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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

**H.E. Fernando Haddad
Minister of Finance**

Brazil

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

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107th Meeting of the Development Committee

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We write our legacy while we shape our future. Throughout its existence, the World Bank Group (WBG) has demonstrated a remarkable capacity to adapt and respond to the ever-changing global landscape, utilizing its resources and expertise to foster a sustainable and inclusive path for people and countries. Initially, in 1944, when the Bank was founded, with the idea of helping finance the reconstruction of European countries ravaged by World War II. Few years later, the Bank could evolve its mission to expand the focus to provide financial assistance to developing countries for infrastructure projects, such as transportation and energy.

Amidst the rapid emergence of newly independent nations, in 1956, the WBG established the International Finance Corporation (IFC) with the primary goal of promoting private sector investment in developing countries. On its turn, in 1960, the International Development Association (IDA) was established to provide concessional loans and grants to the world's poorest countries. In view of the widespread perception that poverty should be tackled differently, in the 1970s, the WBG was once again capable to shift its focus, from financing large-scale infrastructure projects to directly addressing poverty and promoting development, with the emphasis being placed on sectors like agriculture, education, and health.

In response to a severe economic crisis that affected many developing countries, characterized by high levels of inflation, fiscal imbalances, and external debt, the Bank, in the 1980s, began to focus on policy reforms and structural adjustments in developing countries.

In the late 1990s, the WBG introduced the Comprehensive Development Framework. This approach emphasized country ownership, participation, and a holistic view of development that includes social, environmental, and governance aspects. In the early 2000s, the institution aligned its priorities with the United Nations' Millennium Development Goals (MDGs), which aimed to significantly reduce global poverty, improve health, and promote gender equality by 2015. After the completion of the MDGs, in 2015, the United Nations established the Sustainable Development Goals (SDGs), which the WBG has also adopted as a guiding framework. During the COVID-19 pandemic, the group played a significant role in providing financial and technical assistance to countries to help them respond to the crisis, support health systems, and mitigate the economic impact.

As described above, the WBG has evolved from its initial focus on post-WWII reconstruction to addressing various development challenges faced by its member countries. Nowadays, we face a similar task in the need to construct fairer, inclusive, and resilient societies. In the light of the reversal in extreme poverty reduction and in shared prosperity indicators, due to the multiple crisis we face, we understand the urgency and share the need for ambition in the WBG evolution process. Accordingly, given the scale of the global development challenges, a better and bigger bank is needed.

VISION AND MISSION

First and foremost, it is crucial to recognize that the spectrum of global development challenges and public goods extends beyond climate, pandemics, fragility, conflict, and violence. It encompasses broader concerns, such as food security, access to water and energy, sustainability, and digitalization, among others.

While referring to sustainability, we must be aware of all its dimensions, economic, social, and environmental. And the environmental aspect must not be confined to climate change. All environmental challenges are equally important to our sustainable development.

Considering the pandemic, the lasting effects of Covid-19, including its impact on education, poverty, learning losses, and human capital development, must be duly addressed. Investing in people is fundamental to fostering a better planet. Additionally, the discourse on fragility should incorporate aspects of inclusion related to gender, race, and youth.

Therefore, it is essential to establish criteria for selecting and prioritizing global challenges based on their potential influence on development outcomes.

To tackle development challenges, we require an institution dedicated to eradicating extreme poverty and promoting shared prosperity. This institution should strive to achieve sustainable, resilient, and inclusive development, that encompasses economic, social, and environmental dimensions. By doing so, we will ensure that the benefits of progress are equitably distributed and accessible to all members of society. It is worth noting that the primary focus of the evolution process should be on the impact we aim to create on development, sustainability, and resilience, rather than merely rephrasing the Twin Goals.

OPERATING MODEL

In order to create a more effective institution, it is essential to remain dedicated to addressing the unique needs and requirements of our clients. As such, the WBG must prioritize providing comprehensive and customized services to all clients, moving away from a primarily supply-side approach. Emphasizing a tailored strategy for middle-income countries (MICs) is crucial, as the development and implementation of bespoke plans that address the specific circumstances and challenges faced by each nation are vital for achieving meaningful and sustainable progress. To ensure collective impact and effectiveness, it's essential that shared global priorities are integrated into operations in accordance with national circumstances, strategies and priorities.

Collaboration with multilateral organizations, such as the UN Global Climate Fund, as well as other MDBs and RDBs, calls for the identification of areas of comparative advantage and the promotion of complementarity over exclusivity.

Furthermore, advancing the concessional strategy, particularly for MICs, is of paramount importance, as it plays a critical role in incorporating global development challenges into the operational framework. To fulfill the aspirations of the evolving WBG, it is necessary to effectively introduce and implement new financial instruments and incentives that enable the organization to better serve its clients and drive impactful change.

FINANCIAL MODEL

The new ambition's scope and the ongoing high cost of addressing multiple challenges highlight the need to bolster the WBG's financing capacity. It is essential to enhance this dimension while preserving the Bank's financial sustainability, AAA ratings. Moreover, one of the principles of the evolution process should be no transferring of cost to client countries through increases in IBRD loan pricing. Rather, the

evolution process must provide additional incentives and concessional resources to developing countries to address global development challenges.

As an initial set of measures, the WBG should optimize its balance sheets, leverage existing capital, and increase lending capacity by utilizing existing resources, such as financial intermediary funds, to obtain additional capital. However, balance sheet optimization has limited capacity, and other options, including new contributions from donors and a capital increase, should be considered later on this process.

We encourage the WBG to redouble its efforts in areas such as private capital facilitation, mobilization through co-financing and de-risking, and enabling via reforms and public investments. The increase in IBRD financing to assist MICs must not hinder addressing the needs of IDA countries. Furthermore, the model should address the short-, medium-, and long-term challenges faced by IDA finances, all the while maintaining concessionality.

FINAL REMARKS

Amid our ongoing deliberations concerning the WBG's evolution, our constituency believes that a critical pillar remains absent from the roadmap - the aspect pertaining to governance. As this institution undergoes a substantial process of reform and preparation to effectively confront the diverse array of developmental and global challenges, it is imperative that we prioritize enhancing transparency and efficiency while simultaneously reducing bureaucratic obstacles and mitigating the strain of onerous policies and non-financial costs.

Finally, we cannot conclude this statement without drawing attention to the situation in Haiti, which is one of the countries within our constituency. Currently, Haiti is experiencing its fourth consecutive year of GDP contraction, with inflation nearing an alarming 50%. The country is grappling with escalating extreme poverty and ranks among the highest in global food insecurity. While we recognize and appreciate the commendable support extended to Haiti by the IMF, the WBG, and other development partners during these challenging times, we urge for increased solidarity and prompt, collaborative action to address this crisis. It is necessary, more than ever, that the IMF and the WBG spearhead efforts in providing timely and augmented support to Haiti, aiming to dismantle the pernicious cycle of poverty, fragility, and violence.

During this period of immense grief brought on by the recent earthquake affecting Afghanistan, Ecuador, Pakistan, Peru, Syria, and Turkey, we seize the opportunity to extend our heartfelt solidarity with their citizens, acknowledging the pressing need for the international community to offer comprehensive support to these nations to alleviate the consequences of this devastating event. Regarding the situation in Ukraine, we urge all relevant parties to engage in meaningful dialogue and find pathways towards peace, including countries and blocs willing to explore the path of understanding. We believe that progress towards peace, even if limited, is a crucial step towards achieving a lasting settlement that upholds the principles of international law and respects the sovereignty of all nations involved. The World Bank's action to help people affected by tragic events is of utmost importance, as it can provide critical support to help communities recover and rebuild after natural disasters, conflict, or other crises.

In conclusion, the WBG's rich history of adaptation and resilience demonstrates its unwavering commitment to addressing the diverse and ever-evolving challenges faced by its member countries. On behalf of Brazil, under a renewed leadership committed to fighting poverty and boosting prosperity, Colombia, Dominican Republic, Ecuador, Haiti, Panama, Philippines, Suriname, and Trinidad and Tobago, we would like to reinforce that the WBG must prioritize a comprehensive, inclusive, and sustainable approach to development that reflects the unique needs and aspirations of all its clients. By embracing innovation, fostering collaboration, and expanding its financial resources, the institution can effectively support the eradication of extreme poverty and the promotion of shared prosperity by fostering a sustainable, resilient, and inclusive development. Together, we can continue the WBG's legacy of meaningful impact, driving transformative change for a brighter and more equitable future.