key to eradicating chronic malnutrition, eliminating poverty and significantly reducing inequality. Likewise, more and better roads and communications, universal urban and rural electrification, and efficient public transportation systems are essential to keep improving our competitiveness and advance positive social and economic progress. In the agricultural and rural sectors, we need to boost productivity by improving irrigation systems and access to markets and technologies, among other key actions. Delivering on all these fronts will help consolidate our position as one of the largest global food suppliers. Similarly, more and better investments in human capital are urgent. Improving the quality of education and health services is at the core of making our labor force more competitive and compatible with a more diversified economic matrix. Reducing vulnerability to natural disasters in a region that is highly exposed to the devastating effects of El Niño, hurricanes and earthquakes, requires the right level of expertise to implement comprehensive risk management strategies, including effective emergency responses. On the institutional front, we need to improve the civil service system, raise the quality of law administration and law enforcement services, and eliminate corruption from public and private practices. We count on our partnership with the WBG to continue advancing in all these areas to the benefit of our region and the world as a whole.